



Corporate Governance

CEM's governance framework not only meets the expectations of shareholders and investors, but also responds to the trust placed in public utility operators by the government, regulatory authorities and the wider community.

[GRI 2-9, 2-11, 2-12, 2-13, 2-14, 2-15, 2-17, 2-23, 2-24, 2-27]

4.1 Governance Philosophy and Responsibilities of the Board of Directors

Sound corporate governance forms the foundation of sustainable business development. As the exclusive public electricity utility in the Macao, CEM is committed to its public mission of providing safe, stable and reliable electricity supply to the Macao community.

The Board of Directors is the Company's highest governing body and is responsible for setting the overall strategic direction, overseeing management performance, ensuring risks are effectively identified and managed, and safeguarding the Company's long-term value and the interests of stakeholders. The Board also bears ultimate oversight responsibility for the Company's ESG performance, including the review and approval of this report.

During the reporting period, the key responsibilities of the Board included reviewing and approving the Company's annual business plan and capital expenditure budget; overseeing compliance with concession obligations; reviewing major risk assessment reports and guiding management in developing response measures; and ensuring compliance with all applicable laws, regulations and regulatory requirements.

The Board comprises 10 members, including executive and non-executive directors. Board members bring diverse professional backgrounds in areas such as energy engineering, financial management, legal compliance, public administration and corporate management, ensuring the Board possesses a broad range of expertise to effectively perform its oversight functions. During the reporting period, the Board held 4 meetings, with an attendance rate of 77%.

4.2 Delegation Framework and Committee Structure

CEM has established a clear delegation framework to ensure an appropriate balance between decision-making efficiency and supervisory oversight. Several specialised committees operate under the Board's delegated authority, with each committee empowered to make decisions or provide recommendations on specific matters within its remit.

The **Executive Committee** serves as the Company's highest management body for daily operations and is responsible for implementing the strategic directions and business plans approved by the Board. The Chairman of the Executive Committee acts as the chief decision-maker, while its members comprise senior executives responsible for major functional areas. The Executive Committee regularly reports operational performance and significant matters to the Board and submits proposals for issues requiring Board approval.

The **Supervisory Board**, established in accordance with the Macao Civil Code, is responsible for overseeing the Company's financial condition, reviewing accounts and financial reports, and providing opinions to the General Meeting on corporate governance and compliance matters. Its independent supervisory role forms an important component of the Company's governance checks and balances.

The **Audit and Risk Committee** assists the Board in fulfilling its responsibilities for risk oversight and internal control. The Committee reviews the Company's risk management framework and policies, oversees the operation of the internal audit function, evaluates the independence and quality of external auditors, and provides assessments to the Board on the effectiveness of risk management and internal control. The Committee also plays a key role within the ESG governance structure by independently reviewing the adequacy of ESG risk identification and mitigation measures. Further details are provided in Section **"ESG Governance Structure"**.

The **Sustainability Steering Committee** is responsible for advising the Executive Committee and the Board on the Company's medium- to long-term strategic planning and sustainability direction, while coordinating cross-departmental ESG initiatives. Its responsibilities include reviewing key ESG performance indicators, coordinating cross-functional actions, and overseeing the data collection and analysis conducted by the ESG Data Centre.

Together, this committee structure ensures a clear separation of responsibilities among strategic decision-making, operational execution, independent oversight and risk assurance, enabling the Company to maintain effective governance while pursuing operational efficiency.

4.3 Risk Management

4.3.1 Risk Management Framework [GRI 2-12, 2-13]

The Board oversees the effectiveness of the Company's risk management system through management and relevant committees. CEM has established an Audit and Risk Committee as a cross-functional internal governance body responsible for providing recommendations and assurance to the Executive Committee regarding risk management policies, risk appetite, internal control and compliance frameworks. The Committee regularly reviews the Company's overall risk profile, covering operational, compliance, health and safety, information security and reputational risks. It also reviews risk maps and related control measures.

