

Shaping our future impacts, today

2023 Sustainability Report

Stock Code: 00002

Partners

Overview

Area of stakeholder interest	Relevant sustainability agenda
• Public policy • Code of Conduct and anti-corruption • Legal compliance • Supply chain management • Responsible procurement	**Transition to net zero** • Investing in zero-carbon energy infrastructure **Energy growth opportunities** • Creating new revenue streams as other sectors electrify **Community stewardship** • Promoting responsible supply chains

Outcome for stakeholders

Zero convicted cases of corruption reported to Audit and Risk Committee

Signed a **MoU with the Longhua District People's Government of Shenzhen Municipality** to promote the development of low-carbon energy in GBA

Recorded **1 new reportable case** of legal non-compliance in 2023

Launched a cross-sector eMobility Network with 14 businesses and organisations

Secured approval of the new

5 year Development Plan supporting the Hong Kong SAR Government's policy priorities

Pledged support for Hong Kong's Climate Action Plan 2050 and the low-carbon energy development in Mainland China

Public policy

Our approach

CLP is dedicated to acting as a trusted partner to governments and regulators while advocating collaborations among the business community to shape 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

In response to the climate crisis, energy transition is a critical priority for governments around the world. CLP is continuing to engage with governments and regulators to formulate decarbonisation policies and plans, while promoting the sustainable development of energy systems. Through its participation in a range of industry and professional bodies, CLP is also providing input into the major issues affecting the energy sector and establishing itself as a thought leader for the industry.

CLP maintains a politically neutral stance and refrains from making political contributions. When considering proposals for CLP to become a member of an organisation, the respective Corporate Affairs teams review the proposals based on CLP's business objectives and the purposes of engagement. All membership proposals are subject to the final approval of the senior management of the Group or its Business Units.

Download CLP's Policy on Making Political Contributions

Initiatives and progress

CLP has continued to strengthen its communication with governments, regulators and standard setters, as part of its efforts to contribute its knowledge, experience, and best practices to government decision-making and to promote sustainable development within the energy sector.

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

Joint efforts by the private and public sectors are crucial to addressing the emerging challenges in the energy sector. In Hong Kong, CLP Power has been actively collaborating with the Hong Kong SAR Government on the Development Plan under the current Scheme of Control (SoC) Agreement, which sets out the electricity regulatory framework and mechanism for the supply of electricity to the city. Approved by the government in November 2023, the new five-year Development Plan for 1 January 2024 to 31 December 2028 provides strong support for the government's policy priorities. It focuses on investments designed to drive Hong Kong's economic and infrastructural development, the continued delivery of a world-class reliable electricity system, the transition to becoming a smart and resilient city, and the continuation of the decarbonisation journey.

In addition, the 2023 Interim Review of the SoC Agreement between CLP Power, Castle Peak Power Company Limited (CAPCO) and the Hong Kong SAR government was completed. Agreements were reached on the incentive and penalty mechanism, fuel cost arrangements in the event of a fuel crisis, and further enhancement to information transparency.

CLP maintains regular communication with government officials and legislators through channels such as site visits and information sharing sessions, to facilitate mutual understanding of strategies and policy directions relevant to the shaping of a low-carbon future. CLP also actively responds to major public policy consultations and develops carefully considered positions relevant to the energy sector on ways forward for the energy industry and the community.

CLP Power's Five-Year Development Plan to Fuel Hong Kong's Revitalisation and Development

CLP's responses to major public policy consultations, along with its position on critical issues such as climate change, are available on the Company's websites and other online channels.

- CLP Power has pledged full support for the Hong Kong SAR Government's Hong Kong's Climate Action Plan 2050 since its announcement in 2021. One of the government's key strategies is to encourage motorists to switch to electric vehicles (EVs). In support of the government's EV-charging at Home Subsidy Scheme, CLP Power launched the advanced service Eco Charge 2.0 in 2020. EV charging-enabled infrastructure was successfully installed in several private residential blocks in 2023. The first project completed under the scheme has converted more than 300 existing parking spaces by installing an EV charging-enabling infrastructure. The largest project, located in Yuen Long, has seen EV charging-enabled infrastructure added to more than 400 parking spaces.

- In October 2023, CLP Power together with 14 businesses and organisations launched a cross-sector partnership called the eMobility Network to further promote the wider use of electric commercial vehicles (ECVs) in Hong Kong. This partnership, comprising ECV manufacturers and operators, charging service providers and a bank offering green finance services, aims to facilitate technology exchange, accelerate the popularisation of ECVs and support government policies promoting the new energy transport industry. CLP Power is also collaborating with the government and the transport industry on e-transport trials for buses, public light buses, taxis and ferries.
- EnergyAustralia is strongly committed to engaging with policymakers at all levels to advance the country's clean energy transition. Policy developments are expected to promote investments which enable more renewable energy to enter the grid reliably and affordably. EnergyAustralia is also continuing to work with partners to ensure a reliable supply of clean energy to meet customer demand and support the transition to a lower-carbon power market.
- Apraava Energy actively contributes to domestic and global discussions on energy and climate change-related legislative and regulatory changes. For example, it participated in stakeholder consultations by the Bureau of Energy Efficiency (BEE) regarding the design of the National Carbon Market in India. Apraava Energy is also a member of the Product Advisory Committee of the National Commodity and Derivatives Exchange (NCDEX) which is involved in designing the derivatives market for carbon markets.
- CLP contributed to the public consultation on proposals to enhance climate-related disclosures under the environmental, social and governance (ESG) framework introduced by the Stock Exchange of Hong Kong Limited (the Exchange). The proposals outline detailed climate disclosure requirements which better align with the International Sustainability Standards Board (ISSB) Climate Disclosure Standard for Hong Kong-listed companies.

