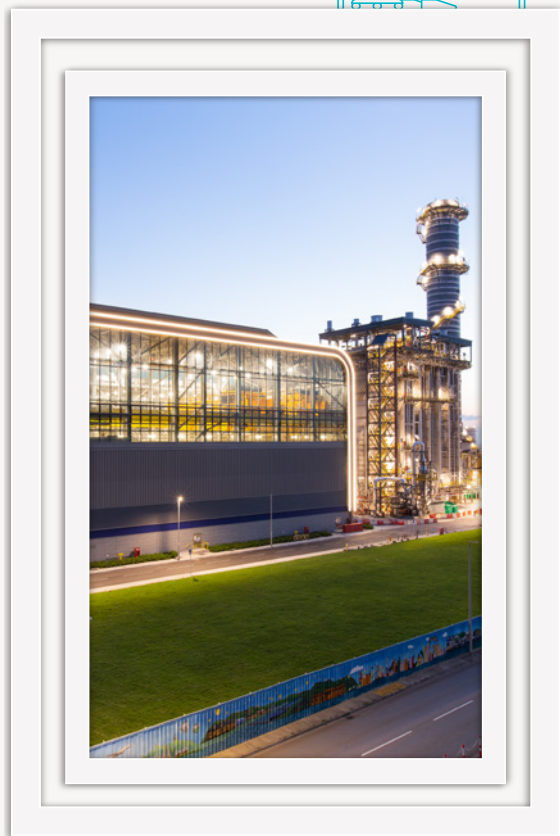
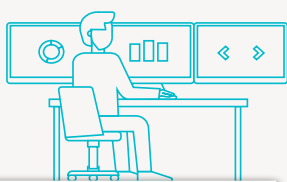


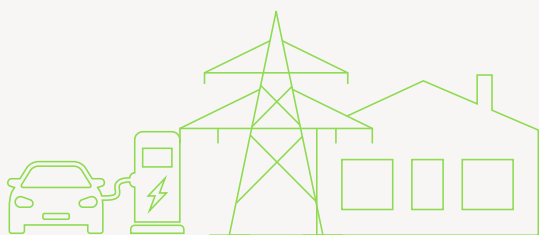
2021

Sustainability Report

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years of shared vision





# Supply chain

## Overview

The success of a business depends on a range of factors beyond its operational boundaries. One key factor is its supply chains.

CLP recognises suppliers as a core asset as it relies on the equipment, fuel and other resources they provide to successfully generate and deliver electricity and services to customers. Well-managed and optimised supply chains support cost control, improve business outcomes and define a competitive advantage.

Due to its interconnected and interdependent nature, strong supply chain management is necessary to protect CLP, suppliers, customers and communities from the potential knock on effects of any changes in the operating environment. For customers, they may include reliability of CLP's energy supply. For CLP, the potential knock on effects include regulatory and reputational risks arising from increasing expectations. In particular, companies are expected to understand – and manage – the risks of child or forced labour in its supply chains.

The need for close collaboration requires the alignment of CLP's targets and objectives with those of its business partners. Through its spend with suppliers, CLP contributes to economies and local communities by creating jobs. It can also positively augment suppliers' practices through partnership and collaboration and, if appropriate, mandate higher standards of safety, environmental protection and labour practices.

### Key stakeholders

- Customers, Suppliers, Communities

### Related material topics

- Reinforcing resilience in a changing operating environment
- Aligning business activities with community, employee and customer expectations
- Upholding labour standards in the supply chain

## Supply chain management

### Management approach

Procurement and supply chain management are an integral part of CLP's business operations. CLP procurement professionals aim to develop and implement effective supply market strategies to acquire quality products and services, reduce supply chain risks, realise Group-wide synergies and deliver optimised supply chain value to stakeholders.

