

Risk Management Report

Effective risk management that takes into account the need to balance risk and opportunity is critical to the long-term growth and sustainability of our business.

CLP's Risk Management Framework

Risk is inherent in CLP's business and the markets in which we operate. We aim to identify risks early so they can be understood, managed, mitigated, transferred, or avoided. This demands a proactive approach to risk management and an effective group-wide risk management framework. Our risk management framework comprises four key elements which will be discussed in more detail later:

1. Risk management philosophy
2. Risk appetite
3. Risk governance structure
4. Risk management process

CLP's Risk Management Philosophy

CLP's overall risk management process is overseen by the Board through the Audit & Risk Committee. CLP recognises that risk management is the responsibility of everyone within the Group. Therefore risk management is integrated into all business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.

We have clear risk management objectives:

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

CLP's Risk Appetite

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

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

CLP's Risk Governance Structure

Our Risk Governance Structure:

- Facilitates risk identification and escalation while providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Recognises our **5 Lines of Assurance** model as explained below:



Board Oversight

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

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

Independent Assurance

The Group Internal Audit:

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

Management Oversight & Communication

The Chief Financial Officer and the Group Executive Committee:

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

Group Functions: Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

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

Business Units, Functional Units, and Individuals:

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

Our Group Risk Management function is tasked with:

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

CLP's Risk Management Process

- **Integration is the key.** The process is integrated into business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.
- **Starts with understanding the external environment and megatrends** which may have significant implications to our business and markets.
- **The core process involves:**
 - ✓ Establishing scope, context, risk criteria;
 - ✓ Identifying risks based on relevant, appropriate and up-to-date information;
 - ✓ Analysing risks with detailed consideration of risk sources, consequences, likelihood, events, scenarios, existing controls and their effectiveness;
 - ✓ Evaluating risks against the established risk criteria to rank them and prioritise management efforts; and
 - ✓ Developing control and mitigation plans.
- **Communication and consultation:** It is a continuous and interactive process involving communication and consultation with stakeholders.
- **Monitoring and review:** It is subject to regular monitoring and review according to the established risk governance structure and process.
- **Recording and reporting:** The risk management process and its outcomes are documented and reported to facilitate communication and provide information for decision-making.



Megatrends

CLP recognises that certain external global trends could have a significant impact on our operating environment. These megatrends encompass significant political, economic, social, environmental and technological changes, and could rapidly evolve, changing the context in which the company operates, hence their importance in the process of identifying risks that could affect CLP strategy execution and operational performance.

Following a review of dozens of megatrends during 2018 the following five were considered the most relevant for the company.

- Increased expectations of business purpose
- Climate change mitigation and adaption
- Technology as enabler and disruptor
- Risks to cyber security and data privacy
- Ever-changing operating environments require an agile, inclusive and sustainable workforce

Details on their implications and CLP's responses are set out in the [2018 Sustainability Report](#). 

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

Quarterly Risk Review Process at Group Level

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

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

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

Top-down Process

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

Bottom-up Process

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

Risk Review Process for Investment Decisions

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

Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 130 to 131.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 138 to 142 have been laid out in our 2018 business planning process.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP categorises its risk profile into five key risk areas: Regulatory, Financial, Market, Commercial, and Industrial and Operational. CLP's 2018 business planning process has identified the following areas as material risks to the Group:

Regulatory Risk

<p>Following the conclusion of the new Scheme of Control Agreement, the short-term regulatory risk of the Hong Kong business has reduced. However, there remains a risk of adverse regulatory changes in the medium to longer term.</p> <p>Our Australian business continues to face regulatory uncertainty on numerous fronts including carbon legislation, renewable energy targets, spot market rule changes, emissions reduction scheme, and retail pricing re-regulation.</p> <p>In Mainland China, the implementation of power sector reforms including market power sales, transmission and distribution pricing mechanism, and the spot electricity wholesales market and emission trading, is gathering pace. The practical implications may vary from province to province and may have adverse consequences for our existing operations.</p>	<p>We manage by:</p> <ol style="list-style-type: none"> Close monitoring of regulatory development and market/public sentiments; Working constructively with governments to advocate our positions on regulatory changes; Implementing comprehensive stakeholder engagement plans to facilitate sensible and informed discussion on regulatory matters; Mobilising internal resources to ensure timely response to regulatory changes and maintaining regulatory compliance and oversight; Communicating and highlighting the importance of a balance between reliable and safe supply, care for the environment, and reasonable tariffs; and Reinforcing CLP's efforts in caring for the community and promoting energy efficiency.
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Group Top Tier Risk – Regulatory	Changes in 2018	Additional References
Uncertain regulatory changes impacting EnergyAustralia		Pages 20, 63 – 67, 146
Regulatory and political risk of Hong Kong business		Pages 19, 41 – 46
Uncertain impacts of Mainland China power sector reforms		Pages 48 – 53
Challenge of future tariff adjustments for Hong Kong business		Page 19

 Risk level increased

 Risk level decreased

 Risk level remained broadly the same

Financial Risk

<p>CLP's investments and operations, which are long-term in nature, are exposed to financial risks in the areas of cash flow and liquidity, credit and counterparty risks, interest rate risks, and foreign currency risks.</p> <p>Group-level earnings may also be impacted by marked-to-market fair value movements as some of our economic hedges do not qualify for hedge accounting according to the Hong Kong Financial Reporting Standards.</p> <p>Volatile foreign exchange and equity markets have further increased the cost of securing financing for CLP's operating and development projects.</p>	<p>We manage by:</p> <ul style="list-style-type: none"> a) Maintaining strong investment grade credit ratings and preserving a healthy capital structure; b) Soliciting adequate and cost-effective funding; c) Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities; d) Maximising the use of local funding options; e) Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy; f) Pursuing "natural hedge" by matching currency of revenue, cost and debt as well as ensuring project level debt financing is denominated in and/or swapped into functional currency; g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse to CLPH for counterparties of CLPH's subsidiaries and affiliates; h) Maintaining good, trustworthy relationships with lenders (banks and bondholders); and i) Ensuring transparency in financial communications and disclosures.
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Group Top Tier Risk – Financial	Changes in 2018	Additional References
Foreign currency risk associated with the Group's investments		Pages 70 – 74, 270 – 271, 276 – 278
Group's liquidity risk of adequate funding		Pages 70 – 74, 273 – 275
Default of Group's financial counterparties		Pages 70 – 74, 273

Market Risk

In Australia, the swings from oversupply to scarcity in the wholesale generation market as well as increasing retail competition continue to cause volatility in earnings for EnergyAustralia.

In Mainland China, changes in the structure of the economy, tighter environmental rules, oversupply and increasing market sales through competitive bidding have led to a reduction in the output and lower tariffs mostly affecting earnings of the thermal power plants, notably Fangchenggang, amid an increase in coal prices resulting from supply side intervention and restrictions on imported coal.

We manage by:

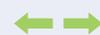
- a) Managing market offers (e.g. pricing) and other service differentiators for customer acquisition and retention;
- b) Managing actively our wholesale energy portfolio and implementing strategies to align wholesale and retail positions;
- c) Implementing an approved energy risk policy, with energy market transactions subject to approved limits and controls;
- d) Exploring different revenue streams and value-added services for our customers. Continuing business innovations to meet evolving customer needs;
- e) Improving our current operations, fuel procurement, and development strategy while closely monitoring our operating cash flow in view of market volatility;
- f) Investing in plant reliability and upgrades; and
- g) Specific to Mainland China:
 - Proactively engaging with governments to advocate our positions on coal supply issues, tariff adjustment and dispatch;
 - Securing more market sales contracts with large industrial customers; and
 - Pursue steam sales to increase plant usage.

Group Top Tier Risk – Market

Changes in 2018

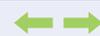
Additional References

Energy market volatilities impacting EnergyAustralia



Pages 20, 63 – 67, 272

Volume risk and coal supply issues affecting Fangchenggang power station



Pages 20, 49, 53

Commercial Risk

<p>Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. It is important to ensure that our trading partners or counterparties are reliable, financially healthy, and willing to abide by the contracts.</p> <p>Currently, commercial disputes with offtakers over the implementation of power purchase agreements (PPAs), the financial health of some of our counterparties, fuel supply security, reduced energy margins and price volatility are key commercial risks impacting CLP.</p>	<p>We manage by:</p> <ol style="list-style-type: none"> Diligently pursuing resolution of payment delays and disputes with offtakers; Monitoring the financial health of our counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC) companies, and operation and maintenance contractors; Liaising with our fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security. Pre-establish contingency planning for potential supply disruptions; Diversifying our fuel sources and fuel procurement strategy in order to secure a stable supply of fuel at competitive cost; and Reviewing the merit order of our plants and ensuring their competitiveness in the long run.
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Group Top Tier Risk – Commercial	Changes in 2018	Additional References
EnergyAustralia's Mount Piper coal supply risk		Page 64
Major commercial disputes with offtakers over PPAs in India		A provision was made in the financial statements. See contingent liability disclosure on pages 264 to 265
Hong Kong gas supply security		Pages 19, 42, 46
Counterparty risk of Indian EPC and O&M contractors		Pages 75, 265
Paguthan business repositioning risk	<i>New</i>	Pages 56, 59
Uncertainty in Jhajjar's plant performance		Pages 20, 56 – 57,95
Litigation related to EnergyAustralia's Iona gas plant disposal		Page 265

Industrial & Operational Risk

CLP's operations are exposed to a variety of industrial and operational risks relating to Health, Safety, Security and Environment (HSSE) incidents, plant performance, human capital, data privacy, cyber attacks, and extreme weather events as a result of climate change.

We manage by:

- a) Implementing a HSSE improvement plan, involving all stakeholders, to rethink risks, and build and promote a sound safety culture across the Group and with contractors and sub-contractors. Group-wide initiative targeted on eliminating exposure to serious injuries and fatalities through specific interventions;
- b) Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance;
- c) Maintaining emergency response and crisis management plans with regular drills;
- d) Implementing a group-wide Project Management Governance System to facilitate a consistently safe, timely and cost-effective delivery of high quality projects; and
- e) Implementing appropriate controls, technologies and practices at all levels to mitigate cyber security risks so as to (i) avoid disruption to energy supply systems, (ii) protect confidentiality, integrity and availability of information assets, (iii) protect customer data privacy and prevent leakage of sensitive data, and (iv) comply with the necessary regulatory requirements.

Group Top Tier Risk – Industrial & Operational	Changes in 2018	Additional References
Major Health, Safety, Security and Environment (HSSE) incidents at construction or operating plants		Pages 17, 21, 43, 57, 67, 81 – 82, 94 – 95, 146
Cyber attacks on business and power systems		Pages 76, 92, 147
Performance risk of wind power projects across the Group		Pages 48 – 50, 55 – 56
Extreme weather events		Pages 41 – 42, 76
Delays in Hong Kong major projects delivery	<i>New</i>	Pages 42, 46
EnergyAustralia's commercial loss due to plant unavailability	<i>New</i>	Pages 64, 75

Effectiveness Review of Risk Management and Internal Control Systems

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this Annual Report. The details of the effectiveness review are described in the Corporate Governance Report on page 131 and the Audit & Risk Committee Report on page 146.