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

CLP supports and actively participates in a range of organisations that enable it to keep abreast of different stakeholders' views, navigate policy uncertainties and shape informed policymaking. The table below outlines the total amount CLP has contributed to organisations influencing public policy. These contributions include membership fees, donations, sponsorships and input into policy position papers. CLP has a general policy of avoiding political contributions, and no contributions were made to political parties, government officials or political candidates during the year.

Contributions to organisations

	2023	2022	2021	2020	2019
Lobbying, interest representation or similar (HK$M)[1]	**0**	0	0	0	0
Local, regional or national political campaigns, organisations or candidates (HK$M)[1]	**0**	0	0	0	0
Trade associations or tax-exempt groups (e.g. think tanks) (HK$M)[1,2]	**8.05**	8.69	14.12	8.90	8.04
Others (e.g. spending related to ballot measures or referendums) (HK$M)[1]	**0**	0	0	0	0

1 Apraava Energy ceased to be a subsidiary and is now accounted for as a joint venture. Apraava Energy is excluded in the figures for 2023, but included in figures for 2022 and prior years.
2 Includes contributions to trade associations or tax-exempt groups that seek to influence public policy in the form of memberships, donations or sponsorship. The scope was reviewed in 2023.

CLP prioritises its engagement with organisations that are actively involved in climate change and broader energy market policies. Significant resources are devoted to the organisations listed below (in alphabetical order) through membership, sponsorship and other contributions, including active participation by CLP senior management.

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.	The Managing Director of EnergyAustralia was previously Chair of the AEC. EnergyAustralia continues to actively participate in its various working groups on a range of competitive energy market issues. For example, an EnergyAustralia representative currently chairs AEC's Sustainability Working Group.
Business Council of Australia (BCA)	The BCA is a CEO-led industry association representing more than 100 of Australia's largest businesses. It supports the transition to a more carbon-efficient economy, with the 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)	The BEC is an independent, charitable organisation established by the business sector in Hong Kong, which promotes environmental excellence by advocating for the uptake of clean technologies and practices.	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.
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 through various advisory and consultative processes. It works closely with the Indian government on policy issues, interfaces with thought leaders, and looks to enhance industry efficiency, competitiveness and business opportunities.	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, operating under the CII National Initiative Cleaner Air Better Life. Through these engagements, Apraava Energy plays an active role in representing the power sector in India on relevant issues.
Energy Transitions Commission (ETC)	The ETC is a London-based international think tank supporting energy transition by educating about 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 in more rapidly deploying low and zero-carbon solutions.	CLP joined the ETC in August 2018 and has contributed to the ETC's work programme and publications by participating in the ETC Commissioners Meetings, the ETC Representatives Meetings and 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 the challenges arising from the increase of renewable energy and the decentralisation of energy systems.	CLP has participated in Free Electrons since 2019 and hosted the Grand Finale of the programme in Mumbai in 2023. The 2023 programme attracted applications from over 500 start-up companies worldwide, and CLP collaborated with at least three startups to pilot their innovative solutions.
IFRS Foundation	The IFRS Foundation develops internationally recognised disclosure standards that bring transparency, accountability and efficiency to financial markets. Responding to the need for consistent and comparable sustainability information, it created the International Sustainability Standards Board (ISSB) in 2021 to develop IFRS Sustainability Disclosure Standards.	CLP is supporting the development of globally comparable sustainability disclosure standards in its role as an inaugural member of the International Sustainability Standards Board's IFRS Corporate Champion. The programme was launched by the IFRS Foundation in 2023. Through this programme, CLP is playing an active part in the corporate community by helping to shape best practices in sustainability disclosures for the industry.

