

CLP Power Procurement Values and Principles

Message from the Managing Director

CLP's vision is to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next, providing world class products and services to our customers. This translates to powering Hong Kong responsibly for CLP Power, through delivering economic value to our capital providers and social and environmental value to all our stakeholders.

Our success in delivering this vision depends on our ability to provide high quality, low cost services to our customers in a responsible manner. This in turn requires that our suppliers meet our expectations in providing the products and services that we procure from them. Successful procurement is therefore key to achieving our goals.

At CLP Power, procurement is an integral part of our business process: we procure a wide range of products and services, of significant value, to maintain and develop our electricity supply business to meet our customers' needs. Our preferred suppliers will be those who are ethical and committed to sustainable development, have demonstrated Safety, Health, Environment, Quality ("SHEQ") competence, internationally competitive pricing, meeting the expectations of our Responsible Procurement Policy Statement ("RePPS") and CLP's Supplier Code of Conduct ("SCoC"), and are compliant with legal and business performance requirements. CLP Power strives to continually improve competitive advantage and deliver value to all stakeholders through the formation of commercially viable strategic relationships with our preferred suppliers, and to maintain such strategic relationships for long term benefit to all parties concerned.

This document explains our procurement values and principles. CLP Power encourages all its suppliers to abide by the same values and principles as ourselves, and to adopt the same standards of integrity and transparency in doing business with us.

Please visit the CLP Website (www.clpgroup.com) for more information on our Value Framework and Code of Conduct, or contact the Chief Procurement Officer, CLP Power Hong Kong, for further enquiries about this document.

Our Values

CLP Power's vision is underpinned by values that ensure we behave in a way that is consistent with the mission we have set for ourselves. These are further detailed in our CLP Values and Principles, and corporate Code of Conduct policy documents.

We are firmly committed to business principles and ethics that cover all aspects of our business. They begin with how we treat our own people and move through our relations with investors, suppliers, business partners and governments to the wider communities in which we operate. We are committed to delivering sustainable shareholder value and we adhere to high standards of corporate governance.

Procurement Missions

The Procurement Missions are:

- To satisfy CLP's business needs and contribute to its competitive advantage through our strategic sourcing expertise, total lifetime cost philosophy and efficient procurement processes
- To work collaboratively with "best fit" responsible suppliers to deliver the required products and services on time, to high SHEQ standards, at internationally competitive prices, and supported by the most appropriate technology
- To raise the level of professionalism and provide job satisfaction for all Contracts & Procurement network employees through development and empowerment

Strategies for Achieving the Procurement Missions

We strive to continuously improve the procurement process to keep abreast of world-class practices, and have established three strategic categories; namely, supplier development, internal client support, and internal efficiency enhancement.

In particular, we will:

- Position the right people for the right job, and foster a learning culture;
- Continuously improve our procurement processes and practices, and solicit support from internal clients in agreeing on focuses and priorities for improvement;
- Participate in the development, sharing and application of knowledge for best practices in procurement; and
- Maintain long-term relationships with suitable suppliers for mutual benefit.

Sustainable Procurement

At CLP Power we pursue sustainable development that meets the requirements of today's generation without compromising those of the future. We recognize that achieving this requires balance among the social, economic and environmental needs of the communities we serve. This sense of social responsibility is firmly embedded in our corporate culture and internal Responsible Procurement Policy Statement ("RePPS").

In addition, [CLP's Supplier Code of Conduct \("SCoC"\)](#) stipulates the expectations that we set on suppliers across 11 sustainability practice areas (including legal compliance, respect for people, ethics and business conduct, and environmental stewardship). We make reference to the SCoC in our supplier assessment, selection and contract performance monitoring.

Corporate Governance

To ensure that business decisions are made openly and honestly, and that we abide by our commitments to all our stakeholders, CLP Power has established a set of formal written requirements, in the form of Code of Conduct that all CLP Power personnel must follow.

Together with our [Value Framework](#) and [Code of Conduct](#), the Procurement Values and Principles shall apply to all company directors, officers and employees, and joint ventures or companies in which CLP Power holds a controlling interest. In the case of joint ventures or companies in which CLP Power does not hold a controlling interest, the CLP Power representatives concerned will act in accordance with the Code of Conduct themselves and influence those with whom they are working to ensure that they also act to similar standards of integrity and ethical behaviour.