### Strategies and procedures

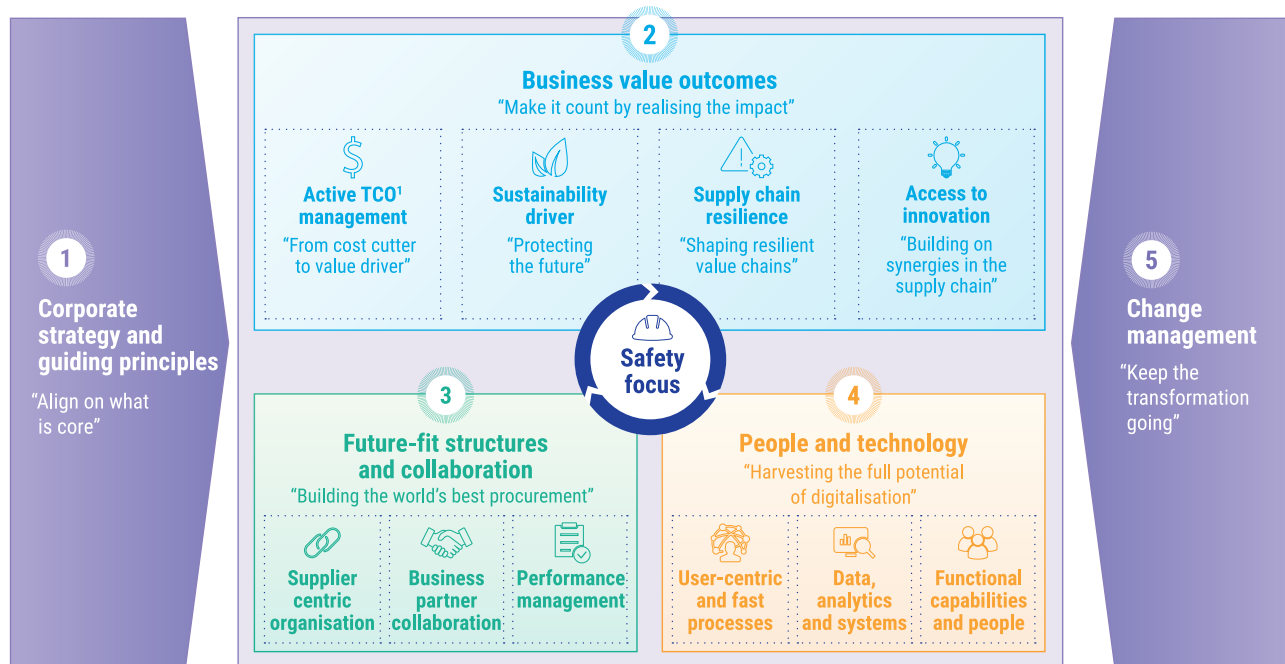
An updated version of CLP's Group Procurement Standard (GPS) was released in early 2022 after a thorough review and internal engagement. With safety as an overarching value, the framework has five dimensions which serve as a guide towards world-class procurement practices, they are:

- Corporate strategy and guiding principles
- Business value outcomes
- Future-fit structures and collaboration
- People and technology
- Change management.

The GPS supports the continuous improvement of functional practice and capability across the Group. For each dimension, the GPS defines levels of practice from "basic" to "advanced". Each business unit assesses their required level of functional capability to support their business outcomes, and then develops a plan from their current level of practice towards leading practices.



## CLP's Group Procurement Standard



1. Total cost of ownership

Procurement commitments comply with CLP policies, including:

- [CLP's Value Framework](#);
- [CLP Procurement Values and Principles](#), which highlight the procurement department's mission, governance, commitment and strategies;
- The [CLP Group Responsible Procurement Policy Statement](#) which highlights the Company's requirements and expectations of suppliers; and
- Other procurement policies that govern daily CLP operations.

These day-to-day operations are also guided by [CLP's Whistleblowing Policy](#) and [Harassment-Free Workplace Policy](#). CLP encourages all suppliers to uphold the principles outlined in these policies.