It should be acknowledged that our risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

A handwritten signature in black ink, appearing to read 'G. Peeters', written over a horizontal line.

Geert Peeters

Executive Director & Chief Financial Officer

Hong Kong, 25 February 2019

Audit & Risk Committee Report

Members

The Members of the Audit & Risk Committee are appointed from the Independent Non-executive Directors by CLP Holdings' Board of Directors. The Independent Non-executive Directors who served on the Committee during the reported period (full year 2018 and in 2019 up to the date of this Report) were:

- Mr Vernon Moore as the Chairman;
- Mr Nicholas C. Allen;
- Mrs Fanny Law;
- Ms May Siew Boi Tan, appointed in August 2018; and
- Ms Irene Lee, until her retirement as a Director at the conclusion of the 2018 AGM in May.

[Biographies](#) of the current Members are set out on pages 98 to 103 and on the CLP website. [🔗](#)

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

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Geert Peeters;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director – Group Financial Control – Mr Benjamin Lau;
- Senior Director – Group Financial Planning & Control – Mr Pablo Arellano;
- Senior Director – Group Internal Audit – Ms Kathy Liu; and
- Independent Auditor – Mr Sean Tuckfield, the Engagement Partner, and others from PwC.

Other members of management attended the Committee meetings from time to time to present on matters in their areas of expertise.

Meetings and Attendance

The Committee held six meetings during 2018 and another two meetings were held in 2019 up to the date of this Report. During the year, the Chairman met regularly and individually with each of PwC, the Senior Director – Group Internal Audit and the Chief Financial Officer. No private meeting with the Committee was requested by PwC during the reported period. Individual attendance of Members for the 2018 meetings is set out in the Corporate Governance Report on page 116.

The following table shows the topics the Committee considered at its meetings held during the period:

	2018						2019	
	Jan	Feb	Apr	Jun	Aug	Nov	Jan	Feb
Risk Management, Internal Control and Compliance								
Quarterly risk management report		✓	✓		✓	✓		✓
In depth briefing on high risks and processes								
– health and safety			✓				✓	
– cyber security			✓	✓	✓			
Internal control review update		✓		✓		✓		✓
Management's general representation letter		✓			✓			✓
Outstanding internal audit issues		✓	✓	✓	✓	✓		✓
Legal and regulatory compliance		✓			✓			✓

	2018						2019	
	Jan	Feb	Apr	Jun	Aug	Nov	Jan	Feb
Interim and Annual Financial Reports								
Annual and interim financial statements and reports		✓			✓			✓
Assessment of critical accounting and judgemental issues	✓			✓			✓	
Sustainability Report data assurance review		✓				✓		✓
Internal and External Auditing								
Internal audit results and audit issues		✓	✓	✓	✓	✓		✓
Internal audit administered policies and practices				✓		✓		
Ethical and controls commitment surveys			✓					
PwC's audit report, audit plan and audit progress	✓	✓	✓	✓	✓	✓	✓	✓
Audit fees and non-audit engagements by auditors		✓			✓			✓
Corporate Governance								
Corporate governance trends, developments and related policies						✓		
Code of Conduct and whistleblowing cases		✓	✓	✓	✓	✓		✓
Continuing connected transactions		✓						✓

EnergyAustralia

CLP's subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors.

The EnergyAustralia board has established an Audit and Risk Committee (ARC) that carries out the functions of an audit and risk committee for EnergyAustralia's business.

The Committee's function with respect to the operations of EnergyAustralia is strengthened and supplemented by a highly experienced EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings. The Chairman, and other Members, also had the opportunity to meet the chairman of the EnergyAustralia ARC, and other members of the EnergyAustralia ARC, informally.

Summary of Work Done

The Committee's key areas of focus for the full year 2018 and in 2019 up to the date of this Report are set out below. This illustrates the manner in which the Committee discharges its responsibilities.

Areas of focus	
Risk Management, Internal Control and Compliance	
Risk management and internal control	<p>The Committee received and reviewed management's periodic internal control review updates and the Group's quarterly risk management reports.</p> <p>To provide further assurance to the Committee regarding the effectiveness of the risk management and internal control systems, the CEO and CFO provided to the Committee General Representation Letters describing the state of internal control and other matters prior to the publication of the interim and annual financial statements (see page 131 for further details regarding the General Representation Letters).</p> <p>The Committee's monitoring of the risk management and internal control systems were greatly assisted by the GIA and by the independent auditor's report of their testing of the control environment of the Group. During the period, no material internal control issues were identified.</p> <p>The Committee was satisfied that the Group's risk management and internal control systems were effective for the period and that these continue to be effective and adequate as at the date of the Report.</p> <p>During the period, Health and Safety became the top risk of the Group and the Committee called for a detailed reporting from management, a briefing on the CLP Group strategy for Health and Safety focusing on the risk of potential serious injuries and fatalities was considered by the Committee. The proposed Safety Improvement Strategy was discussed and endorsed by the Committee and subsequently, this was also presented to, and approved by, the Board. In late 2018, the Committee evaluated the results of the safety culture survey that was completed for China and Australia and reported on the areas of focus in 2018.</p> <p>At the recommendation of the Members, management presented on the potential implications and the associated risks of the implementation of the proposed retail price regulation in Australia. There was still a lot of uncertainty concerning the retail price regulation, so the briefing provided an opportunity for the Members to appreciate the complexity of the matter and to put into context of the preparation of the financial statements.</p> <p>For 2019, it has been proposed that the Committee will examine in depth the implications of the actual and forecast extreme weather events on CLP's operations, and the operations' preparedness for a swift "disaster-like" recovery.</p>

Areas of focus	
Compliance	<p>The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance.</p> <p>The Committee acknowledged that the only exception to compliance with all the mandatory and recommended requirements is that CLP does not publish quarterly financial results (a recommendation). The Committee agreed with the considered reasons for this exception; please refer to the Corporate Governance Report, Compliance with the Stock Exchange Code and the ESG Reporting Guide, page 110.</p>
Cyber security	<p>In recent years, cyber security was identified as a significant risk to the Group and the Committee considered the regular briefings on this area including the Group's readiness in response to a possible cyber-attack.</p> <p>Members of the Committee attended a cyber security drill that was conducted at the Black Point Power Station (Hong Kong) where Members had the opportunity to see first hand the cyber security attack drill.</p> <p>Members of the Committee also visited the information technology monitoring centre in Group Information Technology (Hong Kong). One of the key features of the centre was that potential cyber-attacks were monitored in real time and these included potential attacks that were not targeted at CLP.</p> <p>During the year, management engaged external specialist cyber security consultants to conduct a review of the governance of cyber security and following the review, two briefings were reported to, and considered by, the Committee. The consultants reported that CLP was using some of the most advanced tools to detect and prevent cyber threats, and good work was being done in a number of parts of the Hong Kong business, but there was a need to coordinate the efforts to be fully effective.</p> <p>The consultants' recommendations regarding CLP's future governance structure to respond to the increasing threats were accepted in full by management and were considered and endorsed by the Committee. An implementation plan has been put in place and implementation was ongoing. The Committee will continue to pay close attention to this.</p>
Interim and Annual Financial Reports	
Annual Reports and Interim Report	The Committee reviewed the 2017 and 2018 Annual Reports and the 2018 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2018 Financial Statements – judgemental issues	Management and PwC presented to the Committee the key judgemental issues with material accounting impact. These included the review of the carrying values of the Group's generation assets and EnergyAustralia's goodwill for retail business unit, and the disclosures and accounting treatments of material litigations and disputes. The Committee assessed and accepted the judgements made for each of the issues as presented.
Sustainability Report data assurance	The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2017 and 2018 Sustainability Reports . The process of gathering sustainability statistics has been strengthened in the year, and this was noted by the Committee. 

Areas of focus

Internal and External Auditing

<p>Internal audit</p>	<p>The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports. Opinion audit reports provide independent appraisal of the audit unit’s compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls. Special review reports focus on new business areas and emerging risks, where control advisory is provided.</p> <p>In 2018, GIA issued a total of 29 opinion audit and 10 special review reports. Two of the opinion audit reports carried an unsatisfactory audit opinion including one on a business unit’s low maturity of controls over energy services, and another on a business unit’s lack of management oversight over contractors’ compliance on permit-to-work procedures.</p> <p>The Committee and management had detailed discussions on the matters covered by all the reports. Unsatisfactory opinions received special attention, and in some cases, relevant business unit management attended Committee meetings to discuss with the Committee the issues, context, measures taken and being taken, and business implications. This included briefings on the CCGT project in Hong Kong and EnergyAustralia Customer Transformation Programme.</p> <p>None of the control weaknesses identified had a material impact on the financial statements.</p>
<p>Internal audit function</p>	<p>The Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group.</p>
<p>Financial Statements – auditor’s opinion</p>	<p>For both the 2017 and 2018 financial statements, PwC presented the auditor’s opinion on the financial statements, with emphasis on the Key Audit Matters that had material impacts to the financial results and position of the Group. The drafting of the Key Audit Matters was carefully considered and reviewed by the Committee.</p>
<p>Fees to independent auditor and its reappointment</p>	<p>The Committee reviewed the following fees payable to PwC:</p> <ul style="list-style-type: none"> • audit fees for 2017 and 2018 for approval by the Board; and • permissible audit related and non-audit services provided by PwC for 2017 and 2018 (please see page 129 for further details). <p>PwC was reappointed as independent auditor for 2018 at the 2018 AGM and the reappointment was approved by over 99% of the shareholders’ votes.</p> <p>The Committee having considered and being satisfied with PwC’s performance and independence as independent auditor through 2019, recommended to the Board that PwC be reappointed. The Company’s shareholders will consider this at the forthcoming 2019 AGM.</p> <p>PwC issued a letter of independence to the Audit & Risk Committee: for further details on the assessment of their independence, please see page 129.</p> <p>The Committee considers that regular change to the lead audit partner is a better assurance of independence than changing the audit firm. The current lead audit partner has served for five years and will serve no more than seven years in total, prior to rotation, according to PwC’s policy.</p>

Areas of focus	
Corporate Governance	
Corporate Governance practices	<p>The Committee received a report of Corporate Governance Policies and Practices Review. The Review covered shareholders' communication policy, Code of Conduct, whistleblowing policy, policy and guidelines on the provision of gifts and entertainment, anti-fraud policy and policy on making political contributions. The Committee considered that CLP was well in compliance with modern corporate governance standards.</p> <p>The Committee appraised the new CLP corporate governance initiatives, as well as the new corporate governance requirements pursuant to the recent amendments of the Listing Rules, the Stock Exchange Code, and the recommendations under the Guidance for Boards and Directors published by the Stock Exchange.</p> <p>The Committee was also updated with some corporate governance observations, including the growing demand from proxy advisors on the independence of directors.</p>
Continuing connected transactions	<p>The Committee considered the work by PwC on the annual reporting and confirmation of continuing connected transactions required by the Listing Rules. The Members acknowledged that PwC had undertaken additional agreed upon procedures for the review of certain selected continuing connected transactions.</p>
Code of Conduct	<p>The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 20 breaches in 2018 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of work place behaviour and individuals' ethics and integrity. None of the reported Code of Conduct violations involved senior managers.</p> <p>The Committee noted that a Business Practice Review (BPR) was completed in 2018 for EnergyAustralia; this formed part of the current CLP Group BPR cycle which began in 2017. CLP Group BPR covered over 8,100 full-time employees and over 1,800 contractors. CLP Group BPR is an in-person training programme mandatory for all employees of the CLP group, and encouraged for contractors. It is carried out once every four years to refresh their understanding of the CLP Code of Conduct and other major corporate policies.</p>

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities are to:

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

Accountability

The Committee is accountable to the Board. The Chairman makes a regular report to the Board on the Committee's review of significant internal control and risk management issues and the Company's annual/interim results. In addition, the Chairman reports to the Board annually on the Committee's activities and this is a practice that is greatly appreciated by fellow Directors who do not sit on this Committee as being able to get a better understanding of the work done by the Committee.

