CLP 中電



2022 Sustainability Report

Towards a Sustainable Energy Future

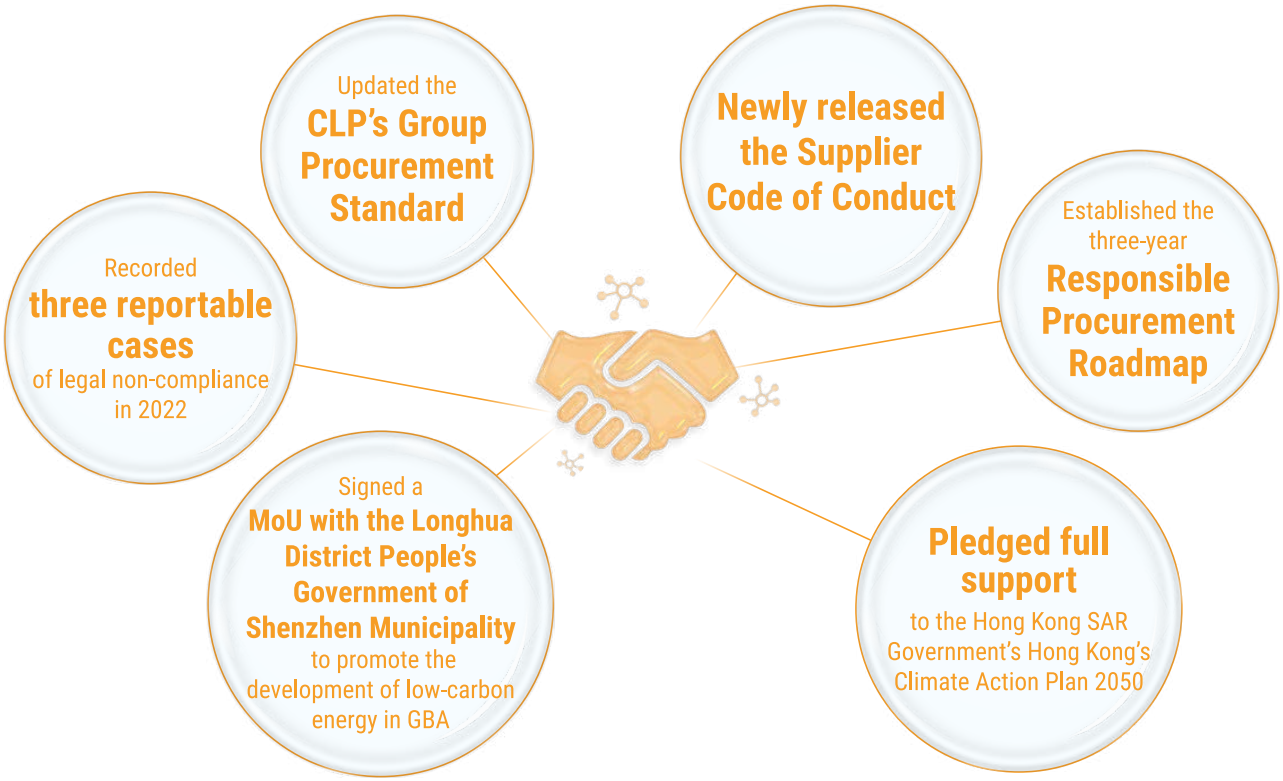
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Partners

Overview

Stakeholders' areas of interest	Relevant material topics
• Public policy • Code of Conduct and anti-corruption • Legal compliance • Supply chain management • Responsible procurement	**Shaping and executing the transition to net zero** • Partnering in the clean energy transition **Bolstering energy security and reliability** • Reliable and reasonably priced energy **Aligning business activities with community, employee and customer expectations** • Human rights in the supply chain

Outcome for stakeholders



Public policy

Our approach

CLP acts as a trusted partner to governments and regulators in shaping practices and services that contribute to developing sound government energy policies and laws that balance social, economic and environmental needs.

GRI reference: 2-28, 415-1

The transition to a clean energy economy remains one of the critical agenda items for governments around the world. CLP continues to engage with governments and regulators in formulating decarbonisation policies and plans while delivering sustainable low-carbon energy systems for infrastructure investment that drives economic growth. Through participation in a range of industry and professional bodies, CLP provides input to the major issues deemed crucial to the energy sector's ongoing viability and success, advocating as a thought leader of the industry.

CLP's policy is to remain politically neutral and avoid making political contributions. Joining an organisation as a member is reviewed by the respective Corporate Affairs teams based on business objectives and engagement purposes. All membership proposals are subject to the final approval of the senior management of the Group or Business Units.

Download CLP's Policy on Making Political Contributions

Initiatives and progress

CLP continues to strengthen communications with governments and regulators, and contributes knowledge, experience, and best practices to support government decision-making processes.

GRI reference: 2-28, 201-4, 415-1

Concerted efforts by the private and public sectors are critical to addressing the emerging challenges in the energy sector. CLP maintains regular communications with government and legislators through various channels such as site visits and information sharing sessions, to enhance the mutual understanding of strategies and policy directions in shaping a low-carbon future. CLP also actively responds to major public policy consultations and develops carefully considered positions that are relevant to the energy sector. By bringing its industry expertise to the table, CLP can add value to the discussion on how best to pave the way forward for the energy industry and the community, as technology and public needs evolve.