Organisation	Description of organisation	CLP contributions and engagement
International Electric Research Exchange (IERE)	IERE is a worldwide, non-profit organisation for exchanging electricity and energy-related cutting-edge technologies as well as research and development information among its members from the electricity and energy supply industry, equipment provider businesses, academic research, government, etc.	CLP joined IERE in 2000 and has been an Executive Member since 2014. Currently, CLP representative also serves as the Treasurer. CLP continues to work with IERE on the joint research and development programme and Technology Foresight activities, including participating in the IERE General Meetings and workshops.
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 has been supporting KFBG's 10-year forest restoration programme since 2022. This programme is helping build knowledge and capacity in reforestation, supporting ecosystem recovery, and exploring nature-based solutions for carbon offsetting. By 2023, a total of 3,514 seedlings were planted (of the 25,000 planned for this project), representing 109 species belonging to 36 botanical families, before the end of the rainy season in August.
The Hong Kong General Chamber of Commerce (HKGCC)	HKGCC is a member-led organisation dedicated to improving the business environment in Hong Kong and its competitiveness. It's membership is composed of around 4,000 companies, which include multinational companies, SMEs and start-ups, from Hong Kong, Mainland China and internationally.	CLP actively participates in and sponsors events, public consultations and working groups organised by the HKGCC. The CLP Power Chairman is currently serving as the Chamber's Chairman. CLP's senior management are also supporting the Chamber's work in its various Committees as Chairman and Vice Chairman.
The Hong Kong Institute of Directors (HKIoD)	HKIoD is Hong Kong's premier body representing directors, and works to foster the long-term success of companies through advocacy, 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 raise awareness of and 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. Its Sustainable Development Goals are being pursued through six work programmes: Circular Economy, Cities & Mobility, Climate & Energy, Food & Nature, People & Society, and Redefining Value.	CLP actively participates in the WBCSD's programmes and working groups. In support of the WBCSD's *Roadmap to Nature Positive for the energy system*, CLP's representatives joined the respective working group and shared practical experience in tackling nature-related issues.
World Energy Council (WEC)	The WEC is a UN-accredited global energy body formed in 1923 with more than 3,000 member organisations in over 90 countries. WEC informs global, regional and national energy strategies by hosting high-level events, publishing authoritative studies (e.g. the World Energy Trilemma Index), and working through its extensive member network to facilitate global energy policy dialogue.	CLP began participating in WEC as a member organisation in 1988. Since the formal establishment of the Hong Kong member organisation (WEC-HK) in 2016, CLP's former CEO has been serving as Chair and representing WEC-HK and its members. In 2023, CLP contributed to the WEC-sponsored BBC documentary series *Humanising Energy* with a Hong Kong-centric e-mobility film titled "Charting a Quieter Course".

Case Study

Promoting joint efforts to develop the Greater Bay Area and achieve carbon peaking and carbon neutrality goals

With more than 40 years of business development in Mainland China, CLP is playing a vital role in supporting the national "3060" dual carbon goal (i.e. achieving carbon peaking by 2030 and carbon neutrality by 2060). To this end, CLP is actively promoting different forms of partnership in the public and private sectors in the Greater Bay Area and Mainland China, driving collective momentum in energy transition and climate actions.

With the aim of promoting the growth of the regional power industry, CLP hosted the 11th Guangdong, Hong Kong and Macau Power Industry Summit in Hong Kong from 31 May to 2 June 2023. Themed "Embrace Opportunities in Decarbonisation and the Greater Bay Area", the summit brought together approximately 80 senior executives from CLP, China Southern Power Grid Co., Ltd., Companhia de Electricidade de Macau - CEM, S.A. and China General Nuclear Power Group. During the three-day summit, the four companies released a Manifesto on enhancing cooperation in areas such as securing power supply, promoting the sustainable development of new energy and energy storage systems, and building a collaborative energy ecosystem in the Greater Bay Area. The manifesto upholds the principles of equality and mutual benefit, and enables CLP to actively explore new forms and areas of cooperation to create a better future for the region.

CLP is also working to power the high-quality development of Mainland China's green economy. CLP Chief Executive Officer Mr T.K. Chiang pledged his support for the sustainable development of the energy sector in Mainland China at the Fourth Qingdao Multinationals Summit, jointly hosted by the Ministry of Commerce of the People's Republic of China and the People's Government of Shandong Province, which took place from 10 to 12 October 2023. This reflects CLP's strategic positioning in Shandong Province where CLP has developed wholly-owned wind farms in Penglai, Laizhou, and Laiwu with a combined capacity of almost 600 MW (including contributions from minority-owned assets) to meet the rising demand for renewable energy in the region.



Governor of Shandong Province Mr Zhou Naixiang (left) with CLP Chief Executive Officer Mr T.K. Chiang.

To showcase CLP's decarbonisation journey, CLP participated in the 24th Conference on the Electric Power Supply Industry (CEPSI 2023) from 19 to 23 October in Xiamen, Fujian Province, which brought together around 1,000 power companies across the Asia-Pacific region. Under the theme "Low-Carbon Energy Powering a Green Future", CLP took this opportunity to stage an exhibition promoting its Climate Vision 2050 and introducing its vertically integrated power supply business in Hong Kong and CLP China's operations in 15 provinces, autonomous regions and municipalities, covering an array of generation sources including wind, solar, hydro, nuclear, and coal as well as its energy storage solutions. The exhibition also highlighted CLPe's one-stop energy solutions for customers in the commercial and industrial sectors.



CLP Power Managing Director Mr Joseph Law delivers a keynote address titled "CLP Power – Acceleration to Net-Zero" at CEPSI 2023.