Procurement is actively involved in supporting category and project steering committees, including supporting an appropriate level of oversight and governance in procurement decision-making. In addition, procurement commitments are made with reference to clearly defined regional *Company Management Authority Manuals*.

### Monitoring and follow-up

CLP designs fit-for-purpose sourcing strategies to select suppliers who will best meet its requirements and deliver value at an acceptable level of risk. Typically, supplier selections are conducted through competitive tendering and based on an assessment of the supplier's ability to meet quality, health and safety, environment, delivery, innovation, sustainability and cost requirements. CLP ensures its

contracts safeguard stakeholder interests, and reflect supplier commitments and obligations, including legal and regulatory compliance, and the safeguarding of intellectual property rights, data confidentiality and security.

The Procurement Leadership Team, comprising each Region's heads of procurement, oversees aggregated future procurement needs, supply market opportunities and risks, and the development of procurement strategies. Procurement and business unit personnel work in close partnership to review the market and assess the performance of incumbent suppliers. There is an emphasis on monitoring sustainability risks, covering the areas of human rights/modern day slavery, environment and community. The information informs the formulation of the sourcing strategies and provides enhanced insights of the supply market. This collaboration has increased CLP's ability to negotiate and manage risk and supplier relationships, and has resulted in tangible commercial benefits for each business.

CLP segments contracted suppliers into tiers. This helps determine the appropriate level of governance and engagement. Segmentation is reviewed annually based on relative contract value and potential business impact, including risks in relation to supply chain and sustainability.

Quarterly risk assessments are conducted in line with the Corporate Risk Framework for strategic suppliers with high business criticality and spend value. Heatmaps assist in determining the likelihood of failure events and their potential impact on the business. The assessment is conducted in conjunction with supplier risk management and supplier relationship management processes. Risk mitigation



plans are developed to address identified risks related to delivery performance, supply disruptions and business continuity, and sustainability within the supply chain. Regular meetings with suppliers are conducted to discuss the progress of mitigation plans and explore opportunities for further improvement.

### Continuous improvement

Through year-round operational, business and executive reviews, CLP enhances its Supplier Relationship Management process for strategic suppliers. The reviews consistently measure each strategic supplier's delivery performance, drive continuous improvements and alignment.

CLP continues to review past performance, future business needs, as well as technology and innovation roadmaps

regularly with suppliers. While supplier performance is measured under a structured framework, suppliers are also invited to provide feedback to CLP. This approach provides candid two-way communication and continuous improvements in the long run. Specific focus and supplier input on technology roadmaps and innovation also strengthens CLP for future challenges.

For example, as a result of the review process, a talent development programme was rolled out in CLP Power in 2021. It provided comprehensive training modules, including topics on category management and sustainable procurement, to uplift the capabilities of the procurement team in Hong Kong. It will continue in 2022 on other topics.

## Year in review

All suppliers contracted for critical projects were subject to sustainability risk assessments, representing 67% of total procurement project spend.

GRI reference: 204-1, 308-1, 308-2, 407-1, 408-1, 409-1, 412-1, 414-1

CLP defines critical projects by considering their importance to business operations, sustainability risks and contract value.

Suppliers of critical projects are assessed on their sustainability practices through various tools, including self-declared questionnaires, proposal evaluation, site visits, and where subcontracting is involved, audits on subcontractors' capability to meet the project's requirements.

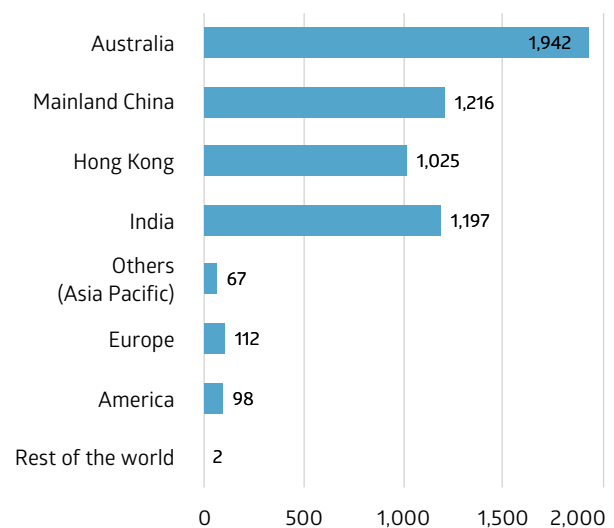
In 2021, all critical projects awarded were subject to sustainability risk assessments. These critical projects represented 67% of total procurement projects by value, as compared with 94% in 2020 and 71% in 2019. The relatively high percentage in 2020 was attributed mainly to one-off capital projects in Hong Kong.