CLP's responses to major public policy consultations – in addition to the Group-wide positions on critical issues such as climate change – are published and accessible on the Company's websites. For example:

- CLP Power has pledged full support to the Hong Kong SAR Government's Hong Kong's Climate Action Plan 2050 since its announcement in 2021. Echoing the Policy Address initiatives announced in 2022 to help Hong Kong achieve carbon neutrality before 2050, CLP Power fully supports the Government's acceleration of decarbonisation efforts and housing and infrastructure development plans, including expediting infrastructure in new development areas and providing a roadmap for the electrification of public transport and commercial vehicles.
- For example, as one of the key strategies to decarbonise Hong Kong, the Government is encouraging motorists to switch to EVs. CLP Power announced an extension of its free EV-charging service until the end of 2023; continuing to provide a convenient and reliable public charging network for EV motorists across Hong Kong.
- EnergyAustralia welcomed the new Australian Federal Government following the elections in May 2022, and remains strongly committed to engaging with policymakers at all levels to advance the country's clean energy transition. Policy developments are expected to promote investments in new dispatchable capacity, enabling more renewable energy to enter the grid reliably and affordably. EnergyAustralia continues to strengthen its capital structure to fund its current and future investment needs, providing the reliable supply needed to support customer demand and the transition to a lower-carbon power market.
- CLP contributed to the public consultations on the draft principles for voluntary carbon credit standards developed by the Integrity Council for the Voluntary Carbon Market (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI), which aim at setting a global standard for high-quality carbon credits and developing guidance on credible use of carbon credits in businesses.
- In support of the development of globally comparable sustainability disclosure standards, CLP submitted a response to the International Sustainability Standards Board's (ISSB) public consultation in July 2022 for the exposure drafts on General Sustainability-related Disclosures and Climate-related Disclosures after

consulting various chambers of commerce, industry organisations and professional bodies.

None of CLP's businesses receive any significant government financial assistance.

CLP supports and actively participates in a range of organisations to enable the Company to keep abreast of different stakeholders' views, navigate policy uncertainties and shape informed policy making. The table below outlines the total amount CLP has contributed to organisations influencing public policy. The contribution is made through paying membership fees, making donations, providing sponsorships and providing input to policy position papers.

Contributions to different types of organisations (HK$M)

Types of organisation (HK$M)	2022	2021	2020
Lobbying, interest representation or similar	0	0	0
Local, regional or national political campaigns, organisations or candidates	0	0	0
Trade associations or tax-exempt groups (e.g. think tanks)[1]	8.69	14.12	8.90
Others (e.g. spending related to ballot measures or referendums)	0	0	0

1 Includes contributions to professional organisations that seek to influence policies in the form of membership, donation or sponsorship.

CLP's focus is on organisations active in climate change and broader energy market policies. Significant resources are devoted to these organisations through membership, sponsorship and other contributions, including active participation by senior management. CLP has contributed HK$ 250,000 or more, in cash or equivalent, over the last three years to each of the organisations listed below (in alphabetical order).

Organisation	Description of organisation	CLP contributions and engagement
Australian Energy Council (AEC)	The AEC represents 20 major electricity and downstream natural gas businesses operating in the competitive Australian wholesale and retail energy markets.	EnergyAustralia's Managing Director is Chair of the AEC. EnergyAustralia is also an active participant in its various working groups which cover a range of competitive energy market issues. These include reviews of wholesale market operation, competitive retail markets and emissions reduction policies.
Business Council of Australia (BCA)	The BCA is a CEO-led industry association, representing more than 100 of Australia's largest businesses. It supports transitioning to a more carbon-efficient economy with a goal of net-zero emissions by 2050.	EnergyAustralia is a BCA member and supports the BCA's advocacy for a national, bipartisan energy and climate change framework that can deliver against reliability, affordability and sustainability objectives.
Business Environment Council (BEC)	An independent, charitable organisation established by the business sector in Hong Kong, the BEC promotes environmental excellence by advocating for the uptake of clean technologies and practices.	The CLP CEO had been a Director of BEC since 2012 and was elected Chairman for the term from 2020 to 2022. The CEO is currently the Immediate Past Chairman. CLP actively participates in or sponsors events, public consultations and working groups organised by the BEC. It is also a signatory of the BEC Low Carbon Charter and the Power Up Coalition.

Organisation	Description of organisation	CLP contributions and engagement
Confederation of Indian Industry (CII)	The CII is a not-for-profit industry-led organisation. It works to create and sustain an environment conducive to the development of India, partnering Industry, the Government of India and civil society, through advisory and consultative processes. It works closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.	Apraava Energy has been a member of CII for more than a decade. Its Managing Director is the Co-Chairman of the CII National Committee on Power, and its Chief Operating Officer is currently a member of the India CEO Forum for Clean Air, which is under the CII National Initiative Cleaner Air Better Life. Through these initiatives, Apraava Energy plays an active role in representing the power sector in India on issues that concerns them.
Energy Transitions Commission (ETC)	The ETC is a London-based international think tank supporting energy system transition by showing what it will take to create credible, accelerating transitions towards universal, clean energy systems across the world. It aims to inform decision-makers in both the public and private sectors and support leaders to undertake more rapid deployment of low and zero-carbon solutions.	CLP joined the ETC in August 2018, and the CLP CEO is one of a diverse group of leaders from the public, private and NGO sectors in the ETC. CLP contributes to the ETC's work programme and publications by participating in the ETC Commissioners Meetings, the ETC Representatives Meetings and the ETC Communications Club Meetings.
Free Electrons	A global accelerator programme for electric utilities, Free Electrons enables startups to work closely with utilities to develop digital solutions to overcome the challenges arising from the increase of renewable energy and decentralisation of energy systems.	CLP first participated in Free Electrons in 2018, and has since identified collaboration opportunities through the programme. The 2022 programme has attracted applications from over 400 start-up companies from around the world, and shortlisted four of them to engage as pilot projects.
Kadoorie Farm and Botanic Garden Corporation (KFBG)	KFBG raises awareness of ecological and sustainability issues, undertakes species conservation and ecosystem restoration, reconnects people with nature, and promotes sustainable lifestyles.	CLP began to support a 10-year forest restoration programme of KFBG in 2022. This programme will help build the knowledge and capacity in reforestation, ecosystem recovery, and nature-based solutions for carbon offsetting.
The Hong Kong Institute of Directors (HKIoD)	HKIoD is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors.	In 2022, CLP became a founding sponsoring partner of the HKIoD-hosted Hong Kong chapter of the Climate Governance Initiative, a programme that aims to drive increased focus on climate issues among company directors.
World Business Council for Sustainable Development (WBCSD)	A global, CEO-led organisation of over 200 businesses, the WBCSD is working to accelerate the transition to a sustainable world. It targets the realisation of its Sustainable Development Goals through six work programmes including Circular Economy, Cities & Mobility, Climate & Energy, Food & Nature, People & Society, and Redefining Value.	CLP actively participates in programmes such as the Energy Pathway and Redefining Value, in particular the CFO Network and Integrating ESG into decision making.