Each department assumes responsibility for risk management within its respective functional scope, ensuring that risk management is effectively integrated with operational decision-making and ESG strategies. The risk management system works in coordination with the Company's overall governance structure, internal audit and internal control systems, supporting business resilience and long-term sustainable development amid a rapidly changing external environment.

4.3.2 Key Risk Identification

CEM adopts a consistent risk assessment methodology to evaluate both the likelihood and potential impact of risk events, enabling the calculation of overall risk levels. Impact assessments cover multiple dimensions, including financial performance, environmental impact, power supply reliability, customer services, occupational health and safety, and corporate reputation, ensuring that risk assessments comprehensively reflect the operational characteristics of the electricity sector and the potential impacts on stakeholders. Once identified and assessed, risks are recorded in the Company's risk register as the basis for ongoing monitoring and management. For risks assessed as having higher risk levels, relevant departments are required to formulate and implement appropriate mitigation and control measures. Where appropriate, risk management actions are also considered opportunities to enhance operational performance and create value.

CEM also identifies and manages ESG-related risks through its double materiality assessment, ensuring



that such risks are appropriately considered from both financial impact and stakeholder impact perspectives. For further details on the double materiality assessment, please refer to **Section 5.3 Materiality Assessment**.

In addition, CEM has established a crisis management mechanism to respond to incidents that may significantly affect the Company's operations, reputation or stakeholders. Through regular reviews and exercises, the Company continues to strengthen its risk management and emergency response arrangements, enhancing overall risk management maturity and organisational resilience.

4.3.3 Internal Control and Audit Oversight

The Internal Audit Office serves as an independent and objective line of defense within CEM's governance framework. Through annual audit activities, it evaluates key areas such as financial management, operational processes and asset management, identifies gaps in internal controls and provides recommendations for improvement, thereby enhancing transparency and regulatory compliance. The internal audit function also provides important support for ESG risk management and the reliability of key data disclosures.

In 2025, the Internal Audit Office conducted a number of reviews, including financial statement audits, asset management audits and power grid incident report reviews. These activities contributed to improving the accuracy of financial information, the efficiency of asset management and the consistency of operational data. At the same time, audit activities also focused on strengthening internal control processes and governance practices across the organisation.

The Internal Audit Office will further strengthen its ESG-related audit capabilities, and continue to support environmental compliance management, oversight of IT investment risks, and the independent verification of key ESG performance data.

4.4 Business Ethics and Compliance

4.4.1 Ethical Standards and Code of Conduct

CEM firmly believes that ethical business practices are fundamental to maintaining public trust and achieving long-term sustainable development. The Company has established a Code of Ethics, which sets out clear standards and guidance for employee behaviour in daily operations. The Code covers, but is not limited to, integrity and professional conduct, anti-corruption and anti-bribery requirements, the identification and management of conflicts of interest, confidentiality obligations and information handling, fair treatment of customers and business partners, and compliance with applicable laws and regulations.

The Code applies to management and employees of CEM, regardless of their position, function or workplace. All employees are required to confirm upon joining the Company that they have read and understood the Code of Conduct and commit to adhering to the relevant standards in their professional duties.

4.4.2 Anti-corruption Policy and Training

As a public utility operator, CEM adopts a zero-tolerance approach to corruption and bribery. The Company's anti-corruption management framework encompasses policy development, risk assessment, employee training and whistleblowing oversight, aiming to prevent corruption risks through institutional arrangements, corporate culture and behavioural standards.

During the reporting period, CEM continued to strengthen anti-corruption training initiatives. In September 2025, the Company organised five sessions of a "Workplace Integrity" seminar, attended by a total of 210 employees who had joined the Company in recent years. The training covered topics including the ethical responsibilities of CEM and its employees, common unethical behaviour scenarios in the workplace and appropriate responses, identification and management of conflicts of interest, and the operation of CEM's internal reporting mechanisms. These sessions aim to

ensure that newly recruited employees develop a clear understanding of the Company's ethical standards and compliance expectations at the early stage of their professional careers.

In addition to dedicated training sessions, CEM also communicates expectations regarding anti-corruption policies and ethical conduct to all employees through internal communications, management meetings and departmental workshops.