Terms of Reference

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

Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2018 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner in accordance with its terms of reference.

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



Vernon Moore

Chairman, Audit & Risk Committee

Hong Kong, 25 February 2019

Sustainability Committee Report

Members

The Sustainability Committee is appointed by CLP Holdings' Board of Directors and the Members who served on the Committee during the reported period were:

- Mr Richard Lancaster (Chief Executive Officer) as the Chairman;
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director);
- Ms May Siew Boi Tan (Independent Non-executive Director), appointed in August 2018;
- Mr Andrew Brandler (Non-executive Director);
- Ms Quince Chong (Chief Corporate Development Officer); and
- Ms Irene Lee, until her retirement as a Director at the conclusion of the 2018 AGM in May.

[Biographies](#) of the Members are set out on pages 98 to 105 and on the CLP website. [🔗](#)

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

- Chief Financial Officer – Mr Geert Peeters;
- Chief Operating Officer – Mr Derek Parkin;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Chief Human Resources Officer – Mr Roy Massey; and
- Director – Group Sustainability – Mr Hendrik Rosenthal.

Meetings and Attendance

The Committee meets as frequently as required but not less than twice a year and any Committee Member may call a meeting. Between 1 January 2018 and the date of this Report, the Committee met four times (including three times in 2018 and once in 2019). The following table provides an overview of how the Committee spent its time during the period:

	February	2018 August	December	2019 February
Sustainability Reporting / Indices performance	✓		✓	✓
Community investment activities	✓			✓
Climate change and other sustainability risks		✓	✓	✓
Health, Safety, Security and Environment		✓	✓	

Summary of Work Done

The work performed by the Committee during this period is summarised below.

Areas of focus	How did the Committee address such areas?
Sustainability goals, priorities, policies & frameworks	
Climate Vision 2050 Review	Following the revision of the commitments in our Climate Vision 2050 in 2018, management continued work on updating the Climate Vision 2050 publication. The Committee discussed the proposed approach for the revision of the document and the objective to bring the document up-to-date with CLP's approach in managing climate change related risks and opportunities for the Group. In reviewing the draft publication, the Committee considered a number of climate change related topics including CLP's legacy coal investments and portfolio.
Operational Health, Safety, Security & Environment Standards	The Committee reviewed and considered the effectiveness of the Group's Health, Safety and Environment Improvement Strategy. The Committee acknowledged with sadness the recent fatalities and encouraged the sharing of the lessons learnt with the different business units across the Group.
Sustainability trends and risks	
Climate change related developments and risks	The Committee considered recent key developments on climate change issues including the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). The Committee considered CLP's readiness and the feasibility of implementing these recommendations; preparatory and further feasibility work in this area were ongoing.
Vietnam projects	The Committee reviewed the progress of the Vinh Tan III and Vung Ang II power station projects in the context of the CLP's Climate Vision 2050 position and in the face of rising climate change and related sustainability risks. The matter was referred to the Finance & General Committee for further review and consideration in light of these issues.
Investor interest	The Committee discussed the increasing interest on ESG issues from institutional investors. The Committee also took note of the trend that the investment community was becoming more active on climate change related issues.
Sustainable procurement	<p>The Committee considered CLP's responsible procurement approach as well as the key developing practices and emerging standards adopted by industry leaders. The main objective of CLP's approach was to develop and implement a consistent, systematic and aligned approach to identifying, assessing, mitigating and managing sustainability procurement risks.</p> <p>The Committee also reviewed the use of contractor labour in CLP's business in Hong Kong and India. Some of the risks associated with contractor labour were discussed; these included issues of safety performance, non-payment of wages and excessive working hours. A number of proposed actions to enhance CLP's policies, procedures and reporting in this area were also endorsed by the Committee.</p>

Areas of focus	How did the Committee address such areas?																								
Sustainability performance																									
Performance on external sustainability indices	<p>The Committee reviewed CLP's performance on external sustainability indices with the ultimate objective of improving our sustainability performance.</p> <p>The Committee analysed the results of our sustainability performance and noted CLP's overall rankings on the Dow Jones Sustainability Index (DJSI) and CDP in 2018 have been maintained. The Committee acknowledged the importance of being well regarded by the various indices and there was a constructive exchange of views on how further improvements in CLP's sustainability performance could be achieved.</p> <p>Further details of selected 2018 sustainability ratings for CLP's 2017 sustainability performance is shown in the following table. The scores reflected the performance of the year before.</p> <table border="1"> <thead> <tr> <th>Index Name</th> <th>2018 Score</th> <th>2017 Score</th> <th>2016 Score</th> </tr> </thead> <tbody> <tr> <td>DJSI</td> <td>69*</td> <td>70</td> <td>73</td> </tr> <tr> <td>CDP – Climate</td> <td>B*</td> <td>B*</td> <td>A-</td> </tr> <tr> <td>Hang Seng Corporate Sustainability Index</td> <td>AA-</td> <td>A+</td> <td>AA</td> </tr> <tr> <td>FTSE4Good</td> <td>4.0</td> <td>3.3</td> <td>3.3</td> </tr> <tr> <td>MSCI ESG Leaders Indexes</td> <td>AA</td> <td>A</td> <td>A</td> </tr> </tbody> </table> <p>* CDP and DJSI revised their questionnaire and/or the scoring methodology in 2017 and 2018, hence year-on-year performance cannot be compared directly.</p>	Index Name	2018 Score	2017 Score	2016 Score	DJSI	69*	70	73	CDP – Climate	B*	B*	A-	Hang Seng Corporate Sustainability Index	AA-	A+	AA	FTSE4Good	4.0	3.3	3.3	MSCI ESG Leaders Indexes	AA	A	A
Index Name	2018 Score	2017 Score	2016 Score																						
DJSI	69*	70	73																						
CDP – Climate	B*	B*	A-																						
Hang Seng Corporate Sustainability Index	AA-	A+	AA																						
FTSE4Good	4.0	3.3	3.3																						
MSCI ESG Leaders Indexes	AA	A	A																						
Sustainability Reporting																									
Sustainability Reporting Standards 	<p>The Committee considered the evolving approach in preparing the Sustainability Report both in terms of industry standards and regulatory compliance. </p> <p>The Committee reviewed the 2018 materiality identification results and acknowledged that the assessment process had been enhanced to prioritise the material topics, which supported the development of a more focused Sustainability Report.</p> <p>The Committee also considered and endorsed the presentation of the contents of the 2018 Sustainability Report and how it meets the Hong Kong Stock Exchange's ESG Reporting Guide "comply or explain" and "recommended disclosure" requirements, as well as the Global Reporting Initiative's Sustainability Reporting Standards. </p>																								
Sustainability data assurance	The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee.																								
Community, charitable and environmental partnerships and initiatives																									
Community initiatives	<p>The Committee reviewed management's report on the community initiatives undertaken by CLP in 2018 and supported the proposed overall strategy for 2019 as well as the specific initiatives in terms of the following:</p> <ul style="list-style-type: none"> • spending by country, theme and programme; • volunteering contributions; and • the number of programmes and beneficiaries. 																								

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

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

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board, at CLP's expense, to investigate all matters that fall within its terms of reference.

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

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

Terms of Reference

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

Looking Ahead

The Committee will continue to review its role of supporting the Board and overseeing management in the development, implementation, measurement and reporting of the Group's social, environmental and ethical performance. This will ultimately enable the CLP Group to operate on a sustainable basis for the benefit of current and future generations.



Richard Lancaster

Chairman, Sustainability Committee

Hong Kong, 25 February 2019

Nomination Committee Report

Members

The Nomination Committee is appointed by CLP Holdings' Board of Directors and the Members of the Committee are:

- Mr Nicholas C. Allen (Independent Non-executive Director), appointed as Chairman in June 2018;
- The Hon Sir Michael Kadoorie (Non-executive Director); and
- Mr Vincent Cheng (Independent Non-executive Director).

[Biographies](#) of the Members are set out on pages 98 to 103 and on the CLP website. [📄](#)

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

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

Meetings and Attendance

The Committee meets as frequently as required and between 1 January 2018 and the date of this Report, the Committee met twice.

Summary of Work Done

In 2018, this year was a busy year for this Committee, where the Committee saw the retirement of Ms Irene Lee earlier in the year, this was followed by the search for her replacement and an additional Non-executive Director. In June, the Committee Chair was changed with the appointment of an Independent Non-executive Director in Mr Nicholas C. Allen while the former Committee Chairman remained as a Member of the Committee.

An additional Committee meeting was convened in July to consider, amongst other things, the appointment of new Directors in Mr Philip Kadoorie as a Non-executive Director and Ms May Tan as an Independent Non-executive Director, the adoption of Onboarding Guidelines and the issue of Board succession.

The work performed by the Committee during the period included:

- examining the current Board structure and composition;
- reviewing candidates for appointment to the Board;
- reviewing the Board Diversity Policy;
- reviewing and considering Board succession planning;
- assessing the independence of all Independent Non-executive Directors;
- reviewing the training and continuous professional development of Directors; and
- evaluating Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

Nomination Committee Report

Highlights of the work performed by the Committee during this period is summarised below.