Case study

Promoting the development of low-carbon energy in Greater Bay Area

CLP*e* signed a memorandum of understanding (MoU) with the Longhua District People's Government of Shenzhen Municipality (Longhua Government) in August 2022 to promote the development of low-carbon energy in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in support of Mainland China's goal of reaching net-zero carbon emissions by 2060.

Developing the GBA as an international innovation centre that leads the country's green transformation is one of the emphases of the Chinese Government's National 14th Five-Year Plan. Under the MoU, CLP*e* will work with the Longhua Government to develop digitalised energy projects and support the digital transformation of the Longhua District, with the aim of building a national pilot area which sits at the heart of the GBA. For example, CLP*e* will implement one-stop smart energy projects and solutions for buildings and parks, including renewable energy solutions, EV charging solutions, cooling systems, and energy storage applications.

Through this partnership, the Longhua Government can leverage CLP*e*'s professional knowledge and expertise in the energy sector to drive the development of integrated energy projects in the GBA. With the support of the Longhua Government, CLP*e* will establish its GBA head office in Longhua, making it the leading enterprise in the application of new energy in the district. The MoU also signifies CLP*e*'s strategic move in accelerating its business investment in the GBA.



The signing ceremony of the MoU between CLPe and the Longhua District People's Government of Shenzhen Municipality.

Code of Conduct and anti-corruption

Our approach

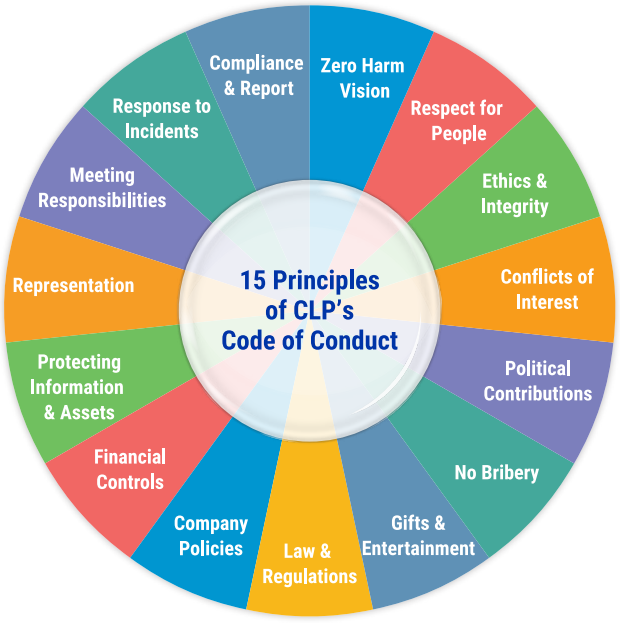
CLP has built its reputation as a trusted partner upholding responsible business conduct and ethics. Guided by its Value Framework and Code of Conduct, CLP employees are committed to acting with integrity and honesty in all business activities and standing firm against corruption within the Group.

GRI reference: 2-24, 2-26, 205-1, 205-2, 205-3, 416-2

CLP's Code of Conduct sets out 15 Principles that help drive the Company forward and serve as a tool to guard against corruption within CLP. The Code is applicable to the entirety of the Group, including CLP Holdings, its wholly owned subsidiaries, joint ventures or companies under CLP's operational control or joint operational control. For transparency, it is also available to the public in both English and Chinese.

All employees of CLP, irrespective of their position and function, are expected to fully adhere to the principles. In the case of joint ventures or companies in which CLP does not hold a controlling interest, the representatives are also expected to act in accordance with the Code and to make a concerted effort to influence those with whom they are working to follow similar standards of integrity and ethical behaviour. Likewise, contractors working for CLP are encouraged to follow the Code for the duration of their contract.

15 Principles of CLP's Code of Conduct



Download CLP's Code of Conduct

CLP has a Whistleblowing Policy in place to encourage and assist employees and related third parties (such as customers and suppliers) who deal with CLP, to raise concerns about any real or perceived misconduct, malpractice or irregularity through a confidential reporting channel. The Whistleblowing Policy is available to the public in both English and Chinese. Concerns can be reported independently to CLP Group Internal Audit 24/7 through a dedicated whistleblower hotline or email. Any concerns received will be handled with care and treated fairly and properly.

Download CLP's Whistleblowing Policy

Training and awareness

Code of Conduct training is mandatory for all staff joining the Company. CLP promotes the Code of Conduct and Whistleblowing Policy to employees, on a regular basis, by advising of any updates or revisions.

Every four years, the Company conducts a Group-wide Business Practice Review (BPR) through which all employees receive refresher training on understanding the Code's Principles, to help ensure business practices remain compliant and ethical.

During these sessions, potential issues are raised and reviewed with management. A number of case studies based on past violations are included to demonstrate the proper way to handle potential and actual situations in which the Code has been violated. Contractors are encouraged to attend the BPR sessions alongside CLP employees.

The latest BPR training commenced in mid-2021 and was completed in 2022 for all regions, including Hong Kong, Mainland China, India, and Australia.

Monitoring and follow-up

The General Representation Letter (GRL) process is one of the means by which non-compliance with the Code of Conduct can be reported. It requires leaders of areas of responsibility to annually sign a GRL addressed to the Group Chief Executive Officer (CEO) and Chief Financial Officer (CFO) outlining their area's adherence, or otherwise, to the Code of Conduct, amongst other Company policies.

The process reinforces personal responsibility for good governance and facilitates self-assessment on the adequacy and effectiveness of controls at different levels within CLP. As part of this annual process, business practices are reviewed and fraud risks in different areas are assessed, while irregularities or exceptions are reported for the attention of senior management. Leaders, including managers or above, Finance and Procurement staff, secretaries in the Group,

or other key staff considered appropriate by management must sign a Code of Conduct Compliance Statement on an annual basis.