In 2021, the Group sourced products and services from 5,659 suppliers to the total amount of HK\$44.0 billion – 58%<sup>1</sup> of this total was spent on local suppliers based in the respective Hong Kong, Mainland China, India and Australia markets. Charts on the number of suppliers by region and the spend per region are shown below.

## Number of suppliers by region



CLP has the highest number of active suppliers in Australia.

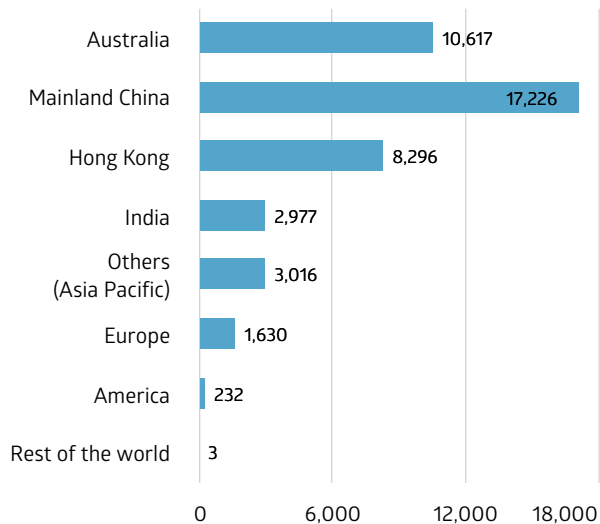


<sup>1</sup> The calculation methodology of the proportion of spending on local suppliers was revised in 2021 to better reflect the local spent by each of CLP's business unit. In 2020, spending on local suppliers accounted for 60% of the total spent.



### Payment to suppliers by region (HK\$M)

**i** The majority of payments to suppliers in 2021 were made in Mainland China.



The Group remains committed to responsible procurement practices and proactively engages with suppliers to promote practices that are key to a sustainable supply chain.

During 2021, for strategic suppliers, the procurement team has:

- Assessed 48 strategic suppliers, constituting 58% of the year's spend, against sustainability requirements.
- Confirmed that each strategic supplier has processes and risk mitigation plans in place to manage risk and continuously uplift their capability.
- No significant risk findings related to the CLP Responsible Procurement Policy Statement were identified amongst these strategic suppliers.

EnergyAustralia is required to report under the Australian Modern Slavery Act 2018 and submitted its [first statement](#) in 2021. It has developed a Modern Slavery Policy, covering EnergyAustralia's obligations within its operations and supply chains, and how risks are identified, assessed and addressed. The Policy is planned for update in 2022.

In preparing its statement to the Australian Government, a risk matrix was developed of supplier locations and commodities to identify high-risk suppliers to approach with a survey to obtain a better view of their modern slavery risk. If a supplier is identified as not having any policies or practices that prohibit child, or forced, bonded or involuntary prison labour, EnergyAustralia will provide them with the tools to develop policies and practices, and subsequently conduct surveys to monitor their implementation.

Through its reconciliation action planning with Reconciliation Australia, EnergyAustralia has committed to increase its number of Aboriginal and Torres Strait Islander suppliers to support economic and social improvements for the First Nations people of Australia. The Company's membership of Supply Nation, a not-for-profit organisation encouraging the growth and engagement of Indigenous businesses, helps deliver on this commitment.