CLP Power encourages all its suppliers to abide by the principles of our Supplier Code of Conduct (SCoC), and requires them to adopt similar standards in practices, integrity and transparency in doing business with us. Under the Whistleblowing Policy, CLP Power encourages employees and related third parties reporting, in confidence, about misconduct, malpractice or irregularities in any matters related to the Company. More information on our Supplier Code of Conduct and Whistleblowing Policy is available on the CLP Website (www.clpgroup.com) under [Value Framework](#).

Authorities and Segregation of Duties

CLP Power has established procurement policies, procedures, instructions and guidelines for internal reference and observance, with the aim of achieving balance between management control and efficiency.

In essence, CLP Power defines three types of approval for the procurement process. These are:

- **Financial Authority to approve the funding**

CLP Power line managers have defined limits of Financial Authority to approve purchases according to the Company Management Authority Manual ("CMAM").

- **Purchasing Authority**

The Chief Procurement Officer (i.e. Director - Contracts & Procurement / Commercial & Supply Chain, CLP Power), and his/her delegates, has authority to make purchasing commitments to suppliers on behalf of CLP Power.

- **Payment Authority**

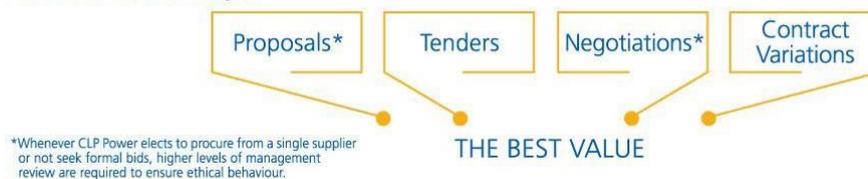
The Financial Controller (i.e. Senior Director - Financial Control (Hong Kong)), and his/her delegates, is authorized to make payments on behalf of CLP Power.

CLP Power Managers have defined limits of approval authority in accordance with the CMAM. To ensure proper control, the same person will not approve consecutive steps in the process.

Our Procurement Strategies

Our procurement function is organized by category. CLP Power organizes teams to manage strategic, tactical and transactional activities, and promote autonomy for the operation of category teams through pre-defined strategies that are most conducive to delivering products and services of the greatest value to our internal clients.

How CLP Power Buys?



We adopt the procurement method that best suits business need. Depending on our requirements, we may:

- seek proposals from a single supplier or from a number of suppliers, either in a traditional or electronic format;
- seek formal bids or tender as part of the procurement process;
- conduct negotiations with prospective suppliers, either instead of or in conjunction with a formal bid or tender process, and/or
- vary the length and structure of contractual commitments we enter into.

Supplier Relationships

We consider our suppliers to be an integral part of our business, and believe that there are mutual benefits in working cooperatively and collaboratively using a shared vision and common goals with our key business partners and associates.

CLP Power has adopted a risk-based supplier assessment system to evaluate our major suppliers. This process provides a systematic mechanism for feedback on the performance of both CLP Power and suppliers. We consider this evaluation process as a catalyst for continuous improvement, and are prepared to maintain long-term relationship with suppliers who have performed and delivered results.

Our Commitment

We are committed to upholding a high standard of business ethics in the process of achieving our goals. CLP Power cares not only for results, but also how these results are achieved.

CLP Power treats all its suppliers fairly and ethically with respect and integrity. In addition, we are committed to:

- making impartial business decisions without conflict of interest or undue influence;
- conducting business according to applicable laws and regulations;
- safeguarding against bribery;
- managing responsibly the social, environmental and ethics impact of the products and services we procures;
- fostering long-term, mutually beneficial relationships with suppliers that share our values and goals;
- delivery world-class products and services to our internal clients by working with our suppliers;
- providing a safe, healthy and fulfilling work environment for our procurement professionals through teamwork, open communication and trust; and
- meeting commitments and paying suppliers on time in accordance with our contractual commitments. Where appropriate, we encourage electronic payment to our suppliers.

For further information and enquiries, please contact

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