The Group-wide reporting system for Code of Conduct violations applies to any alleged or potential breach. Potential violations of the Code of Conduct are reported to Group Internal Audit (GIA) by employees, vendors, contractors and GIA auditors. Communications are received through means such as anonymous letters, emails or phone calls. The Group Code of Conduct Committee, which comprises the Chief Financial Officer, Chief Strategy, Sustainability & Governance Officer and Chief Human Resources Officer, reviews and endorses any disciplinary measures to be taken.

GIA regularly reviews compliance with the Code, and investigates any potential violations, except for those related to human resources, which are investigated by Human Resources (HR). The number of breaches of the Code and any cases of corruption are reported annually to the Audit & Risk Committee (ARC), with the relevant data verified by a third party.

For a quicker response to Code of Conduct violations in Australia, EnergyAustralia has been delegated the responsibility of managing and acting on violations committed by EnergyAustralia employees. Under the delegation, EnergyAustralia informs the CLP Holdings ARC of cases involving senior EnergyAustralia employees.

For Apraava Energy, a separate Internal Complaints Committee has been established to handle complaints of sexual harassment at the workplace in accordance with Indian laws.

Initiatives and progress

In 2022, 10 breaches of the Code of Conduct were reported, though none were financially or operationally material to the Group, nor did they involve employees at the grade level of senior manager and above.

GRI reference: 406-1, 417-2, 417-3

The number of breaches of the Code of Conduct reduced from 18 in 2021 to 10 in 2022. None of the 10 breaches of the Code of Conduct was material to the Group's financial statements or overall operations, nor did they involve employees at the grade level of senior manager and above. In addition, there were no convicted cases of corruption. The breaches were managed internally in accordance with CLP's complaint handling process for Code of Conduct breaches.

Regarding whistle-blowing cases, five cases were received in 2022 compared with 25 in 2021.

Records of confirmed cases of Code of Conduct Principles breaches during the past five years are shown in the table below. Between 2018 and 2022, CLP did not have any breaches related to seven Code of Conduct principles, namely Political Contributions, No Bribery, Gift & Entertainment, Laws & Regulations, Representation, Response to Incidents, and Compliance & Report.

Code of Conduct Principles

	2022	2021	2020	2019	2018
Zero Harm Vision					
• *Includes issues regarding health and safety, and alcohol and drug abuse.*	0	0	0	0	1
Respect for People					
• *Includes discrimination, harassment and other issues related to not respecting people.*	5	4	8	17	7
Ethics and Business Integrity					
• *Includes unethical business behaviour related to integrity, honesty and fairness.*	2	10	1	13	8
Other Principles					
• *Includes Conflicts of Interest, Company Policies, Financial Controls, Protecting Information & Assets, and Meeting Responsibilities.*	3	4	16	1	4
Total	**10**	**18**	**25**	**31**	**20**

Legal compliance

Our approach

The CLP Group operates in multiple jurisdictions each with different legal and regulatory requirements. Compliance with the requirements of the jurisdictions in which it operates is CLP's top priority for maintaining credibility and the social licence to operate.

CLP is a law-abiding company that aspires to go beyond legal requirements and bring international best practices to its operations. CLP voluntarily follows higher standards that reflect the Company's principles and values and is prepared to forego opportunity or advantage when upholding the highest standards of corporate governance and integrity is necessary. Specific policies and guidelines for each operational area are in place to assist CLP in ensuring compliance with the differing jurisdictional laws and regulations relating to competition, personal data and privacy, intellectual property, health, safety, the environment, as well as employment and human resources amongst others.

Monitoring and follow-up

One of the responsibilities of the ARC is to review and monitor the Company's compliance with the Code of Conduct, as well as the Company's policies on compliance with applicable legal and regulatory requirements such as the Hong Kong Exchanges and Clearing Limited (HKEx) Listing Rules, the Companies Ordinance (Hong Kong) and the Securities and Futures Ordinance (Hong Kong). The ARC also reviews regulatory and legal issues. Every six months, Group Legal Affairs compiles a CLP Group Key Regulatory and Legal Compliance Issues Report for the ARC, which covers key regulatory compliance issues in addition to legal cases in which CLP is a named defendant.

CLP is often confronted with changes in the legal and regulatory regimes of the various jurisdictions in which it operates. The Company closely monitors emerging regulations and ensures that it is prepared for changes.

In reviewing new and amended laws and regulations which came into effect during the 2022 reporting year, CLP identified those which had or would have a significant impact on the business and are relevant for inclusion in this report. The threshold applied for assessing inclusion is whether significant investment or expenditure was required to ensure compliance. Laws and regulations that met this threshold are outlined in the respective sections of this report:

1. **Emissions –** air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;
2. **Employment –** compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare;
3. **Health and Safety –** safe working environment and protecting employees from occupational hazards;
4. **Labour Standards –** prevention of child and forced labour;
5. **Product Responsibility –** consumer data protection and privacy; and
6. **Anti-corruption –** bribery, extortion, fraud and money laundering.

Initiatives and progress

There were three reportable case of legal non-compliance in 2022.

SASB reference: IF-EU-140a.2, IF-EU-550a.1; GRI reference: 2-27, 205-3, 206-1, 306-3 (2016), 411-1, 413-2, 416-2, 417-2, 417-3, 418-1, EU22, EU25

In the spirit of transparency and accountability, CLP reports cases of legal non-compliance annually in this Sustainability Report. These include convicted criminal cases against CLP, and major breaches that resulted in significant fines (greater than HK$1 million) or non-monetary sanctions. CLP's 2022 legal compliance performance is summarised below, according to the GRI Standards 2021 and the HKEx Environmental, Social and Governance Reporting Guide.

The Company is also exposed to the risk of contractual disputes and litigation in the course of its normal operations. The Group considers each instance separately in accordance with legal advice and will make provision and/or disclose information as appropriate.