Case Study

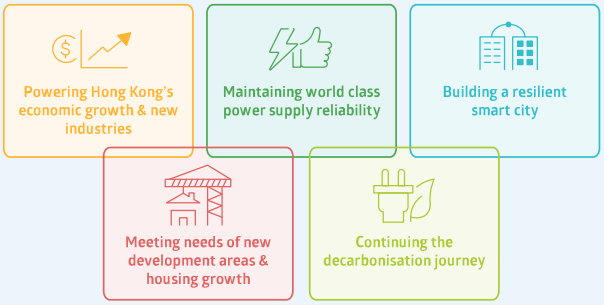
Powering Hong Kong's growth and prosperity through a new five-year Development Plan

As Hong Kong's largest power company with a legacy stretching over 120 years, CLP has always been committed to supporting the city's long-term development and prosperity.

CLP Power's new Development Plan for 2024 to 2028 estimates a capital expenditure of approximately HK$52.9 billion on investments that will provide strong support for the Hong Kong SAR Government's policy priorities, including developing new areas of economic growth to reinforce Hong Kong's advantages as a global city and supporting the city's decarbonisation process. The new Development Plan was approved by the Executive Council of the Hong Kong SAR Government in November 2023 under the current Scheme of Control (SoC) Agreement.

Hong Kong is CLP's home market. Here, CLP operates a vertically integrated power supply business and supplies highly reliable electricity to over 80% of the city's population. In the new Development Plan for 2024 to 2028, CLP Power commits itself to a range of investments that will support Hong Kong's accelerating economic and infrastructural development along with its long-term decarbonisation goals.

Five areas of investment focused on delivering the Hong Kong SAR Government's policy priorities:



One of the government's policy priorities is to reinforce Hong Kong's competitive edge through new development areas and infrastructure, which will act as engines for future growth. In the new Development Plan, CLP Power has confirmed a range of investments to meet the emerging demand for energy from new development areas, large-scale infrastructure projects, new energy transportation and new areas of housing supply. At the same time, CLP Power will continue to maintain world class reliability by providing a stable power supply at a reasonable cost.

In line with the government's vision of building Hong Kong into a world-class smart city, CLP Power is leveraging its expertise to help the city embrace new technologies and other innovations in its energy system. Key initiatives highlighted in the new Development Plan include the further roll-out of smart meters, tower strengthening and network reinforcement work, the introduction of grid-scale batteries, and pilot hydrogen blending. To support Hong Kong's transition to a lower-carbon future, CLP Power is also continuing to progressively phase out coal-fired generation, and is working with the government to expand the proportion of natural gas and non-fossil fuels in the city's fuel mix by the interim milestone of 2030.

The tariff adjustment and the CLP Community Energy Saving Fund (CESF) for a range of support programmes for 2024 are included in the first year of the new five-year Development Plan.

CLP Power's Five-Year Development Plan to Fuel Hong Kong's Revitalisation and Development, and 2024 Tariffs

Code of Conduct and anti-corruption

Our approach

CLP has built a reputation as an established and trustworthy business partner when it comes to upholding business conduct and ethics. Guided by CLP's Value Framework and Code of Conduct, its employees are committed to acting with integrity and honesty in all their business activities and standing firm against corruption within the Group.

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

CLP's Code of Conduct sets out 15 Principles that guard against corruption within CLP. The Code is applicable to the entire Group, including CLP Holdings and its wholly owned subsidiaries, joint ventures and companies under CLP's operational control. It is available to the public in both English and Chinese.

15 Principles of CLP's Code of Conduct



All CLP employees, irrespective of their position and function, are expected to fully adhere to these principles. In the case of joint ventures or companies in which CLP does not hold a controlling interest, 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. Contractors working for CLP are encouraged to follow the Code for the duration of their contract.

In addition to the Code, CLP has implemented an Anti-Fraud Policy as part of its Corporate Governance Framework. This is aimed at preventing and controlling fraud activities such as corruption, conspiracy, embezzlement, money laundering, bribery and extortion.

Download CLP's Code of Conduct

Download CLP's Anti-fraud Policy

CLP has a Whistleblowing Policy in place to encourage and assist employees and related third parties (including customers and suppliers) who engage with CLP to raise concerns about any real or perceived misconduct, malpractice or irregularity. 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 and confidential whistleblower hotline or email. Any concerns received are 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). This review includes refresher training for all employees to reinforce their understanding of the Code's Principles, and to ensure business practices remain compliant and ethical.

During the review 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 involving Code violations. Contractors are encouraged to attend the sessions alongside CLP employees.

The latest BPR training was completed in 2022 for all regions, including Hong Kong, Mainland China, India, and Australia. The next round of BPR training is scheduled to commence in 2025.

Monitoring and follow-up

The General Representation Letter (GRL) process serves as a reporting mechanism for instances of non-compliance with the Code of Conduct. Leaders in areas of responsibility are required to sign a GRL annually 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.

This process reinforces the need for personal responsibility for good governance, and facilitates internal assessment of 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, with any irregularities or exceptions being reported to senior management. Leaders including managers or above, Finance and Procurement staff, secretaries in the Group, and other key staff identified by management, must also sign an annual Code of Conduct Compliance Statement.

