

8 November 2012

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Consultation Paper on Board Diversity

We support the Stock Exchanges' initiative to promote diversity, which is aligned with the longstanding practices and policies followed by CLP Holdings including:-

- through our Value Framework, which emphasises our respect for people and commitment to treat everyone fairly;
- our aim of having a Board which is characterised by a range of views, is reflective of the societies in which we operate and the shareholders we serve, and which promotes the interests of all our shareholders; and
- building and maintaining a Board with a diversity of directors, whether in terms of background, nationality, age, experience, expertise, gender or whatever.

We do, however, consider that it is essential to recognise that it is the shareholders, exercising their right to vote in General Meetings who appoint directors – not management nor the board or its chairman. The right to appoint the board is a fundamental right of shareholders and probably the single most important means by which shareholders can ensure that their interests are properly respected and safeguarded.

It follows from this that the greatest care, and a most cautious approach, should be adopted to the introduction of any regulatory provision, including through the Code on Corporate Governance, which seeks to define, prescribe or circumscribe the choices which shareholders may make of the directors to represent their interests most fairly and effectively.

We believe that, as framed, the Consultation Paper does envisage a regime which would continue to allow the board and shareholders to determine for themselves the nature,

extent and details of any diversity policy. We would be concerned about any extension of this initiative which limited that freedom. As regard disclosure, we also believe that the Consultation Paper allows issuers a suitable and necessary degree of flexibility in the details of that disclosure. We do not consider that more extensive or prescriptive requirements should be introduced by the Stock Exchange regarding the nature of disclosure. The information presently made available to shareholders about the size, composition, qualifications, characteristics etc. of each individual board member and (therefore, the board as a whole) provides sufficient information to ensure that shareholders are entirely aware of the composition of their board, including its diversity. Shareholders are thereby able to judge for themselves whether the board as constituted is a reflection of diversity, or of a gradual move to increased diversity, on a scale and speed which they support.

Yours faithfully,

Signature (with Company Chop if the response represents company view)

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201209q.doc>.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree that the Exchange should promote board diversity?

Yes

No

Please give reasons for your views.

We believe that board diversity will enhance decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from group thinking. We also recognise the likelihood that, in line with overseas trends, regulatory requirements and shareholder expectations regarding more diversified boards will increase.

2. If your answer to Q.1 is “yes”, do you agree that our Corporate Governance Code and Corporate Governance Report is the appropriate place for the new measures on board diversity?

Yes

No

Please give reasons for your views.

We consider that this is clearly the most appropriate place for such measures.

3. Do you agree with our proposal to introduce CP A.5.6 (*the nomination committee or the board should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report*)? Please give reasons for your views.

Yes

No

Please give reasons for your views.

If a policy concerning diversity of board members is established, it should be a set of high-level principles to be observed by the issuer (unless an issuer itself chooses to be more specific). For transparency purpose, the issuer should publish its Board Diversity Policy on its own website. It will then be for shareholders to form their own judgement as to whether that policy is satisfactory or not. We do not consider that CP A.5.6 should be prescriptive as to the nature, extent or detail of the diversity policy – this is a matter for each board answerable to its shareholders.

4. Do you agree (i) with our proposal to introduce a note under CP A.5.6 to clarify what we mean by diversity; and (ii) with the content of the note? Please give reasons for your views.

(i)
 Yes

No

(ii)
 Yes

No

Please give reasons for your views.

The note helps to clarify that the extent of diversity may vary from board to board depending on the complexity and nature of its business. Our response to Question 3 is also relevant here.

5. Do you agree with our proposal to introduce a new mandatory disclosure provision in the Code stating that if the issuer has a policy concerning diversity, it should disclose details of the board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives? Please give reasons for your views.

Yes

No

Please give reasons for your views.

This response, whilst positive is nonetheless subject to our view in Question 3, that the Board Diversity Policy should be a set of high-level principles to be observed in considering nomination of board members (unless an issuer chooses otherwise). We do not agree to assign a quota or even a voluntary target in a company's Board Diversity Policy. The essence should be a balanced board in terms of expertise, experience, qualification, size, age and gender etc.

Moreover, the extent of diversity may vary from time to time to cope with the changes in business needs of a company in nowadays' fast-changing business environment, therefore, the disclosure of measurable objectives and the progress in achieving those objectives may not be meaningful to the stakeholders. Setting numbers may lead to compliance with the form rather than the principle/spirit of the policy – qualities/attributes of the candidates are more important than achieving the measurable targets.

Finally, rather than prescribing a set form of reporting for each issuer we believe that a Board's progress on diversity is best, most simply and most clearly measured by the size, composition, qualifications, characteristics etc of Board members – all of which is already publicly available information. Shareholders are already entirely aware of the composition of a Board and able to judge whether that Board reflects progress towards diversity on a scale and speed which they support.

6. Which of the following would you prefer as the implementation date of the amendments set out in this paper?

- 1 January 2013
- 1 April 2013
- 1 June 2013
- 1 September 2013
- Other, please specify and give reasons.

1 January 2014. Considerable time is required to formulate a Board Diversity Policy and to have it endorsed by the Nomination Committee and the Board as a whole.

- End -