Areas of focus	How did the Committee address such areas?
Appointment of new Directors	<p>With Ms Irene Lee's retirement as an Independent Non-executive Director at the conclusion of the 2018 AGM, the Committee oversaw a search conducted by management for a replacement candidate.</p> <p>A search for suitable candidates was conducted and it covered the following: listed companies in Hong Kong, the UK, Singapore and Australia; constituent companies in the Dow Jones Sustainability Index and FTSE4Good; global utilities; engineering academia in Hong Kong and the UK; climate change and sustainability experts; energy regulators and women already on Boards of other listed companies.</p> <p>From this search, candidates with experience in Asia were shortlisted and this was further shortlisted to remove candidates with heavy workload commitments. Ms May Tan emerged as the preferred candidate having regard to her mix of skills and experience, especially her finance and audit background and the fact that she is based in Hong Kong.</p> <p>Following the Committee's consideration of her proposed appointment, the Committee endorsed the appointment for approval by the Board. She was then subsequently appointed by the Board in August as an Independent Non-executive Director and a Member of the Audit & Risk Committee, Finance & General Committee and Sustainability Committee.</p> <p>With Ms Lee's retirement, this had also prompted a review of the Board's composition by the Committee. With the view of demonstrating to CLP's stakeholders the ongoing involvement and support of CLP's major shareholder – the Kadoorie Family – it was considered by the Committee to be appropriate for the appointment of Mr Philip Kadoorie to be put forward to the Board. Mr Kadoorie is a Director of Sir Elly Kadoorie & Sons Ltd., CLP Holdings Chairman's son and a representative of the Kadoorie Family. Mr Kadoorie was appointed as a Non-executive Director in August at the same time as Ms May Tan's appointment.</p> <p>The Committee was satisfied that the appointments enhanced the diversity of the Board having regard to their expertise, background and experience.</p>

Areas of focus	How did the Committee address such areas?
Retirement age for Non-executive Directors – board diversity	<p>The Committee considered and reviewed CLP’s approach on the issue of Board succession. Having regard to the existing Board composition and the composition that would continue to best meet the needs of the Company into the future, the Committee put forward a retirement age guideline for Non-executive Directors which would be a more structured approach to refresh the Board over time.</p> <p>The retirement age guideline was approved by the Committee and was also approved by the Board for adoption in the Board Diversity Policy.</p> <p>The retirement age guideline applies to all Non-executive Directors of CLP Holdings (other than the Chairman) and provides that where a Director has reached the age of 72 at the time of the Annual General Meeting at which he or she would retire by rotation, he or she will not be considered for re-election.</p> <p>In order to retain sufficient flexibility in the application of this guideline to meet the needs of the Company, where the Board considers a Director to possess certain skills, experience or capabilities, that cannot be readily replaced, this guideline can then be waived or relaxed.</p> <p>The Committee is of the view that the policy will assist with Board succession planning and will facilitate the refreshment of the Board with sufficient flexibility to ensure that the Board composition would be best suited to oversee the future development of CLP.</p>
Board Diversity Policy – other key changes	<p>The Committee approved other changes to the Board Diversity Policy and some of the key changes are:</p> <p><i>Independence</i></p> <p>It is expressly recognised in the Policy that the question of independence of a Director is a question of fact and the Board remains committed to assessing the issue of independence on an ongoing basis with regard to all factors concerned and not just limited to where a Director’s service exceeds nine years.</p> <p><i>Board size</i></p> <p>The Policy provides that aspects of diversity included in the Policy can be achieved without increasing the size of the Board and that retirement without replacement can also be a way to greater diversity.</p> <p><i>Gender</i></p> <p>The Policy acknowledges that the proportion of women on the Board (currently 20%) is expected to increase over time.</p>

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

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

Accountability

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

Terms of Reference

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

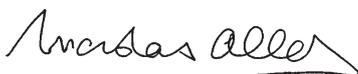
Nomination Policy

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

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

Looking Ahead

The Committee will continue to review its role of supporting the Board on the areas of Director nomination, Board succession and Board refreshment to ensure that the Board composition would be best suited to oversee the future development of CLP.



Nicholas C. Allen

Chairman, Nomination Committee

Hong Kong, 25 February 2019

Human Resources & Remuneration Committee Report

Introduction

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

As stated in Note 29(C) to the Financial Statements on page 263, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's Auditor:

- "Non-executive Directors – Remuneration in 2018";
- "Change of Remuneration – Executive Directors and Senior Management";
- "Executive Directors – Remuneration in 2018";
- "Total Directors' Remuneration in 2018";
- "Senior Management – Remuneration in 2018"; and
- "The Five Highest Paid Individuals in 2018".

Membership

The HR&RC is appointed by CLP Holdings' Board of Directors. There are no Executive Directors on the HR&RC and a majority of the HR&RC Members are Independent Non-executive Directors. The Members are:

- Mr Vincent Cheng (Independent Non-executive Director) as the Chairman;
- Mr William Mocatta (Non-executive Vice Chairman);
- Mr Vernon Moore (Independent Non-executive Director);
- Mr Nicholas C. Allen (Independent Non-executive Director); and
- Mrs Zia Mody (Independent Non-executive Director).

[Biographies](#) of the Members are set out on pages 98 to 103 and on our website. [🔗](#)

Responsibilities and Work Done

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

The HR&RC held three meetings during 2018 and one meeting in 2019 up to 25 February 2019 (the date of this Report). Between 1 January 2018 and the date of this Report, the HR&RC approved the 2017 and 2018 HR&RC Reports, and reviewed the following:

Performance and Remuneration Review

- Group performance for 2017 and 2018 and Group targets for 2018 and 2019;
- 2017 and 2018 organisation performance for CLP Power Hong Kong and CLP India and targets for 2018 and 2019;
- Base pay for 2018 and 2019 for Hong Kong payroll staff, CLP India and China;
- Non-executive Directors' fees;
- CEO's remuneration;
- Remuneration of direct reports to the CEO, including annual incentive payments for 2017 and 2018 and pay review for 2018 and 2019;

Training and Benefits Review

- CLP Home Loan Scheme;
- Training and continuous professional development of Senior Management;

Succession Planning and Organisational Evolution

- Senior Management succession plan review 2018 and update on talent development initiatives;

Human Resources Trends and Development

- Update on remuneration disclosure trends and developments in the UK;
 - Trends in Executive Remuneration Governance and Disclosure in the UK; and
 - Update on Gender Pay Equity Disclosure.
-

Remuneration Policies

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

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

Non-executive Directors – Principles of Remuneration

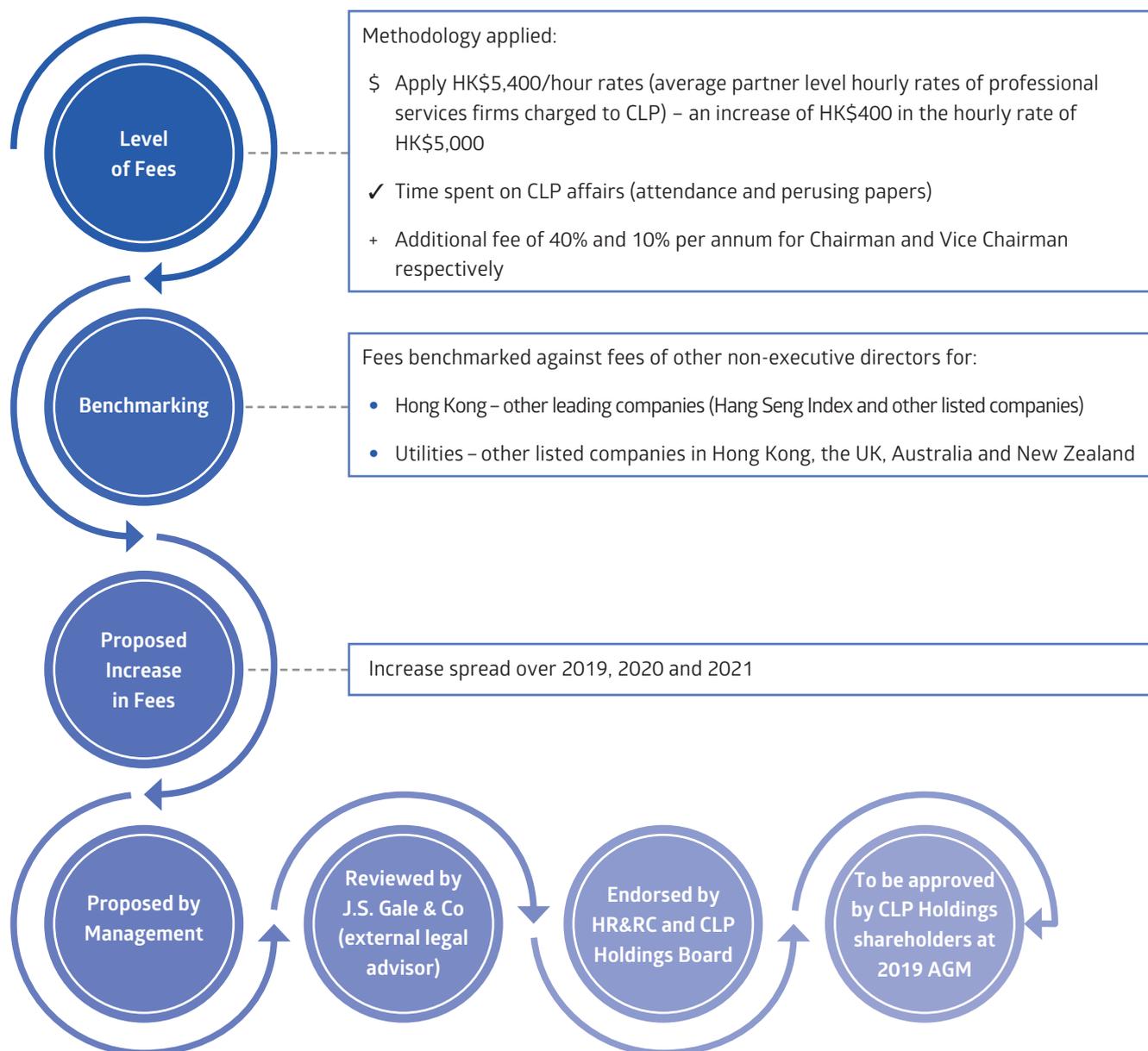
The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

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

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

CLP’s Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2019 (the 2019 Review). The methodology adopted in the 2019 Review in all material respects is the same as that used in the previous reviews and as explained to shareholders in the CLP Code.

The 2019 Review and methodology applied are summarised as follows:



Human Resources & Remuneration Committee Report

The following is a highlight of the key observations from the 2019 workload review over the past three-year period as against the 2016 Review:

- there has been a slight increase in the working hours of the Board and the Sustainability Committee;
- substantial increases were recorded in the working hours of the Audit & Risk Committee, the Human Resources & Remuneration Committee and the Nomination Committee;
- the working hours of the Finance & General Committee reduced; and
- there was a slight decrease in the working hours of the Provident & Retirement Fund Committee.

The 2019 Review revealed that the overall time spent by Non-executive Directors in performing their duties on the Board and Board Committees during the period from 2016 to 2018 was broadly higher than the last review period (from 2007 to 2015). However, having regard to the possible year-to-year fluctuations in the time spent by Non-executive Directors (based on the data CLP has collected since 2004), it has been recommended to maintain the approach of the 2016 Review by taking an average time spent by Non-executive Directors over a longer duration of three periods (i.e. nine years), rather than over the three years immediately preceding the review, in order to smooth out the effect of short-term fluctuations in workload.

The methodology applied in determining those fees is unchanged from the last review in 2016, save for the following adjustments:

- 1 The indicative fees show a slight reduction in fees for the Finance & General Committee. This is driven by the reduction in the working hours of this Committee over the period. This reduction can be attributed to the delivery of more succinct board papers and enhanced efficiency in the Committee's work. Looking ahead, it is anticipated that the transaction opportunities for the Group and, by extension the workload of the Finance & General Committee, may increase over the next few years. In these circumstances, management considers it appropriate to maintain the current fees for the Finance & General Committee unchanged.
- 2 With the growing demand on the work of the Nomination Committee including the continuous review of the composition, refreshment and independence of the Board, the monitoring of the nomination criteria and the ongoing application of the Board Diversity Policy, it is proposed that the nominal fee now be discarded and the fees for the Nomination Committee should be determined by the application of our standard review methodology. This would result in a modest increase in absolute dollar value only.