The Group-wide reporting system for Code of Conduct violations applies to any alleged or potential breaches. Potential cases of the Code of Conduct violations can be reported to Group Internal Audit (GIA) by employees, vendors, contractors and GIA auditors through anonymous letters, emails or phone calls. The Group Code of Conduct Committee, which comprises the Chief Financial Officer, the Chief Strategy, Sustainability & Governance Officer and the 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 those related to human resources, which are investigated by the Human Resources (HR) department. The number of Code breaches and any cases of corruption are reported annually to the Audit & Risk Committee (ARC), with the relevant data verified by a third party.

To expedite responses to Code of Conduct violations in Australia, EnergyAustralia has been delegated the responsibility of managing and addressing violations by its employees. Under this arrangement, EnergyAustralia informs the ARC of CLP Holdings of cases involving senior EnergyAustralia employees.

At 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 2023, 12 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

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 whistleblowing cases, nine cases were received in 2023 compared with five in 2022.

Records of confirmed cases of Code of Conduct Principles breaches during the past five years are shown in the table below. Between 2019 and 2023, CLP did not have any breaches related to six Code of Conduct principles, namely Political Contributions, Gift & Entertainment, Laws & Regulations, Representation, Response to Incidents, and Compliance & Report.

Code of Conduct Principles

	2023	2022	2021	2020	2019
Zero Harm Vision[1]					
Includes issues regarding health and safety, and alcohol and drug abuse.	0	0	0	0	0
Respect for People[1]					
Includes discrimination, harassment and other issues related to not respecting people.	2	5	4	8	17
Ethics and Business Integrity[1]					
Includes unethical business behaviour related to integrity, honesty and fairness.	0	2	10	1	13
Other Principles[1]					
Includes Conflicts of Interest, Company Policies, Financial Controls, Protecting Information & Assets, and Meeting Responsibilities.	10	3	4	16	1
Total	**12**	**10**	**18**	**25**	**31**

1 Apraava Energy ceased to be a subsidiary and is now accounted for as a joint venture. Apraava Energy is excluded in the figures for 2023, but included in figures for 2022 and prior years.

Legal compliance

Our approach

The CLP Group operates in multiple jurisdictions, each with its own distinct legal and regulatory requirements. Ensuring compliance with these requirements is a top priority for CLP in terms of maintaining its business credibility and social licence to operate.

CLP aspires to go beyond meeting its basic legal requirements and to apply international best practices in its operations. It therefore voluntarily follows high standards that reflect the Company's principles and values, and is prepared to forego opportunities or advantages where necessary in order to uphold the highest standards of corporate governance and integrity. Specific policies and guidelines for each operational area are in place and are reviewed regularly to assist CLP in ensuring compliance with the differing jurisdictional laws and regulations. These policies and guidelines set the standards and requirements for compliance with laws relating to competition, personal data and privacy, intellectual property, health and safety, environmental protection, emissions, employment and human resources amongst others. Any compliance issues are escalated according to the policy requirements and in accordance with the code of conduct and applicable laws. Adherence to policies and procedures is also evaluated by CLP's internal audit function in accordance with their audit cycles and assessment scope.

Monitoring and follow-up

One of the ARC's responsibilities 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, which covers key regulatory compliance issues and legal cases involving CLP as a defendant, for submission to the ARC.

CLP is often confronted with changes in the legal and regulatory regimes of the jurisdictions in which it operates. The Company closely monitors emerging regulations and ensures that it is prepared for changes. CLP's businesses in each jurisdiction have a process in place for monitoring, tracking and documenting all applicable legislation and amendments to it, and ensuring details are communicated to all relevant personnel, business units and management.

In reviewing new and amended laws and regulations which came into effect during the 2023 reporting year, CLP has identified those which had or will have a significant impact on the business for inclusion in this report. The threshold applied for assessing inclusion in the report is whether significant investment or expenditure was or will be required to ensure compliance. Laws and regulations that met this threshold are outlined in the respective sections of this report:

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

Initiatives and progress

There was one new reportable case of legal non-compliance in 2023.

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 its Sustainability Report. These include cases of criminal convictions against CLP, and major breaches that resulted in significant fines (greater than HK$1 million) or equivalent non-monetary sanctions. CLP's 2023 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 makes provision and/or discloses information as appropriate.