In 2021, EnergyAustralia commenced including Indigenous participation clauses in its supplier contracts. By doing so, it seeks to leverage its supplier partnerships to drive Indigenous inclusion and further strengthen Indigenous business spend, employment and cultural awareness. During the year, EnergyAustralia's procurement team received training and development on Indigenous procurement from Supply Nation. By year-end, the procurement team reported that it had sourced goods and services from eight Indigenous suppliers with a total of A\$160,000 in spend.



# Responsible procurement

## Management approach

CLP's Responsible Procurement Policy Statement (RePPS) outlines the Group's expectations of its suppliers, and their suppliers and subcontractors.

GRI reference: 2-24, 407-1, 414-2

The expectations outlined in the RePPS are based on four pillars:

1. Legal compliance;
2. Respect for people, including a safe working environment, good employment practices, no discrimination and no use of child labour or forced labour;
3. Ethics and business conduct, including transparency in business processes, a high standard of business conduct and no conflicts of interest; and
4. Environmental stewardship, including the efficient use of resources, the responsible disposal of waste and the monitoring of environmental performance to improve over time.

[Download the Responsible Procurement Policy Statement](#)



Separately, EnergyAustralia has developed a Supplier Code of Conduct and supplier portal. The Code reflects the essence of the Group's RePPS. It includes a whistleblowing service that suppliers may contact directly or anonymously to raise any concerns. The Code has been added to supplier contract precedents and EnergyAustralia Purchase Order Terms and Conditions.

[Download EnergyAustralia's Supplier Code of Conduct](#)



## Operational responsibilities

CLP contract terms and conditions outline specific sustainability requirements and expectations in terms of business ethics. Suppliers are encouraged to align with the principles stated in the RePPS and are expected to adopt similar standards and practices when doing business with the Company.

The CLP team leading responsible procurement engages with key internal and external stakeholders to promote procurement practices aimed at reducing environmental, social and governance (ESG) risks and enhancing supplier capabilities to meet CLP's sustainability expectations.

## Strategies and procedures

CLP takes a risk-based approach to responsible procurement across the procurement lifecycle. ESG risks are identified and evaluated regularly at category, project and supplier levels

against each of the four responsible procurement pillars. This evaluation considers:

- Country-specific risks;
- Product/service-specific risks;
- Industry/category-specific risks;
- Legal and regulatory compliance risks;
- Labour practices and sub-contracting risks;
- Health and safety risks;
- Governance and business conduct risks;
- Environmental risks; and
- Brand and reputational risks.

Specifically, the risk assessment aims to help CLP manage ESG issues, such as labour practices, human rights, modern slavery, child labour, harassment, safety, environment, subcontractor management and anti-bribery along the value chain. The risk assessment results provide insights into sourcing strategy development for categories and risk mitigation for strategic suppliers.

## Training and development

CLP regularly conducts workshops for contractors to uplift their safety and environmental awareness and capability. To enhance professional development of contractor staff, workshops and training on procurement practices and supplier relationship management are conducted.

## Year in review

CLP is strengthening its Responsible Procurement Framework and enhancing visibility of supplier sustainability risk, as part of its current three-year Procurement and Supply Chain Management Sustainability Plan.

Under the current plan, a review of CLP's Responsible Procurement Policy Statement is underway. The review considers best practices in responsible procurement and stakeholder expectations, and assesses the Company's current practices against them. This will help CLP update its commitments in alignment with its business objectives, and clearly communicate its sustainability expectations to suppliers conducting business with the Company.

The other project in progress aims to enhance the visibility of the sustainability risk profile of CLP's supplier base. The project seeks to introduce a supplier assessment which takes into account their industry and geography. All active suppliers will be assessed to identify sustainability risk hotspots. This will inform further actions, including possible support to improve supplier sustainability performance. The proposed assessment process is targeted for launch in the coming year.