The proposed fees represent a justifiable and measurable increase on those paid between 2016 and 2018. The proposed increase in the hourly rate of HK\$400 is broadly comparable with increases in Hong Kong's Consumer Price Index over the past three years. The increase is in line with an ongoing increase in the workload shouldered by the Board and some Board Committees in recent years, albeit now measured over a longer duration of three review periods.

We have applied the methodology in a conservative manner – the fee review takes place every three years and the methodology takes into account past and present data, rather than any forward-looking projections. In benchmarking fees against selected companies, we have not assumed that there will be any ongoing increases in directors' fees paid by those companies.

As with the 2013 and the 2016 reviews, it is recommended to spread the proposed increase over a period of three years from 2019 to 2021, as opposed to a single sharp increase in the first year.

In line with our policy that no individual or any of his or her close associates should determine his or her own remuneration, the level of fees set out in the following table was proposed by management, reviewed by J.S. Gale & Co (JSG), external legal advisor, and will be put for approval by our shareholders at the AGM on 6 May 2019. JSG have provided an opinion to the effect that the methodology adopted by CLP is reasonable and appropriate, has been fairly and consistently applied in all material respects and that the resulting proposed level of fees is reasonable and appropriate having regard to current corporate governance practices in Hong Kong and the UK. In this respect, CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the [2019 Review and the opinion of JSG on that 2019 Review](#) are placed on CLP's website. [🔗](#)

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

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

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

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

Non-executive Directors – Remuneration in 2018 (Audited)

The fees paid to each of our Non-executive Directors in 2018 for their service on the CLP Holdings Board and, where applicable, on its Board Committees are set out below. Higher level of fees was paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

In HK\$	Board	Audit &	Nomination	Finance &	HR&RC	Provident &	Sustainability	Total	Total	
		Risk	Committee	General		Retirement				Fund
Non-executive Directors										
The Hon Sir Michael Kadoorie ¹	753,819.18 ^(C)	-	11,654.80	-	-	-	-	765,473.98	733,932.88	
Mr William Mocatta ²	592,253.43 ^(VC)	-	-	443,667.12 ^(C)	62,586.31	14,000.00 ^(C)	-	1,112,506.86	1,066,457.54	
Mr J. A. H. Leigh	538,475.34	-	-	-	-	-	-	538,475.34	514,252.06	
Mr Andrew Brandler	538,475.34	-	-	315,632.88	-	-	78,931.51	933,039.73	897,719.18	
Dr Y. B. Lee	538,475.34	-	-	-	-	-	-	538,475.34	514,252.06	
Mr Philip Kadoorie ³	220,258.36	-	-	-	-	-	-	220,258.36	-	
Independent Non-executive Directors										
Mr Vernon Moore	538,475.34	475,558.90 ^(C)	-	315,632.88	62,586.31	-	-	1,392,253.43	1,351,201.37	
Sir Rod Eddington	538,475.34	-	-	315,632.88	-	-	-	854,108.22	818,987.67	
Mr Nicholas C. Allen ¹	538,475.34	338,586.30	12,345.20 ^(C)	315,632.88	62,586.31	-	78,931.51	1,346,557.54	1,305,926.03	
Mr Vincent Cheng	538,475.34	-	10,000.00	315,632.88	86,628.76 ^(C)	-	-	950,736.98	915,116.44	
Mrs Fanny Law	538,475.34	338,586.30	-	-	-	-	78,931.51	955,993.15	930,069.87	
Mrs Zia Mody	538,475.34	-	-	-	62,586.31	-	-	601,061.65	575,372.61	
Ms May Siew Boi Tan ⁴	220,258.36	136,569.04	-	128,635.07	-	-	31,816.44	517,278.91	-	
Ms Irene Lee ⁵	177,438.90	114,691.51	-	104,771.51	-	-	26,770.41	423,672.33	1,234,805.48	
								Total	11,149,891.82	10,858,093.19

Notes:

- 1 With effect from 1 June 2018, Mr Nicholas C. Allen was appointed as the Chairman of the Nomination Committee (the Committee) and The Hon Sir Michael Kadoorie stepped down as Chairman of the Committee and remained as a Member of the Committee.
- 2 Mr William Mocatta received HK\$300,000.00 as fee for his service on the board of CLP Power Hong Kong Limited for each of 2017 and 2018.
- 3 Mr Philip Kadoorie was appointed as a Non-executive Director with effect from 7 August 2018. The fee paid to Mr Kadoorie for his service was made on a pro rata basis from 7 August 2018.
- 4 Ms May Siew Boi Tan was appointed as an Independent Non-executive Director and a Member of the Audit & Risk Committee, the Finance & General Committee and the Sustainability Committee with effect from 7 August 2018. The fees paid to Ms Tan for her service were made on a pro rata basis from 7 August 2018.
- 5 Ms Irene Lee retired as an Independent Non-executive Director and a Member of the Audit & Risk Committee, the Finance & General Committee and the Sustainability Committee with effect from the conclusion of the 2018 AGM held on 4 May 2018. The fees paid to Ms Lee were made on a pro rata basis in respect of her service up to 4 May 2018.

There was an increase in total Directors' fees compared to 2017, primarily due to an increase in the level of Non-executive Directors' fees which took effect on 6 May 2018 and the appointment of additional Director during 2018.

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

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2018 are set out in the tables on page 166 (Executive Directors) and pages 172 to 173 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2018 and, for the annual and long-term incentives, service and performance in previous years.

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

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

In the tables on page 166 and pages 172 to 173 the “Total Remuneration” column for 2018 includes the following recurring items:

- (i) base compensation, allowances & benefits paid;
- (ii) 2018 annual incentive accrued based on previous year’s Company performance and the 2017 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2018 for 2017 performance and the annual incentive accrual for 2017;
- (iii) the 2015 long-term incentive award paid in January 2018 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2014 paid in 2017). About 34% of the increase in the value of the phantom shares portion of 2015 long-term incentive payments results from the change in CLP Holdings’ share price between 2015 and 2017, with dividends reinvested; and
- (iv) provident fund contribution made.

The “Other Payments” column includes any non-recurring items. In 2017 and 2018, there were no other payments made.

Executive Directors – Remuneration in 2018 (Audited)

The remuneration paid to the Executive Directors of the Company in 2018 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Item	Total HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	
		Annual Incentive HK\$M	Long-term Incentive ³ HK\$M				
2018							
CEO (Mr Richard Lancaster)	9.4	8.0	6.2	2.4	26.0	-	26.0
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.2	6.1	4.6	1.3	19.2	-	19.2
	16.6	14.1	10.8	3.7	45.2	-	45.2
2017							
CEO (Mr Richard Lancaster)	9.1	7.9	5.3	2.3	24.6	-	24.6
Executive Director & Chief Financial Officer (Mr Geert Peeters)	6.9	6.1	2.4	1.3	16.7	-	16.7
	16.0	14.0	7.7	3.6	41.3	-	41.3

Notes:

- The value of non-cash benefits is included under the "Base Compensation, Allowances & Benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.
- Performance bonus consists of (a) annual incentive (2018 accrual and 2017 adjustment) and (b) long-term incentive (payment for 2015 award). The annual incentive payments and long-term incentive awards were approved by the HR&RC.
Payment of the annual incentive and granting of the long-term incentive awards relating to 2018 performance will be made in March 2019. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2018. [Details](#) of these will be published on the CLP website at the time that the 2018 Annual Report is published. [🔗](#)
- Mr Peeters joined the Company in February 2014. The Long-term Incentive (LTI) payment in 2017 was for a part year 2014 LTI award, and the LTI payment in 2018 was for the full year 2015 LTI award.

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

Total Directors' Remuneration in 2018 (Audited)

The total remuneration of Non-executive and Executive Directors in 2018 was:

	2018 HK\$M	2017 HK\$M
Fees	11.1	10.9
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	16.6	16.0
Performance Bonus ²		
– Annual Incentive	14.1	14.0
– Long-term Incentive	10.8	7.7
Provident Fund Contribution	3.7	3.6
Non-recurring Remuneration Item		
Other Payments	–	–
	56.3	52.2

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 166 for Executive Directors.
- 2 Refer to Note 2 on Performance Bonus on page 166 for Executive Directors.

Of the total remuneration paid to Directors, HK\$12.3 million (2017: HK\$11.8 million) has been charged to the SoC operation.

Executive Directors and Senior Management – Principles of Remuneration

For the purposes of this section, Senior Management means the managers whose details are set out on page 105.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of its culture. It is designed to attract, retain and motivate high performing executives – who for their technical and managerial skills and their diversity in terms of origin and experience – are a key factor in support of CLP's long-term business success and the creation of value for our stakeholders.

Given the scale and life-span of CLP's investments, and the array of stakeholders impacted by our operations, CLP takes a long-term view to remunerating its executives for their contributions to the Company's sustainable and profitable growth.

Our Senior Managers are, depending on their role, responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a customer-focused energy business in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. Hence, the structure of our remuneration packages is assessed in terms of appropriateness to the role and alignment with the reference market.

The labour market for our CEO and most other Senior Managers extends beyond the local market. Hence, we use both local and international reference markets for purposes of competitive remuneration assessments.

We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions, as we believe that a long-term career with the Group is an important asset to CLP. Consequently external competitiveness of remuneration has to be balanced with internal equity.

Human Resources & Remuneration Committee Report

Our policy is based on the following principles that guide our remuneration programmes and decisions:

- appropriateness and fairness of remuneration in relation to the assigned job responsibilities and capabilities demonstrated;
- alignment with Company strategy and shareholder interests;
- competitive with respect to pay levels in the relevant reference market;
- performance based in terms of sustained results, behaviours and values; and
- governed by and compliant with the relevant regulatory frameworks.

In order to make informed decisions on competitive Total Remuneration as well as its individual components, the HR&RC takes reference from remuneration data for comparable positions at relevant local and, as appropriate, international companies that are representative of CLP's industry, size and operational characteristics and against which CLP competes for executive talent.

To assess appropriate remuneration levels for Senior Management positions, the HR&RC may give different weight to local and international company remuneration data. The comparative analysis is carried out by taking into account specific groups of comparator companies to ensure alignment with the reference market.

The competitive assessment against comparator companies is used both for assessing CLP's relative performance and for assessing the competitiveness of the remuneration packages.

As publicly disclosed comparator information is available for only a limited number of Senior Management positions, we supplement peer data from published remuneration surveys.

Our Senior Management pay structure consists of fixed pay, annual incentives, long-term incentives and a retirement arrangement. The ratio between these components reflects CLP's risk management framework that does not induce excessive risk taking and is designed to promote commitment in contributing to the achievement of sustainable results.

In determining incentive payments and Total Remuneration, the HR&RC takes into account a broad range of performance indicators including financial (e.g. long-term growth in the share price and dividends), operational, safety, environmental, social, governance and compliance related factors (see page 170). The determination of performance outcomes is not formulaic, as the HR&RC believes their overriding responsibility is to exercise judgement and responsibility.

In determining overall Total Remuneration, the HR&RC applies a balanced overall judgement, with the intention to align Total Remuneration between the median and the upper quartile of the reference market, with overall positioning consistent with business performance and with individual positioning based on an assessment of performance, potential and the strategic impact of the individual.

An independent external remuneration consultant provides the HR&RC with relevant market information and analysis, with special reference to current practices among our comparator companies at the local and international level.

The four components of remuneration of members of Senior Management are explained on the following pages.