Legal non-compliance

	Number of cases	Supplementary information
Business practices		
Anti-corruption	No reportable cases	Read more in Code of Conduct and anti-corruption.
Anti-competitive behaviour	No new reportable cases in 2022. There is one existing and previously reported case involving Ho-Ping Power Station in Taiwan, in which the CLP Group has a 20% equity interest	The Ho-Ping litigation is for alleged concerted action with other independent power producers (IPPs) in violation of the Taiwan Fair Trade Act. The Taiwan Fair Trade Commission (FTC) in 2013 ruled and fined nine IPPs for alleged cartel behaviour. The FTC's decision was eventually overruled by the Taipei High Administrative Court (THAC) in October 2014. However, the FTC successfully appealed the THAC's decision to the Supreme Administrative Court (SAC), and the case returned to the THAC for re-examination. In May 2017, the THAC ruled again in favour of Ho-Ping and rejected the FTC's decision. In June 2018, the SAC accepted FTC's further appeal and, for the second time, returned the case to the THAC for re-examination. In June 2020, the THAC ruled in favour of Ho-Ping for the third time, and the FTC once again appealed to the SAC. In August 2022, the SAC ruled in favour of FTC. Ho Ping continues to defend its position and submitted application for a retrial in September.
Employees and contractors		
Employment practices	No reportable cases	
Labour standards (child and forced labour)	No reportable cases	
Occupational health and safety	There is one reportable case from an existing and previously noted event involving Yallourn Power Station in Australia, in which the CLP Group has a 100% equity interest	In December 2021, the Victorian Workcover Authority (Worksafe) laid charges against EnergyAustralia Yallourn in relation to three breaches of the Occupational Health and Safety Act in relation to Graeme Edwards' death at Yallourn Power Station in 2018. The three charges were related to failures to, so far as reasonably practicable, provide and maintain a working environment that was safe and without risk to health. At the committal mention on 3 June 2022, a plea of guilty was entered in relation to the charges brought by WorkSafe. The sentencing hearing was held on 13 February 2023 where EnergyAustralia Yallourn was fined a total of A$1.5 million.
Customer		
Customer privacy	No reportable cases	Read more in Customer privacy.
Product and service information and labelling and marketing information	One reportable case	In June 2022, EnergyAustralia agreed to give an Enforceable Undertaking (EU) to the Essential Services Commission (ESC) in relation to failures to comply with its explicit informed consent (EIC) obligations in relation to some Victorian customers. The EU commits to a number of compliance improvement actions, which include increasing the existing annual compliance training in relation to EIC requirements and quality assurance checks of sale interactions, appointing an independent compliance professional or legal practitioner to thoroughly review EnergyAustralia's practices for obtaining EIC and its implementation of the Compliance Improvement Action Plan, and regular senior management oversight of the implementation of and compliance with the proposed EU. The EU will remain in effect for 24 months.
Access to electricity	No reportable cases	
Customer health and safety	One reportable case	The Australian Energy Regulatory (AER) commenced legal proceedings against EnergyAustralia in 2020, alleging that EnergyAustralia contravened the life support rules on at least 23,000 occasions since 1 February 2018 (as reported by EnergyAustralia to the AER) as well as breached the court-enforceable undertaking agreed with the AER in August 2019. The matter was settled in June 2022. The Federal Court of Australia agreed with the settlement terms put forward by the parties, which include declarations and a pecuniary penalty of about HK$60 million with a contribution to the AER's costs of about HK$1,500,000.
Community		
Rights of Indigenous people	No reportable cases	
Environment		
	No reportable cases	Read more in Environmental management and compliance.

Supply chain management

Our approach

With the aim of powering the city responsibly, CLP extends our influence beyond our own operations and promotes good working practices throughout our supply chain.

CLP's effective procurement and supply chain management system cultivates long-term and mutually beneficial relationships with suppliers who share our values and goals. The system is centred on the CLP Group Procurement Standard (GPS) which is supported by a set of policies.

The system aims to continually improve CLP's competitive advantage by forming commercially viable strategic relationships with its preferred suppliers. The approach measures business value outcomes in terms of the total cost of ownership management, environmental, social and governance (ESG) value, supply chain resilience, and innovation. As an integral part of the business operation, CLP's procurement commitments are also embedded in a set of policies including CLP's Value Framework, CLP Procurement Values and Principles, CLP SCoC and other procurement policies that govern daily CLP operations.

Strategies and procedures

The GPS provides a framework towards world-class procurement practice and for raising CLP's supply chain management capability to support CLP's transition to a Utility of the Future.