Legal non-compliance

	Number of cases	Supplementary information
Business practices		
Anti-corruption	No reportable cases	Read more in the Code of Conduct and anti-corruption section.
Anti-competitive behaviour	No new reportable cases in 2023. 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 against a penalty 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. Ho-Ping filed litigations against the FTC penalty. 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 submitted an application for a retrial in September 2022. As at December 2023 there had been no new progress on the application for a retrial. In April 2023, Ho-Ping lodged an administrative appeal which was rejected by the SAC. In June 2023 Ho-Ping filed an administrative proceeding which was brought to the first preparation proceedings court in November 2023. The court proposed that both FTC and Ho-Ping undertake mediation before the matter proceeds further, to which both parties agreed and await a timetable for the mediation.
Employees and contractors		
Employment practices	No reportable cases	-
Labour standards (child and forced labour)	No reportable cases	-
Occupational health and safety	One reportable case from an existing and previously reported event involving Yallourn Power Station in Australia, in which the CLP Group has a 100% equity interest	As reported in the 2022 sustainability report, in December 2021, the Victorian Workcover Authority (WorkSafe Victoria) laid charges against EnergyAustralia Yallourn regarding three breaches of the Occupational Health and Safety Act in relation to the death of Graeme Edwards 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 Victoria. At the sentencing hearing on 13 February 2023, EnergyAustralia Yallourn was fined a total of A$1.5 million. EnergyAustralia paid this fine in 2023.
Customer		
Customer privacy	No reportable cases	Read more in the Customer privacy section.
Product and service information and labelling and marketing information	No reportable cases	
Access to electricity	No reportable cases	-
Customer health and safety	No reportable cases	-
Community		
Rights of Indigenous people	No reportable cases	
Environment		
	No reportable cases	Read more in the Monitoring and compliance of emissions and other nature-related regulations section.

	Number of cases	Supplementary information
Other		
-	There was one new case in 2023 related to EnergyAustralia in which CLP Group has a 100% equity interest.	On 15 May 2023, the Australian Energy Regulator notified EnergyAustralia of its Board's decision to issue EnergyAustralia with six infringement notices (A$67,800 each) totalling A$406,800 for failure to comply with the National Gas Rules. The infringement notices have been paid. The infringement notices related to two failings by EnergyAustralia to accurately submit certain information required under the National Gas Rules to the Australian Energy Market Operator during the period from 1 July 2020 to 23 December 2021.

Supply chain management

Our approach

CLP endeavours to build a value chain that supports its core environmental, social and business objectives. In collaboration with its suppliers, CLP has extended its responsible business principles to promote good working practices throughout the entire supply chain.

CLP's effective procurement and supply chain management system cultivates long-term and mutually beneficial relationships with suppliers who share CLP's values and goals. The system is centred on the CLP Group Procurement Standard (GPS) which is supported by a set of policies that include CLP's Value Framework, CLP Procurement Values and Principles, CLP SCoC and other procurement policies that govern daily CLP operations.

The system aims to continually improve CLP's competitive advantages by building commercially viable strategic relationships with preferred suppliers. It evaluates business value outcomes based on total cost of ownership management, environmental, social and governance (ESG) value, supply chain resilience and innovation.

Strategies and procedures

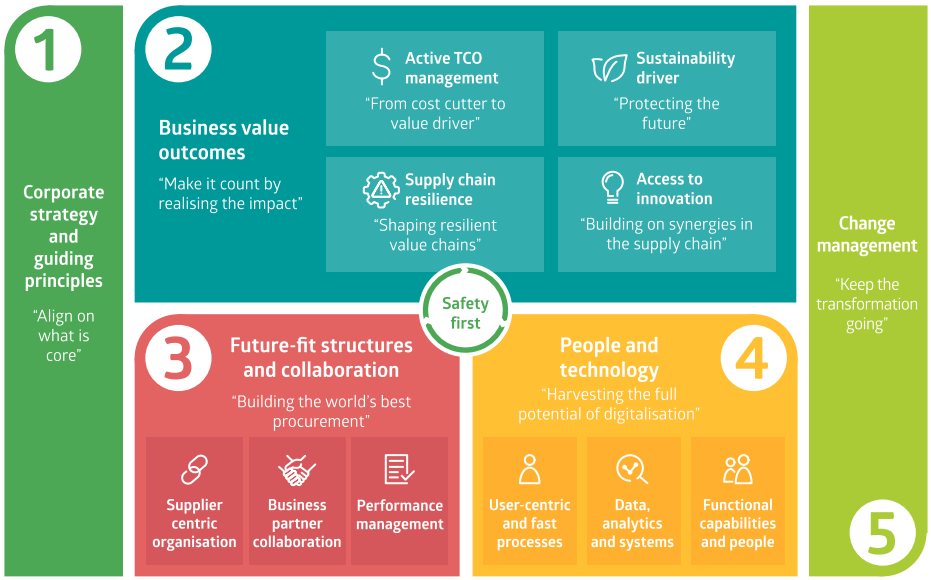
The GPS sets out a framework for strengthening CLP's supply chain management capability to support its "Power Brighter Tomorrows" vision and match world-class procurement practices. The GPS provides a structured path for the business to deliver value outcomes in the four areas mentioned above, and is regularly reviewed internally.

The latest version of the GPS, which places a special emphasis on safety across the supply chain, was released in early 2022. Its five dimensions 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 the level of functional capability it requires to support its business outcomes, and then develops a plan to progress from its current level towards more advanced practices.

CLP's Group Procurement Standard



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

The CLP Procurement team actively participates in membership of project steering committees, providing 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 identify suppliers that best meet its requirements and that deliver value at an acceptable level of risk.