Executive Directors and Senior Management's Remuneration (excluding Managing Director – EnergyAustralia)

Base Compensation

Base Compensation for each member of Senior Management is reviewed annually and takes into consideration the competitive position against the relevant labour market, the scope and responsibility of the role and individual performance. The Base Compensation accounts for 34% of his/her potential total remuneration in 2018.

Pension Arrangement

The members of Senior Management are eligible to join the Group's defined contribution retirement fund. The employer's contribution to the retirement fund ranges from 10 – 17.5% of Base Compensation plus target annual incentive. To receive the maximum 17.5% employer contribution the employee must have completed 10 or more years of service and is required to contribute 10% of Base Compensation. A 17.5% employer contribution accounts for 9% of his/her potential total remuneration in 2018.

Annual Incentive

Each member of Senior Management has a maximum annual incentive opportunity of 100% of Base Compensation, which accounted for 34% of his/her potential total remuneration in 2018. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. The actual amount awarded is determined by the HR&RC's assessment of organisational performance.

The annual incentive award depends on the performance of the CLP Group for the CEO and Hong Kong based members of Senior Management. For the Managing Director of India it is based on the performance of India.

Assessing Organisational Performance for the Annual Incentive

In assessing organisational performance the HR&RC takes into account a balanced scorecard of measures. Given the scale and complexity of our business operations there are a large number of such measures, including both quantitative and qualitative factors.

Given the range of considerations there is not a formulaic mathematical determination of performance, rather it is a balanced judgement by the HR&RC taking all relevant factors into account.

In reaching their decision the HR&RC considers **What** was achieved and **How** it was achieved.

This includes:

- Performance achieved against Financial and Operational targets;
 - How that performance was delivered from a Safety, Environment and Governance perspective;
 - How well was the future strategic positioning of the business managed to ensure long-term value creation and sustainability?
-

Human Resources & Remuneration Committee Report

In assessing performance the quantitative financial and operational measures considered by the HR&RC include the following:

	Area of performance	Measures
WHAT	Financial and Operational	<ul style="list-style-type: none"> • Operating EPS • Operating earnings • ROE • Asset performance • Customer Minutes Lost
HOW	Safety	<ul style="list-style-type: none"> • Lost Time Injury Rate • Total Recordable Injury Rate • Fatalities
	Environmental	<ul style="list-style-type: none"> • Regulatory non-compliance cases • CO₂ intensity • Emissions • Renewable Energy capacity as a percentage of new generation portfolio
	Internal control	<ul style="list-style-type: none"> • Number of Not Satisfactory Audits • Number of Code of Conduct cases

In addition to these measures the HR&RC also sets a number of additional objectives each year reflecting the strategic priorities of the Group. In 2018 these objectives included:

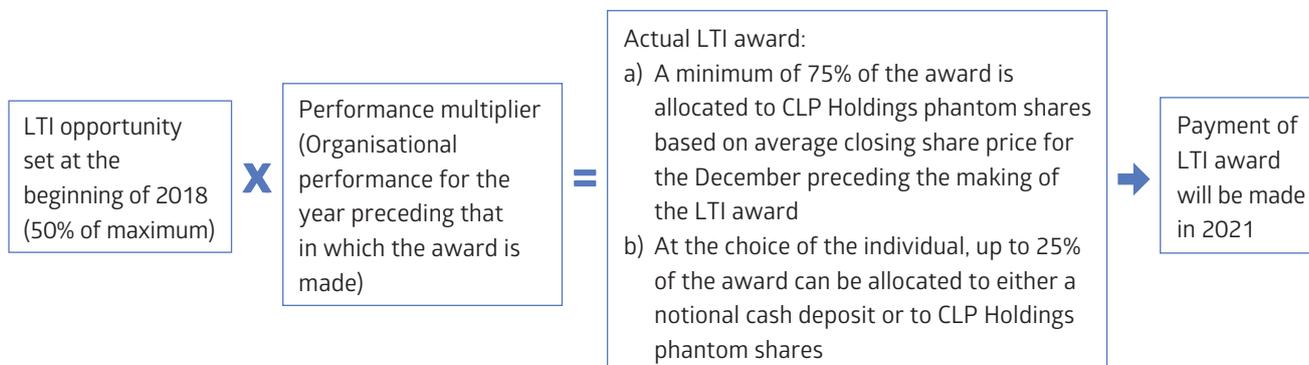
- Review safety culture, practices and processes. Address safety performance issues, with particular emphasis on contractors;
- Ensure we optimise the availability, reliability and resource efficiency standards of our asset portfolio;
- Drive the digital transformation of our existing business models;
- Strengthen data science capabilities and programmes, and create value by leveraging data to increase operational efficiency, enhance our predictive capabilities and obtain benefit from data driven customer insights;
- Continue to build strategic capabilities and strengthen diversity. Ensure management and human resources are allocated to areas of strategic focus;
- Continue to enhance ESG capability;
- Maintain an effective internal control environment; and
- Ensure cyber-resilience of business operations and data.

Finally, the HR&RC considers the performance of Senior Management in ensuring the long-term sustainability of the organisation in relation to four dimensions:

- Business Model;
- People and Organisational Capability;
- Environmental Impact; and
- Community Acceptance.

Long-term Incentive

Awards under the Long-term Incentive (LTI) plan are based on organisational performance and support the retention of Senior Management. Each member of Senior Management has a maximum LTI opportunity of 66.6% of Base Compensation, which accounts for 23% of his/her potential total remuneration in 2018. The composition of the LTI award:



Of the long-term incentive, a minimum of 75% of the LTI payment for Senior Management is allocated to CLP Holdings phantom shares based on the average closing share price for the December preceding the making of the LTI award. The payment of which is subject to a three-year vesting period. The final value of the award, at the vesting date, is based on the initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements, and interest earned over the three-year vesting period. Senior Management have the choice of allocating 100% of the LTI to phantom shares.

Remuneration for Ms Catherine Tanna, Managing Director – EnergyAustralia

Fixed Annual Remuneration (FAR)

FAR includes base salary and employer contribution to the Australian statutory superannuation scheme, it accounts for 29% of her potential total remuneration in 2018. It is reviewed annually taking into consideration the competitive market position compared to ASX 100 companies, market practice and individual performance.

Annual Incentive

Ms Tanna has a maximum annual incentive opportunity of 150% of FAR, which accounted for 43% of her potential total remuneration in 2018. The actual annual incentive payment depends upon the performance of EnergyAustralia against a balanced scorecard of financial, operational and strategic measures.

The actual payout of Ms Tanna's annual incentive will be approved by the Board of EnergyAustralia. 70% of her actual annual incentive for 2018 will be paid in 2019 with the remainder of the actual annual incentive deferred for two years, payable in 2021.

Long-term Incentive

Ms Tanna was assigned an initial LTI Award of 100% of FAR which accounts for 28% of her potential total remuneration in 2018.

The final value of the 2018 LTI award will be decided by the EnergyAustralia Board, depending on the achievement of the LTI Performance Conditions.

Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination and Remuneration Committee of EnergyAustralia) will be paid to Ms Tanna in April 2021 (the Vesting Date).

Senior Management – Remuneration in 2018 (Audited)

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in “Executive Directors – Remuneration in 2018”).

	Recurring Remuneration Items					Non-recurring Remuneration Item		Total HK\$M
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²			Total Remuneration HK\$M	Other Payments HK\$M		
		Annual Incentive HK\$M	Long-term Incentive HK\$M	Provident Fund Contribution HK\$M				
2018								
Chief Operating Officer (Mr Derek Parkin)	5.3	4.5	0.6	1.0	11.4	-	11.4	
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.4	3.8	3.0	1.1	12.3	-	12.3	
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.2	5.2	1.8	1.3	13.5	-	13.5	
Managing Director – EnergyAustralia (Ms Catherine Tanna) ³	11.4	13.3	9.1	0.1	33.9	-	33.9	
Managing Director – India (Mr Rajiv Mishra) ⁴	4.2	3.5	2.1	1.0	10.8	-	10.8	
Managing Director – China (Mr Chan Siu Hung)	4.3	3.7	2.7	1.1	11.8	-	11.8	
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.2	4.3	3.3	1.3	14.1	-	14.1	
Chief Corporate Development Officer (Ms Quince Chong)	5.1	4.3	3.3	1.1	13.8	-	13.8	
Chief Human Resources Officer (Mr Roy Massey)	4.2	3.4	2.2	1.1	10.9	-	10.9	
Total	49.3	46.0	28.1	9.1	132.5	-	132.5	

Notes 1 to 4 are set out on page 173.

Of the total remuneration paid to Senior Management, HK\$40.4 million (2017: HK\$39.6 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2018 (Audited) (continued)

	Recurring Remuneration Items				Non-recurring Remuneration Item		
	Base Compensation, Allowances & Benefits ¹ HK\$M	Performance Bonus ²		Provident Fund Contribution HK\$M	Total Remuneration HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M				
2017							
Chief Operating Officer	5.2	4.5	-	0.9	10.6	-	10.6
Group Director & Vice Chairman – CLP Power Hong Kong ⁵	4.3	4.7	2.6	1.1	12.7	-	12.7
Managing Director – CLP Power (Mr Paul Poon) ⁶	2.3	3.0	3.2	0.6	9.1	-	9.1
Managing Director – CLP Power (Mr Chiang Tung Keung) ⁷	2.9	2.5	-	0.8	6.2	-	6.2
Managing Director – EnergyAustralia ³	11.9	13.8	4.3	0.1	30.1	-	30.1
Managing Director – India ⁴	4.0	3.1	1.8	1.0	9.9	-	9.9
Managing Director – China	4.1	3.5	2.4	1.1	11.1	-	11.1
Group General Counsel & Chief Administrative Officer	5.0	4.3	2.8	1.1	13.2	-	13.2
Chief Corporate Development Officer	4.9	4.3	3.0	0.9	13.1	-	13.1
Chief Human Resources Officer	4.0	3.8	1.7	1.0	10.5	-	10.5
Total	48.6	47.5	21.8	8.6	126.5	-	126.5

Notes:

- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 166.
- 2 Refer to Note 2 on Performance Bonus on page 166. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.
- 3 The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 4 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 8.3 Rupees from 1 October 2015 to 30 September 2019. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.
- 5 The annual incentive paid to Mrs Betty Yuen in 2017 included additional discretionary annual incentive of HK\$1.0 million for 2016 performance year.
- 6 Mr Paul Poon stepped down as Managing Director – CLP Power with effect from 1 June 2017 and his remuneration covered the period from 1 January to 31 May 2017. The annual incentive paid to Mr Paul Poon in 2017 included an additional discretionary annual incentive of HK\$1.0 million for 2016 performance year.
- 7 Mr Chiang Tung Keung was appointed as Managing Director – CLP Power to succeed Mr Paul Poon and became a member of Senior Management with effect from 1 June 2017. His remuneration covered the period from that date to 31 December 2017.