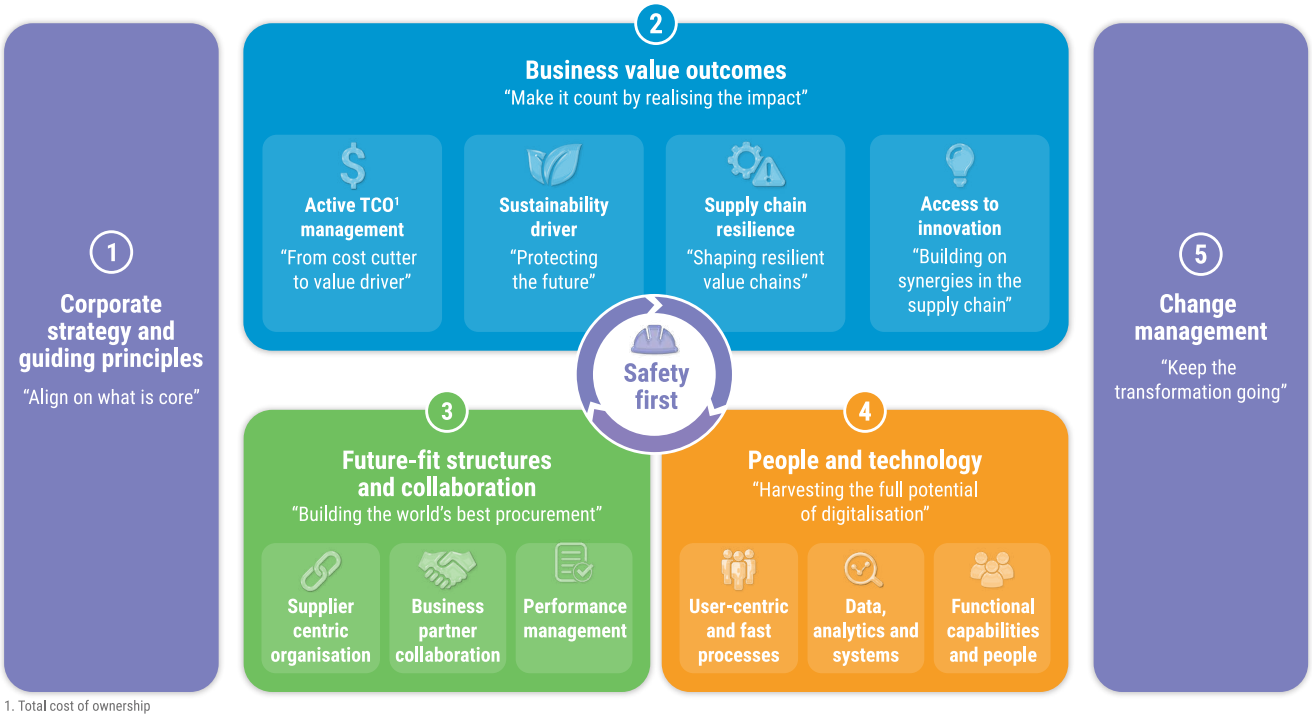
The GPS provides a structured path for the business to deliver value outcomes in the four critical areas of total cost of ownership management, sustainability, upstream supply chain resilience and innovation. It is regularly reviewed through internal engagement for continuous improvement.

The latest version of the GPS was released in early 2022 with safety within the supply chain serving as an overarching value for the five-dimensional framework. The five dimensions of the GPS are:

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

For each dimension, the GPS defines levels of world-class 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

CLP's Whistleblowing Policy and Harassment-Free Workplace Policy also enhance CLP's procurement operations and CLP encourages all suppliers to uphold the principles outlined in these policies.

CLP Procurement team is a member of project steering committees and provides appropriate levels of oversight and governance in procurement decision-making. Procurement commitments in the Company's various regions are made with reference to the clearly-defined authorities set out in the *Company Management Authority Manuals*.

Monitoring and follow-up

CLP's fit-for-purpose sourcing strategies are designed to select suppliers who will best meet its requirements and deliver value at an acceptable level of risk.

Following the standard procedure, supplier selections are conducted through competitive tendering which assesses each supplier's ability to fulfil quality, health and safety, environment, delivery, innovation, sustainability and cost criteria. In every supplier contract, CLP safeguards its stakeholder interests and ensures the supplier meets its commitments and obligations, including legal and regulatory compliance, and obligations in respect of intellectual property rights, data confidentiality and security.

The Procurement Leadership Team, comprising each Region's head of procurement, oversees aggregated future procurement needs, supply market opportunities and risks, and the development of procurement strategies.

Procurement and business unit personnel work collaboratively to review the market and assess the performance of incumbent suppliers, as well as monitor sustainability risks in the areas of human rights/modern day slavery, environment and community. This joint effort has improved CLP's ability to formulate effective sourcing strategies, negotiate and manage risk and supplier relationships, and has resulted in tangible commercial benefits for each business.

For better management of supplier clusters, CLP segments its contracted suppliers into tiers based on relative contract value and potential business impact, including risks in relation to supply chain and sustainability. The tiers are reviewed on an annual basis. The process of segmentation allows CLP to apply appropriate levels of governance and engagement for efficient supply chain management.

In addition, quarterly risk assessments are conducted according to 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 along 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, and drive continuous improvements and alignment.

Past performance data, future business needs, and technology and innovation roadmaps are regularly reviewed 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. Supplier input, with specific focus on technology roadmaps and innovation, also strengthens CLP in preparing for future challenges.

For example, as a result of the review process, a talent development programme has been rolled out in CLP Power since 2021. It provides comprehensive training modules, including topics on category management and sustainable procurement, to uplift the capabilities of the procurement team in Hong Kong. Additional sustainability training on sustainable supply chain and other related topics will be arranged in 2023.

Initiatives and progress

All suppliers contracted for critical projects were subject to sustainability risk assessments, representing 51% of total procurement project spend.

GRI reference: 2-6, 2-24, 204-1, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

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

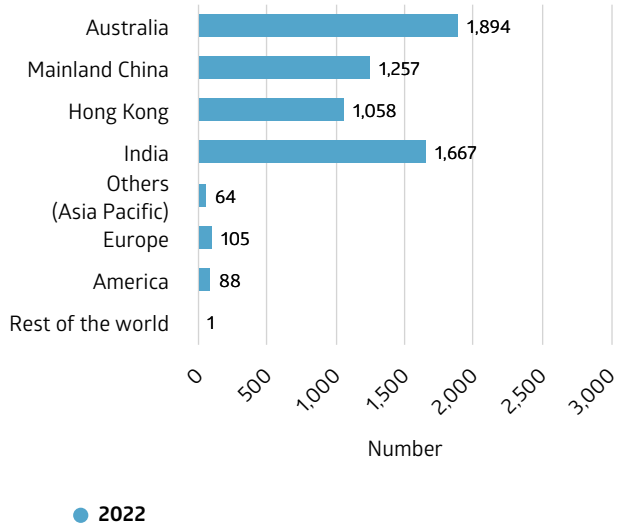
Suppliers of critical projects are assessed on their sustainability practices through various tools, including self-declared questionnaires, proposal evaluation, site visits, and where subcontracting is involved, audits on the subcontractor's capability to meet the project's requirements.

In 2022, all critical projects awarded underwent sustainability risk assessments. These critical projects represented 51% of total procurement projects by value, as compared with 67% in 2021 and 94% in 2020. The relatively high percentage in 2020 was attributed mainly to one-off capital projects in Hong Kong.

In 2022, the Group sourced products and services from 6,127 suppliers to the total amount of HK$54.8 billion – 84% 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.