Under the standard procedure, supplier selections are conducted through competitive tendering which assesses each supplier's ability to fulfil criteria of quality, health and safety, environmental protection, delivery, innovation, sustainability and cost. Every supplier contract is designed to safeguard CLP stakeholder interests and ensure the supplier meets its commitments and obligations in areas such as legal and regulatory compliance, 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. The Group Procurement team has enhanced its in-house capacity by bringing in a sustainable procurement specialist to support the planning and implementation of procurement practices relating to sustainability.

Procurement and business unit personnel work collaboratively to review and assess the performance of incumbent suppliers in the market. They also monitor sustainability risks in the areas of human rights/modern day slavery, environment and community. These initiatives provide useful information for formulating effective sourcing strategies as well as managing risk and supplier relationships.

To better manage 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 factors. The tiers are reviewed on an annual basis. This process of segmentation allows CLP to apply appropriate levels of governance and engagement for more efficient supply chain management.

In addition, regular risk assessments are conducted according to the Corporate Risk Matrix for strategic suppliers with high business criticality and spend value. The assessments are conducted in conjunction with supplier risk management and supplier relationship management processes, covering modern slavery, labour practices, supplier continuity, employee health and safety and cybersecurity. Risk mitigation plans are developed to address identified risks related to delivery performance, supply disruptions, 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 continues to enhance its supplier relationship management process for strategic suppliers. The reviews consistently assess the delivery performance of each strategic supplier, and are used to drive ongoing improvements.

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, CLP also values direct feedback from its suppliers. This offers candid two-way communication opportunities and, when it has a specific focus on technology roadmaps and innovation, helps CLP prepare for future challenges.

Initiatives and progress

All suppliers contracted for critical projects were subject to sustainability risk assessments, representing 55% of the 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 its business operations, as well as their sustainability risks and contract value.

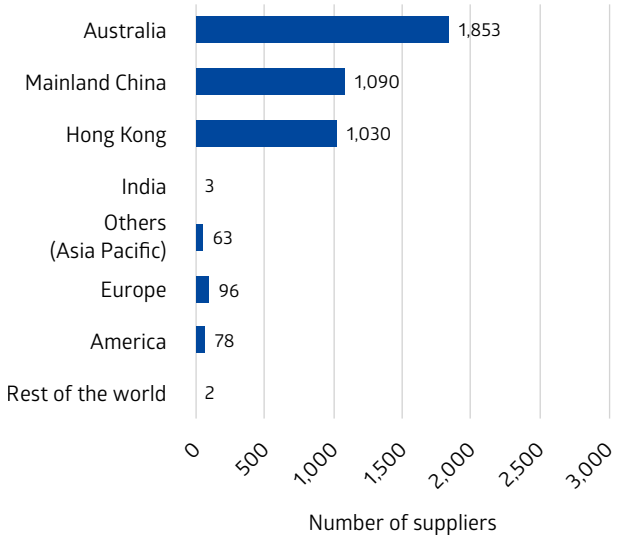
Suppliers of critical projects are assessed on their sustainability practices through tools such as questionnaires, proposal evaluations, site visits, and where subcontracting is involved, audits on the subcontractor's capability to meet project requirements.

In 2023, all critical projects awarded underwent sustainability risk assessments. These critical projects represented 55% of total procurement projects by value, as compared with 51% in 2022, and 67% in 2021.

In 2023, the Group sourced products and services from 4,215 suppliers to the total amount of HK$42 billion – 52% 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.

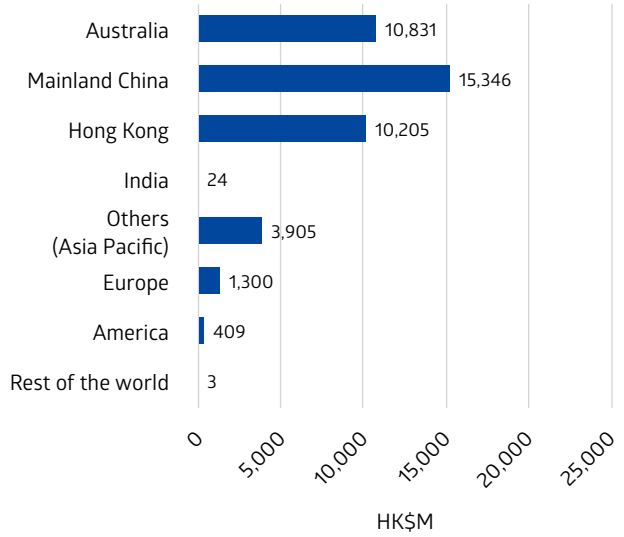
Number of suppliers by region in 2023

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



Payment to suppliers by region in 2023

Total value of payments to suppliers in 2023 was highest in Mainland China.



In Hong Kong, CLP Power introduced several initiatives in 2023 designed to enhance the procurement team's capabilities for managing its supply chain and associated risk. These included:

- Contract law training sessions to reinforce the understanding of key contract terms relevant to potential supply chain disruptions or supplier non-compliance events;
- A Know Your Counterpart (KYC) questionnaire was launched and screening of existing and potential suppliers was put in place to identify potential compliance and sanction risks arising from third party suppliers;
- A Learning Portal was created to encourage self-learning in Commercial and Supply Chain Management; and
- A Supplier Survey was conducted to understand CLP's position in suppliers' markets.