During the reporting period, no confirmed cases of corruption or bribery-related violations were identified within the Company.

4.4.3 Whistleblowing Mechanism

CEM has established an internal whistleblowing mechanism that provides employees and external stakeholders with secure and confidential channels to report suspected violations of laws, company policies or ethical standards. The whistleblowing channels are designed to ensure the confidentiality of the whistleblower's identity and the information provided. The Company explicitly commits that whistleblowers will not be subject to retaliation or any form of adverse treatment.

All reports received are initially assessed by designated ethics officers, who determine the appropriate follow-up investigation procedures based on the nature and severity of the case. Investigation findings and recommendations are reported to the Executive Committee. Where violations are substantiated, appropriate disciplinary actions are taken, and relevant policies and procedures are improved based on the investigation outcomes.



4.4.4 Conflict of Interest Management

CEM requires management and employees to proactively identify and declare any potential conflicts of interest. The Company has established procedures for the reporting and management of conflicts of interest, requiring relevant personnel to report any potential conflicts in a timely manner to their immediate supervisor or designated ethics officer. Individuals involved must refrain from participating in decision-making processes related to the matter until the conflict has been properly managed or resolved.

4.5 Concession Compliance and Service Quality

CEM operates its electricity business in accordance with the public electricity concession contract signed with Macao SAR Government, as well as relevant laws and regulations. The concession agreement sets out clear performance indicators and target requirements for service quality, and CEM is required to report its performance to the Government on a regular basis. Fulfilling concession obligations is not only a regulatory requirement, but also a fundamental commitment by CEM, as a public utility operator, to the public.

The table below presents the key service quality indicators stipulated under the concession agreement and CEM's performance during the reporting period:

Indicator	Target	2023	2024	2025 Performance
Average Service Availability ² (ASAI) (%)	99.99000	99.99996	99.99993	99.99995 ✓
Customer Average Interruption Duration (CAIDI) (min) ²	19.00	14.31	4.04	7.51 ✓
Connection of Supply (%)	96.00	100.00	100.00	100.00 ✓
Supply Reconnection (%)	98.00	99.97	99.99	100.00 ✓
Bill Correction (%)	96.00	100.00	100.00	100.00 ✓
Complaint Handling (%)	95.00	100.00	100.00	100.00 ✓
Appointment Time Schedule (%)	96.00	100.00	100.00	100.00 ✓
Emergency Service (%)	91.00	99.79	99.88	99.89 ✓
Supply Restoration (%)	95.50	99.91	99.94	99.93 ✓
Public Lighting (%)	96.00	100.00	100.00	100.00 ✓

2 Outages under CEM's responsibility

In addition, the Company continues to strengthen its operational management quality through internationally recognised management system certifications. As at the end of the reporting period, CEM held the following certifications:



ISO 9001
Quality Management System



ISO 14001
Environmental Management System



ISO 45001
**Occupational Health and
Safety Management System**



ISO 14064-1
Greenhouse Gas Management System



ISO 20000-1
**Information Technology Service
Management System**

These certifications cover CEM's core operational processes and are subject to regular external audits to ensure ongoing compliance.

► **4.6 Transparency and Continuous Improvement**

CEM is committed to maintaining a high level of transparency in corporate governance and continuously enhancing its governance practices. In terms of transparency, we disclose information on governance structure, risk management practices, compliance performance and ethical management through this ESG report, annual reports and the Company's website. We also actively respond to enquiries and recommendations from regulators, shareholders and other stakeholders regarding governance matters.

With regard to continuous improvement, CEM regularly reviews the adequacy and effectiveness of its governance systems and processes, taking into account updates in regulatory requirements, the evolution of international best practices, and findings and recommendations from internal and external audits. Governance arrangements are adjusted in a timely manner where appropriate. During the reporting period, key governance enhancement measures included strengthening risk management policies, improving committee governance practices, and enhancing ESG governance structures.

Looking ahead, CEM will continue to build on a robust corporate governance foundation to support the implementation of its sustainable development strategy and ESG objectives, and to fulfil its responsibilities and commitments to the community in Macao and all stakeholders.