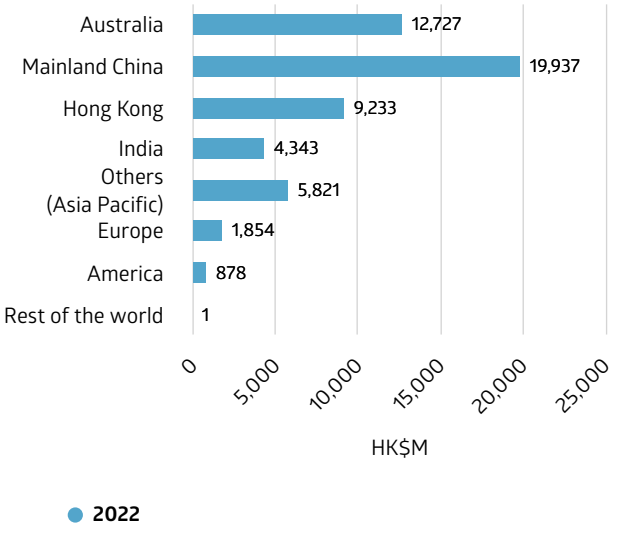
Number of suppliers by region

The highest number of CLP's active suppliers are in Australia.



Payment to suppliers by region

The majority of payments to suppliers in 2022 were made in Mainland China.



Working with an ESG-specialised data analytics company, in 2022, CLP's procurement team reviewed its entire active supplier base of approximately 6,000 suppliers against ESG criteria in 2022. It included an assessment of its strategic suppliers against 54 ESG aspects (including human rights, bribery, carbon emissions, amongst others), sanctions, and industry risk based on the commodity and location of manufacturing bases. The assessment referred to various internationally credible third-party references, such as CDP Scoring and the Global Slavery Index. As a general statement, no major issue or finding was identified amongst the active suppliers reviewed.

In Hong Kong, to uplift the procurement team's capabilities in managing its supply chain and associated risks, CLP Power introduced several capability development initiatives in 2022, including:

- A corruption prevention webinar arranged with the Hong Kong Government's Independent Commission Against Corruption (ICAC) to promote awareness of anti-corruption and anti-bribery practices when working with new and incumbent suppliers;
- A procurement talent development training programme providing foundational knowledge in core procurement practice areas and supply chain management;
- Contract law training sessions to further strengthen understanding of key contract terms relevant to potential supply chain disruptions or supplier non-compliance events;

- A pilot applying a Know Your Counterpart (KYC) questionnaire which helps identify potential compliance and sanction risks arising from third party suppliers and their supply chains;
- Regular screening of existing and potential suppliers against international sanctions lists to ensure the timely identification, assessment and mitigation of potential sanction risks; and
- The introduction of preventive measures in CLP Power's end-to-end procurement process to further mitigate potential "conflict of interest" risks, in line with CLP's corporate requirements.

In Australia, EnergyAustralia was required to report under the Australian Modern Slavery Act 2018 and submitted its second statement in 2022. The Company updated its Modern Slavery Policy, covering EnergyAustralia's obligations within its operations and supply chains, and how risks are identified, assessed and addressed.

In preparing its statement to the Australian Government, EnergyAustralia developed a risk matrix based on a survey of supplier locations and commodities to identify high-risk suppliers with special focus on modern slavery risk. Any suppliers identified as not having any policies or practices prohibiting child labour, or forced, bonded or involuntary prison labour will be provided with the tools to develop policies and practices so that they can abide by EnergyAustralia's SCoC. Energy Australia will subsequently conduct surveys to monitor their implementation.

Through its reconciliation action planning with Reconciliation Australia, EnergyAustralia has committed to increasing its number of Aboriginal and Torres Strait Islander suppliers to support economic and social improvements for the First Nations people of Australia. To help deliver on this commitment, the Company engaged as member of two Aboriginal-led organisations with over 50% of representation coming from First Nations peoples, namely Supply Nation, a not-for-profit organisation encouraging the growth and engagement of Indigenous businesses, and the Kinaway Chamber of Commerce Victoria.

In 2022, Indigenous participation clauses continued to be included in EnergyAustralia supplier contracts, particularly for contracts for generation sites. By doing so, it seeks to encourage its suppliers to help drive Indigenous inclusion by increasing their 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 10 Indigenous suppliers with a total of A$241,173 in spend.

Responsible procurement

Our approach

As a responsible business, CLP requires alignment of its targets and objectives with those of its business partners. CLP is committed to building a value chain that, at its core, shares responsible procurement practices.

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

CLP newly released the SCoC in 2022 which is derived from CLP's values, policies, standards and objectives. Setting out specific requirements for suppliers to support CLP's environment, social and business objectives, the SCoC articulates our 11 responsible procurement practices. They are:

1. Legal Compliance
2. Business Ethics
3. Cybersecurity
4. Quality and Safety
5. Environmental Management
6. Climate Change
7. Employee Health and Safety
8. Labour Practices and Human Rights
9. Diversity and Inclusion
10. Community Relations
11. Supply Chain Management

Download the CLP's Supplier Code of Conduct

With the introduction of CLP's first SCoC, EnergyAustralia updated and relaunched its SCoC in December 2022. The new Code reflects the essence of CLP Group's responsible procurement practices. It includes a whistleblowing service that suppliers may contact directly or raise any concerns with anonymously. The new 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 regarding business ethics. Suppliers are encouraged to align with the requirements and expectations stated in the SCoC 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 that reduce ESG risks and enhance supplier capabilities to meet CLP's sustainability expectations. The Company strives to shift from reactive risk mitigation to advancing opportunities on strategic sustainability priorities.