The Five Highest Paid Individuals in 2018 (Audited)

The five highest paid individuals in the Group included two Directors (2017: two Directors) and three members of Senior Management (2017: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2018 HK\$M	2017 HK\$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits ¹	38.3	37.8
Performance Bonus ²		
– Annual Incentive	36.0	36.3
– Long-term Incentive	26.6	17.8
Provident Fund Contribution	6.2	5.8
Non-recurring Remuneration Item		
Other Payments	–	–
	107.1	97.7

Notes:

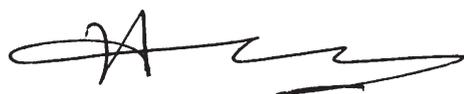
- 1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 166.
- 2 Refer to Note 2 on Performance Bonus on page 166.

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

	Number of Individuals	
	2018	2017
HK\$13,000,001 – HK\$13,500,000	–	2
HK\$13,500,001 – HK\$14,000,000	1	–
HK\$14,000,001 – HK\$14,500,000	1	–
HK\$16,500,001 – HK\$17,000,000	–	1
HK\$19,000,001 – HK\$19,500,000	1	–
HK\$24,500,001 – HK\$25,000,000	–	1
HK\$26,000,001 – HK\$26,500,000	1	–
HK\$30,000,001 – HK\$30,500,000	–	1
HK\$33,500,001 – HK\$34,000,000	1	–

Continued Scrutiny and Disclosure

The HR&RC remains committed to the careful oversight of remuneration policies and levels in the interests of the Company and its shareholders, and to honest and open disclosure on these matters.



Vincent Cheng

Chairman, Human Resources & Remuneration Committee

Hong Kong, 25 February 2019

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 32 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associates. Details of the joint ventures and associates are provided under Notes 12 and 13 to the Financial Statements.

Earnings and Dividends

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

The Directors have declared and paid the first to third interim dividends of HK\$1.83 (2017: HK\$1.77) per share totalling HK\$4,623 million (2017: HK\$4,472 million) during the year.

The Directors declared the fourth interim dividend of HK\$1.19 (2017: HK\$1.14) per share totalling HK\$3,007 million (2017: HK\$2,880 million).

This fourth interim dividend will be paid on 21 March 2019.

Business Review and Performance

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, including analysis using financial key performance indicators, are provided in the Financial Highlights on page 3, CEO's Strategic Review on page 18, Financial Review on page 30, the Business Performance and Outlook section on page 38 and Financial Capital on page 70. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Management Report on page 133. Particulars of important events affecting the Group that have occurred since the end of the financial year 2018, if applicable, can also be found in the above-mentioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement on page 14, the CEO's Strategic Review on page 18 and the Business Performance and Outlook section on page 38. An account of the Group's relationships with its key stakeholders is included in the Capitals section on page 68.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in this Annual Report in the Capitals section on page 68, the Governance section on page 96 and the Five-year Summary: CLP Group Statistics – Environmental and Social on pages 288 and 289.

These discussions form part of this Directors' Report.

Share Capital

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

Reserves

Distributable reserves of the Company amounted to HK\$27,133 million as at 31 December 2018 (2017: HK\$27,944 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2018 amounted to HK\$55,298 million (2017: HK\$57,341 million). Particulars of borrowings are set out in Note 20 to the Financial Statements and on pages 70 to 74 of the Financial Capital.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.2% of the Group's total assets as at 31 December 2018.

Equity-linked Agreements

For the year ended 31 December 2018, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$18,311,000 (2017: HK\$14,465,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2018 and for the previous four financial years are on pages 286 and 287. A [ten-year summary](#) is on the CLP website. 

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on page 105. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 159.

Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers, in aggregate, accounted for 51.90% of the Group's total purchases during the year and a breakdown of the purchases (as a percentage of the Group's total purchases) from each of the five largest suppliers are set out below in descending order:

1. 19.12% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).
2. 10.81% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases 80% of GNPS's output for supply of electricity to its customers in Hong Kong.
3. 9.88% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.
4. 7.87% from Ausgrid in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.
5. 4.22% from Coal India Limited (CIL) in which the Group has no interest. CIL is the single largest coal producer in the world and is an Indian state-owned coal mining corporate which supplies coal to our Jhajjar Power Station.

As at 31 December 2018, none of the Directors, their close associates or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC.

Directors

With the exception of Mr Philip Kadoorie and Ms May Tan, the Directors of the Company as at the date of this Report, whose names appear on pages 98 to 103, were Directors for the whole year ended 31 December 2018. Their biographical details as at the date of this Report are set out on the same pages. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 159.

Ms Irene Lee retired as an Independent Non-executive Director of the Company at the conclusion of the 2018 AGM held on 4 May 2018. After having served on the Company's Board for over 5 years, Ms Lee decided to retire as a Director of the Company as she would like to devote more time to her other business commitments and engagements. Ms Lee confirmed that she had no disagreement with the Board and that she was not aware of any matter in relation to her retirement that should be brought to the attention of the shareholders of the Company.

With effect from 7 August 2018, Mr Philip Kadoorie was appointed as a Non-executive Director and Ms May Tan was appointed as an Independent Non-executive Director of the Company.

Under the Company's Articles of Association, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 125 of the Company's Articles of Association, Mr Philip Kadoorie and Ms May Tan, appointed on 7 August 2018, will retire at the 2019 AGM. In accordance with Article 119 of the Company's Articles of Association, Mr J. A. H. Leigh, Mr Richard Lancaster, Mrs Zia Mody, Mr Geert Peeters and Dr Y. B. Lee will retire by rotation at the 2019 AGM.

Dr Y. B. Lee has confirmed to the Company that, pursuant to the retirement age guideline of the CLP Board Diversity Policy, he will not be seeking re-election at the 2019 AGM and will therefore retire at the conclusion of the 2019 AGM. After having served the CLP Group and the Company's Board for over 42 years, Dr Lee has decided that it is an appropriate time for him to step down from the Board.

All the other retiring Directors, being eligible, offer themselves for election or re-election. None of the Directors offering themselves for election or re-election at the 2019 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

Directors' Interests in Transactions, Arrangements or Contracts

During the year ended 31 December 2018, none of the Directors or his/her connected entity had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

Alternate Directors

During the year ended 31 December 2018 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

Directors of Subsidiaries

The [names of all directors who have served on the boards of the subsidiaries of the Company](#) during the year ended 31 December 2018 or during the period from 1 January 2019 to the date of this Report are available on the CLP website. [🔗](#)

Permitted Indemnity Provisions

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

Continuing Connected Transactions

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

Under the Listing Rules, the Group's continuing connected transactions with the CSG Group (CCTs) relating to the power purchases by the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2018, this was HK\$1,461 million. The annual aggregate cap was approved by the Board of Directors and disclosed in the announcement dated 2 January 2018. The project level caps of the CCTs for 2018 set out in the table on pages 178 to 189 are for reference only and were used to derive the annual aggregate cap of HK\$1,461 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, together with those Power Exchange Sales which are subject to Rule 14A.60 of the Listing Rules, are also set out in the table on pages 178 to 189. The considerations for 2018 represented the actual transaction values of the relevant CCTs in the full twelve months of 2018.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
1.	CLP Power Hong Kong electricity sales to Mainland China					
1.1	Power Sales Contract Original arrangement entered into on 10 February 2012 and extended by way of supplemental agreements. The immediate preceding term was from 1 January to 31 December 2018. On 28 December 2018, a supplemental agreement was entered into to further extend the term to 31 December 2019.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG) Guangdong Power Grid Materials Company Limited, as payment agent of CSG-GPG	CLP Power Hong Kong sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.	67.18
1.2	Energy Economy Interchange Agreement Original agreement entered into on 25 December 2015 and extended by way of further agreements. The immediate preceding term was from 25 December 2017 to 24 December 2018. On 5 November 2018, a supplemental agreement was entered into to further extend the term to 24 December 2021.	CLP Power Hong Kong	CSG-GPG	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	As in item 1.1 above	1.39
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China <i>(Project level cap for 2018 was HK\$425.00 million)</i>					68.57
2.	Huaiji hydro project					
2.1	Zelian Hydro Station power purchase agreement (PPA) Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. On 24 September 2018, a new agreement with automatic renewal provision was signed for another one-year period to 23 September 2019.	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHX)	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-ZPB)	CLP-GHX sells electricity to CSG-ZPB which delegated the role of settlement to Zhaoqing Huaiji Power Bureau, another subsidiary of CSG.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC). This tariff is published at the Guangdong PDRC YueJia [2013] No. 177 and is updated from time to time. The above pricing also applies to items 2.2-2.7.	4.08
2.2	Longzhongtan Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. On 25 December 2018, a new agreement with automatic renewal provision was signed for another one-year period to 24 December 2019.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.60
2.3	Jiaoping Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2019.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.92
2.4	Xiazhu Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2019.	CLP-GHX	CSG-ZPB	As in item 2.3 above	As in item 2.1 above	6.53
2.5	Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2019.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	30.70

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
2.6	Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2019.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG) CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	127.16
2.7	Niuqi Hydro Station PPA Agreement entered into on 26 July 2016 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 25 July 2019.	CLP-GHX	CSG-ZPB	As in item 2.3 above	As in item 2.1 above	23.85
Aggregated total consideration for Huaiji hydro project (Project level cap for 2018 was HK\$287.63 million)						196.84
3.	Yang_er hydro project					
3.1	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (Dali Yang_er)	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01
3.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019.	Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity via a 10kV line to Dali Yang_er during overhaul related outages.	As in item 3.1 above	0.01
3.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Continuingly valid since 4 November 2009 (being the date of the agreement).	Dali Yang_er	Dali Power Bureau of Yunnan Power Grid Company Limited (CSG Yunnan), a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity via a 110kV line to Dali Yang_er during overhaul related outages.	As in item 3.1 above	-
3.4	Interprovincial Electricity Sales to Guangdong Transactions entered into via Kunming Power Exchange Center Limited (Kunming Power Exchange) on various dates in 2018 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan	Dali Yang_er was allocated additional electricity sales quota by Kunming Power Exchange where Dali Yang_er sold electricity to CSG Yunnan under the West-East Electricity Transfer Initiative implemented by the PRC Government.	Payment is based on the number of GWh sold multiplied by the tariffs set by Kunming Power Exchange from time to time.	5.80
Aggregated total consideration for Yang_er hydro project (Project level cap for 2018 was HK\$2.61 million)						5.82

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
4.	Fangchenggang coal-fired project (Phases I and II)					
4.1	Fangchenggang Coal-fired Project PPA Agreement entered into on 12 February 2018 for a one-year period from 1 January to 31 December 2018 with automatic renewal by continued performance for another one-year period to 31 December 2019.	CLP Guangxi Fangchenggang Power Company Limited, a majority-owned joint venture of the Company (CLP-FCG)	Guangxi Power Grid Company Limited, a subsidiary of CSG (CSG Guangxi)	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2017] No. 34 and is updated from time to time.	326.05
4.2	Fangchenggang High Voltage Electricity Supply Contract Agreement entered into on 27 September 2015 for a two-year period with automatic renewals for successive two-year periods. The latest renewal was for another two-year period to 26 September 2019.	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG (CSG-FPB)	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 4.1 above	0.15
4.3	Fangchenggang High Voltage Electricity Supply Contract Continuingly valid since 1 June 2009 (being the date of the agreement).	CLP-FCG	CSG-FPB	CSG-FPB supplies standby electricity to the water pumping facilities of CLP-FCG.	As in item 4.1 above	0.01
4.4	Interprovincial Electricity Sales to Guangdong Transactions entered into via Guangxi Power Exchange Center Limited (Guangxi Power Exchange) on various dates in 2018 for electricity sales for various durations.	CLP-FCG	CSG-GPG	CLP-FCG sold electricity to CSG-GPG through market sales arrangements.	Payment is based on the number of GWh sold multiplied by the tariffs determined through competitive bidding processes conducted on the Guangxi Power Exchange.	232.53
	Aggregated total consideration for Fangchenggang coal-fired project (Phases I and II) <i>(Project level cap for 2018 was HK\$411.91 million)</i>					558.74
5.	Xicun solar project (Phases I and II)					
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2019.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG Yunnan	CLP Xicun sells electricity to CSG Yunnan.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2018 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan Provincial Industry and Information Technology Commission, Yunnan PDRC and Yunnan Provincial Energy Administration in 2017 and is updated from time to time.	59.90
5.2	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three-year period with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 10 December 2020.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun (for power consumption at the project site).	As in item 3.1 above	0.01