# Supply chain data

GRI reference: 2-6

## Supply chain management

Supplier distribution	2021	2020	2019	2018	2017
<b>Total suppliers by region (number)</b>	<b>5,659</b>	5,777	6,362	5,721	5,536
Australia	1,942	2,216	2,215	1,986	1,941
Mainland China	1,216	1,142	1,166	1,011	995
Hong Kong	1,025	1,013	1,000	950	899
India	1,197	1,134	1,704	1,476	1,443
Others (Asia Pacific)	67	70	77	84	70
Europe	112	121	118	129	112
America	98	78	77	78	69
Rest of the world	2	3	5	7	7

Payment to suppliers	2021	2020	2019	2018	2017
<b>Total payment to suppliers by region (HK\$M)</b>	<b>43,997</b>	36,544	36,746	39,183	30,868
Australia	10,617	8,526	8,356	9,410	7,184
Mainland China	17,226	15,577	11,603	10,339	8,343
Hong Kong	8,296	8,501	8,888	8,917	7,264
India	2,977	1,999	3,104	4,597	2,527
Others (Asia Pacific)	3,016	960	3,093	4,363	4,467
Europe	1,630	753	1,234	1,170	830
America	232	221	458	380	241
Rest of the world	3	5	10	7	12



# Community



## Overview

CLP provides electricity services which play an essential part in modern life. It also creates jobs and supports the economy through its investment in infrastructure, operations and its supply chain.

By making its electricity generation cleaner, CLP can create broader benefits to communities and their living environments through, for example, better air quality and reduced use of resources.

One of CLP's major contributing factors to its greenhouse gas (GHG) footprint is emissions from electricity generation using fossil fuels. CLP's mission is to be a responsible energy provider, and the communities in which it operates rightly expect the Company to play an active role in addressing the climate emergency. Such an expectation prevails in CLP's Hong Kong home market, where [electricity generation accounts for almost two-thirds](#) of the city's GHG emissions.

To that end, and in addition to decarbonising its electricity generation, CLP offers a range of new services and other supporting programmes with an objective to improve energy efficiency. The Company also promotes energy conservation to the public, participates in industry organisations and contributes to informed discussions on the transition to a low carbon economy.

### Key stakeholders

- Communities, Government and regulators, Customers

### Related material topics

- Shaping and executing the transition to net-zero
- Acting as a trusted partner in the clean energy transition

## Stakeholder Engagement Framework

### Management approach

CLP is committed to open, transparent and timely communication with its stakeholders. This is delivered through the CLP Stakeholder Engagement Framework.

GRI reference: 2-16, 2-29, 207-3, 413-1

### Strategies and procedures

CLP's Stakeholder Engagement Framework provides open and transparent channels for stakeholder input, and a review and consideration process where concerns about CLP's business are responded to in a timely manner.

While each business unit develops its own project-specific engagement plan depending on their needs, in developing the plan the below framework is followed:

1. **Aligning engagement objectives with business objectives**
2. **Mapping issues and concerns**
3. **Identifying relevant stakeholders:** CLP's business activities involve a diverse range of stakeholders. In addition to regular communications with stakeholders (such as email updates, information kits, and video

stories), key stakeholder groups for each project are identified and prioritised based on issues mapping and how the stakeholders will be impacted, and their influence on the success of the business.

#### 4. Developing a communications and engagement plan:

CLP is using a wide range of easily accessible public engagement channels both formal and informal, such as surveys, focus groups, briefings, visits, events, roadshows and online channels, to enable it to receive concerns, interest or feedback at any time during the year. Drawing on past experiences, the channels for each project are selected based on the nature of the projects, and the effective means to reach the identified stakeholders.

#### 5. Conducting engagement activities

#### 6. Capturing feedback and reporting on outcomes:

To address stakeholders' views and concerns and identify areas for improvement in a timely manner, the effectiveness of CLP's approach to stakeholder engagement is captured through a number of measures. They include stakeholder feedback, outcomes following engagement, media monitoring and analysis, brand perception ratings, and recognition and awards.