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 responsible procurement practice. This evaluation considers:

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

Initiatives and progress

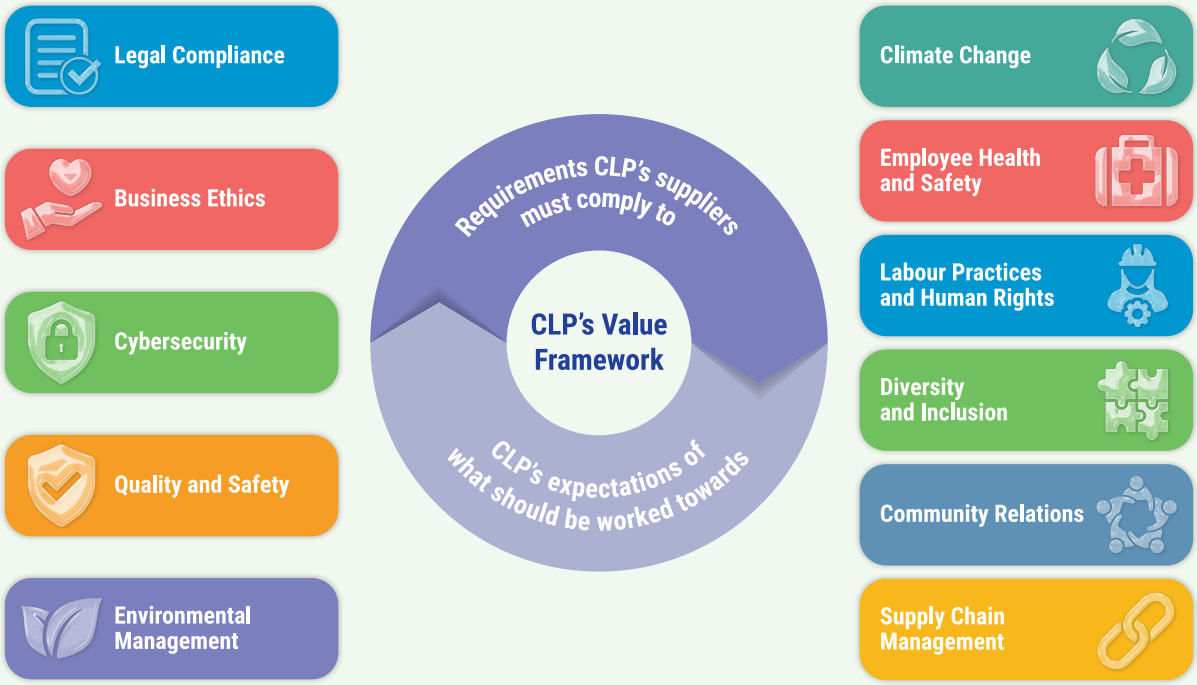
CLP is strengthening its Responsible Procurement Framework and enhancing the visibility of supplier sustainability risk, as part of its three-year Responsible Procurement Roadmap, which was endorsed by the Sustainability Executive Committee in the third quarter of 2022.

Through collaborative programmes with suppliers, the three-year Roadmap helps drive positive impacts that contribute to CLP's sustainability goals and objectives. In the first year, CLP is focusing on building the foundational capabilities and aspirations for sustainability in procurement. A key milestone was the launch of the new SCoC in December 2022, and the internal and external communication campaign around it. Going into the second year, CLP will drive business impact through a new SCoC questionnaire which profiles the supplier's strengths or weaknesses against CLP's responsible procurement practices.

Another project in progress aims to enhance the visibility of the sustainability risk profile of CLP's supplier base. A third-party risk management framework is currently under development. This will help assess a supplier's sustainability profile considering their industry and geography. All active and new suppliers will be assessed to identify sustainability risk hotspots, and be informed of further actions required, including possible support to improve their sustainability performance. The proposed assessment process is targeted for launch in 2023.

Case study

Supplier Code of Conduct to mandate CLP's environmental, social and business objectives in its value chain



CLP newly released its Supplier Code of Conduct (SCoC) in December 2022. Derived from CLP's values, policies, standards and objectives, the SCoC is a general statement on its expectations of the suppliers CLP does business with and those who want to do business with CLP.

The SCoC comprises 11 responsible procurement practices which align with CLP's Value Framework.

- **Legal Compliance** – Comply with the laws and regulations of the jurisdictions in which CLP and its suppliers do business
- **Business Ethics** – Apply ethical business practices without conflict of interest or undue influence, and against bribery and unethical behaviours and practices in business decisions
- **Cybersecurity** – Respect and protect own data and the personal data of customers
- **Quality and Safety** – Provide reasonably priced and reliable energy, quality service and value to customers
- **Environmental Management** – Minimise the environmental impact of the value chain and preserve the natural environment proactively
- **Climate Change** – Decarbonise the portfolio and reduce Scope 3 greenhouse gas (GHG) emissions including upstream supply chains
- **Employee Health and Safety** – Provide guidance and support to suppliers to create a healthy and safe workplace for their employees.
- **Labour Practices and Human Rights** – Cascade CLP's value to suppliers so as to provide a dignified, fair and equal workplace
- **Diversity and Inclusion** – Provide an inclusive and diverse workplace that enables CLP to serve its diverse portfolio of customers
- **Community Relations** – Create a positive impact and minimise operational impact through engagement with local communities
- **Supply Chain Management** – Encourage suppliers to do business responsibly with their upstream suppliers

For each of the practices, the SCoC highlights what the supplier must comply with and what they should work towards.

The SCoC is embedded into CLP tender documents and contracts. CLP encourages its suppliers to monitor, manage and disclose their performance to SCoC and to extend similar principles into their upstream supply chains. To facilitate the communication with suppliers and their understanding of the SCoC, CLP continues to actively provide feedback and advice to its suppliers to help them work towards reaching CLP's expected standard.

If there is a gap between a supplier's approach and the SCoC, CLP will encourage the supplier to formulate and implement an enhancement plan. To support CLP's efforts in managing its supply chain, CLP may request a supplier to provide evidence of accreditations, certifications, self-assessments, compliance reviews and audit reports.

Community

Overview

Stakeholders' areas of interest	Relevant material topics
• Providing access to reasonably priced energy	**Shaping and executing the transition to net zero**
• Community investment	• Partnering in the clean energy transition
• Safety around CLP's network	**Bolstering energy security and reliability**
• Nuclear safety	• Reliable and reasonably priced energy

Outcome for stakeholders