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 25 January 2016 to 24 January 2019 with automatic renewals for successive three-year periods.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity to CLP Xicun (for power consumption at the project site including auxiliary power and power supply during outage and overhaul).	As in item 3.1 above	0.39
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) Agreement entered into on 31 July 2015 for a three-year period to 30 July 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 30 July 2021.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity to CLP Xicun (for watering facilities).	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.04
5.5	Interprovincial Electricity Sales to Guangdong Transactions entered into via Kunming Power Exchange on various dates in 2018 and for electricity sales for various durations.	CLP Xicun	CSG Yunnan	CLP Xicun was allocated additional electricity sales quota by Kunming Power Exchange where CLP Xicun sold electricity to CSG Yunnan under the West-East Electricity Transfer Initiative implemented by the PRC Government.	As in item 3.4 above	4.36
Aggregated total consideration for Xicun solar project (Phases I and II) (Project level cap for 2018 was HK\$69.30 million)						64.70
6.	Xundian wind project					
6.1	Xundian Wind Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2019.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG Yunnan	CLP Xundian sells electricity to CSG Yunnan.	As in item 5.1 above	20.71
6.2	Xundian Wind Project Electricity Supply Contract Agreement entered into on 30 November 2015 for a three-year period to 29 November 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 29 November 2021.	CLP Xundian	Kunming Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian (for start up purposes).	As in item 3.1 above	0.10
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 19 September 2017 for a three-year period to 18 September 2020.	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG (CSG-XPSC)	CSG-XPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the commercial and industrial use tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	-
6.4	Interprovincial Electricity Sales to Guangdong Transactions entered into via Kunming Power Exchange on various dates in 2018 for electricity sales for various durations.	CLP Xundian	CSG Yunnan	CLP Xundian was allocated additional electricity sales quota by Kunming Power Exchange where CLP Xundian sold electricity to CSG Yunnan under the West-East Electricity Transfer Initiative implemented by the PRC Government.	As in item 3.4 above	4.06
Aggregated total consideration for Xundian wind project (Project level cap for 2018 was HK\$23.59 million)						24.87

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
7.	Sandu wind project					
7.1	Sandu I Wind Project PPA Agreement entered into on 29 December 2017 for a two-year period from 1 January 2018 to 31 December 2019.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	CLP Sandu sells electricity to CSG Guizhou.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the NDRC. The tariff is published at the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	128.82
7.2	Sandu I Wind Project Electricity Supply Contract (220kV) Agreement entered into on 8 December 2015 for a three-year period to 7 December 2018. On 21 March 2018, a supplemental agreement was signed to extend the term for a one-year period from 18 August 2018 to 17 August 2019.	CLP (Sandu)	Duyun Sandu Power Bureau of CSG Guizhou (formerly known as Sandu Power Bureau), a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu (for power consumption at the project site).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	0.29
7.3	Sandu I Wind Project Electricity Supply Contract (10kV) New agreement entered into on 23 March 2018 for a three-year period to 22 March 2021.	CLP Sandu	CSG-DSPB	CSG-DSPB supplies electricity to CLP Sandu (for power consumption at the project site).	As in item 7.2 above	-
	Aggregated total consideration for Sandu wind project <i>(Project level cap for 2018 was HK\$146.02 million)</i>					129.11
	Total Consideration for 2018					1,048.65
8.	Power Exchange Sales subject to Rule 14A.60 (by project) (see Note)					
8.1	Yang_er hydro project	Dali Yang_er	CSG Yunnan (as settlement agent as defined under the Kunming Power Exchange settlement rules)	Dali Yang_er sold electricity through the Kunming Power Exchange by competitive bidding or direct sales arrangements (as applicable) whereby CSG Yunnan was the settlement agent and assumed settlement risk for all these transactions.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on the Kunming Power Exchange or an arm's length tariff agreed between the parties (as applicable), together with a transaction fee charged by Kunming Power Exchange.	N/A
8.2	Fangchenggang coal-fired project (Phases I and II)	CLP-FCG	CSG Guangxi (as settlement agent as defined under the Guangxi Power Exchange settlement rules)	CLP-FCG sold electricity through the Guangxi Power Exchange by competitive bidding or direct sales arrangements (as applicable) whereby CSG Guangxi was the settlement agent and assumed settlement risk for all these transactions.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on the Guangxi Power Exchange or an arm's length tariff agreed between the parties (as applicable).	N/A
8.3	Xicun solar project (Phases I and II)	CLP Xicun	CSG Yunnan (as settlement agent as defined under the Kunming Power Exchange settlement rules)	CLP Xicun sold electricity through the Kunming Power Exchange by competitive bidding or direct sales arrangements (as applicable) whereby CSG Yunnan was the settlement agent and assumed settlement risk for all these transactions.	As in item 8.1 above	N/A

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2018 HK\$M
8.4	Xundian wind project	CLP Xundian	CSG Yunnan (as settlement agent as defined under the Kunming Power Exchange settlement rules)	CLP Xundian sold electricity through the Kunming Power Exchange by competitive bidding or direct sales arrangements (as applicable) whereby CSG Yunnan was the settlement agent and assumed settlement risk for all these transactions.	As in item 8.1 above	N/A

Note:

Power Exchange Sales were not regarded as CCTs prior to 28 December 2018 and therefore, they were not disclosed in the Company's announcement dated 2 January 2018. The Power Exchange Sales were disclosed in the Company's announcement dated 31 January 2019 and no annual cap was set for these transactions in 2018. Accordingly, Power Exchange Sales continuing as from 28 to 31 December 2018 were not subject to the annual aggregate cap for 2018 although they constituted CCTs of the Company. Nonetheless, they were subject to Rule 14A.60 of the Listing Rules in respect of the disclosure and annual review requirements.

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

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

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

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

- (i) the transactions have not been approved by the Board of the Company;
- (ii) the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) the transactions have exceeded the annual aggregate cap (other than the Power Exchange Sales for which no annual cap was set for 2018 for the reasons set out below).

During 2018, Power Exchange Sales were entered into on various dates for electricity sales by the Company's generation projects in Mainland China for various durations. These relate to (i) the electricity sold under one form of the market sales regime, typically under an automated anonymous bidding and acceptance system conducted on various power exchange centres in Mainland China, and (ii) directly negotiated sales, with or without a CSG Group company as the purchaser (provided these are recorded on the power exchange centres and are made subject to the settlement rules of the power exchange centres whereby a CSG grid company assumes settlement risk in respect of the contract).

Since 28 December 2018, the Company has taken the prudent view that Power Exchange Sales are CCTs. Therefore, where a CSG grid company has assumed settlement risks in respect of any Power Exchange Sales as from 28 December 2018, the transaction has been regarded a CCT of the Company. Power Exchange Sales continuing as at 28 December 2018 were disclosed in the Company's announcement dated 31 January 2019 and this report as required by Rule 14A.60. The Company's generation projects did not enter into any new Power Exchange Sales during the period from 28 to 31 December 2018.

Power Exchange Sales were not regarded as CCTs of the Company prior to 28 December 2018 and therefore, no annual cap was set for these transactions for the year ended 31 December 2018.

The Auditor has included an emphasis of matter paragraph (without modification) in its letter on CCTs issued in accordance with the Listing Rules which states that: "We draw attention to the Power Exchange Sales Transactions (in Appendix B). These are conducted by certain of the Group's power project companies through power exchange centres operated by connected parties of the Group and for those entered into during the period from 28 December 2018 to 31 December 2018, these are regarded by the Company as Continuing Connected Transactions as disclosed in the Company's announcement dated 31 January 2019. As set out in the note to Appendix B, no annual cap was set for the Power Exchange Sales Transactions in 2018 nor were they included in the Annual Aggregate Cap. Accordingly, the Power Exchange Sales Transactions were not subject to our procedure relating to the Annual Aggregate Cap. Our conclusion is not modified in respect of this matter."

Management Contracts

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

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 29 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Interests of Directors and Chief Executive Officer

The interests/short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2018, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

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

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2018 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,796,853	8.66025
Mr Andrew Brandler	Note 4	10,600	0.00042
Dr Y. B. Lee	Note 5	15,806	0.00063
Mr Philip Kadoorie	Note 6	410,524,882	16.24908
Mr Nicholas C. Allen	Note 7	27,000	0.00107
Mrs Fanny Law	Personal	16,800	0.00066
Ms May Siew Boi Tan	Beneficial Owner	20,000	0.00079
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

- 1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 480,672,780 shares in the Company. These shares were held in the following capacity:
 - a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
 - b 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.
 - c 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - d 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - e 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - f 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1f above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 480,671,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 480,671,537 shares attributed to her for disclosure purposes.

- 2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:
 - a 250,000 shares were held in the capacity as the founder of a discretionary trust.
 - b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.
- 3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,796,853 shares in the Company. These shares were held in the following capacity:
 - a 145,000 shares were held in a beneficial owner capacity.
 - b 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.
- 4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- 5 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.
- 6 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:
 - a 233,044,212 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - b 170,180,670 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - c 1,300,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - d 2,000,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
 - e 2,000,000 shares were ultimately held by each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.
- 7 27,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Mr Vernon Moore, Sir Rod Eddington, Mr Vincent Cheng, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2018.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2018.

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

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2018.

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

Interests of Substantial Shareholders

The interests/short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2018, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

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

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 31 December 2018:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company		% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	311,153,954	Note 1	12.32
Guardian Limited	Beneficiary / Interest of controlled corporation	218,651,853	Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882	Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212	Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212	Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882	Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853	Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475	Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	480,672,780	Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	218,796,853	Notes 6 & 7	8.66
Mr Philip Kadoorie	Note 8	410,524,882	Note 8	16.25
Mr R. Parsons	Trustee	218,651,853	Note 7	8.65

Notes:

- Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".
- The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".
- Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.
- The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies.
- See Note 1 under "Interests of Directors and Chief Executive Officer".
- See Note 3 under "Interests of Directors and Chief Executive Officer".
- Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.
- See Note 6 under "Interests of Directors and Chief Executive Officer".

As at 31 December 2018, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

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

As at 31 December 2018, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 31 December 2018, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 106 of this Annual Report, while our [Sustainability Report](#) available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. 

Auditor

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

On behalf of the Board



William Mocatta

Vice Chairman

Hong Kong, 25 February 2019