In Australia, in line with its obligations under the Australian Modern Slavery Act 2018, EnergyAustralia submitted its third Modern Slavery Statement to the government in 2023. To assess the risk of modern slavery to its operations, EnergyAustralia used an in-house developed risk matrix based on supplier locations and commodities. This matrix has a special focus on modern slavery and enables the identification of high-risk suppliers. Subsequently, EnergyAustralia reviewed the policies, processes and internal governance practices of these suppliers. A training series on modern slavery was also delivered to over 150 team members, including those from non-procurement functions, for awareness raising. In the case of medium to large businesses lacking policies or practices prohibiting child labour or forced, bonded or involuntary prison labour, EnergyAustralia provides them with tools for developing such policies and practices in alignment with EnergyAustralia's SCoC. Small business suppliers are asked to confirm in writing that they will abide by EnergyAustralia's SCoC, and EnergyAustralia subsequently conducts surveys to monitor their compliance.

EnergyAustralia remains committed to fostering indigenous inclusion by including indigenous participation clauses in its supplier contracts, particularly for contracts relating to generation sites. By doing so, it seeks to encourage its suppliers to help drive indigenous inclusion by increasing their indigenous business spend and employment as well as boosting their cultural awareness.

In 2023, EnergyAustralia redesigned its market templates to include questions relating to participants' indigenous supplier engagement in areas such as employment and supplier base. These questions are enabling EnergyAustralia to differentiate participants and gain insights into the progress suppliers have made towards working with Aboriginal and Torres Strait Islander communities and businesses.

These initiatives stem from EnergyAustralia's Reconciliation Action Plan (RAP) strategy. The release of the second "Innovated" RAP in 2023 further clarified EnergyAustralia's commitment to promoting reconciliation and cultural understanding as well as enhancing relationships with Aboriginal and Torres Strait Islander peoples and organisations. This year, members of the workforce participated in various local cultural learning sessions in Gippsland, Victoria, Lithgow and New South Wales. These sessions provided them with a closer connection with local Traditional Owners and Custodians, as well as enhancing their understanding of the connections between EnergyAustralia's project sites and local history and culture.

By year end, the procurement team reported that it had sourced goods and services from 17 indigenous suppliers with a total of A$669,749 in spending.

Responsible procurement

Our approach

As a responsible business, CLP is committed to building a value chain that, at its core, shares responsible procurement practices; at the same time, CLP requires its business partners to be in alignment with its targets and objectives.

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

CLP proactively engages with suppliers to promote responsible procurement practices for a sustainable supply chain. Since the release of its Supplier Code of Conduct (SCoC) in 2022, CLP has been widely communicating the values, policies, standards and objectives embedded in the SCoC with its supplier community. The SCoC outlines responsible procurement practices that support CLP's environment, social and business objectives in 11 areas:



For each of these, the SCoC specifies practices that the supplier must comply with and others that they should work towards achieving. While the SCoC is embedded in CLP tender documents and contracts, CLP also encourages its suppliers to monitor, manage and disclose their performance in accordance with the SCoC. CLP extends similar principles to its own upstream supply chains. Since the release of the SCoC, over 500 of its suppliers have agreed to abide by the SCoC requirements. In 2023, CLP also conducted on-site due diligence checks on selected suppliers based on the SCoC principles.

Download the CLP's Supplier Code of Conduct

EnergyAustralia's latest SCoC also reflects CLP Group's responsible procurement practices. It includes a whistleblowing channel that suppliers may contact directly or raise any concerns with anonymously. The Code has been added to supplier contract templates and to EnergyAustralia Purchase Order Terms and Conditions.

Download EnergyAustralia's Supplier Code of Conduct

Operational responsibilities

CLP's contract terms and conditions include 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.

CLP's responsible procurement team actively 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 is striving to shift from a reactive approach of risk mitigation to a proactive approach of advancing opportunities in the strategic sustainability agenda.

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, taking into account responsible procurement practices. This evaluation considers the following risks:

- 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 process 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 for developing sourcing strategy and risk mitigation measures for strategic suppliers in each category.

Training and development

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

Initiatives and progress

CLP is strengthening its Responsible Procurement Framework and enhancing the visibility of its supplier sustainability risk, as part of its three-year Responsible Procurement Roadmap.

Endorsed by the Sustainability Executive Committee, the Roadmap builds on five strategic directions, namely building suppliers' awareness, assuring suppliers' compliance, managing priorities, driving positive impact and getting stakeholders' recognition.

In the first year of the three-year Roadmap, foundational capabilities and aspirations for sustainability in procurement were established. Currently, a Supply Chain Risk management framework is under development. This will help assess a supplier's sustainability profile by considering their industry and geographical location. 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 launch of the proposed assessment process is planned for 2024.