



1 million
man-hours worked
at GPEC without a
lost time incident

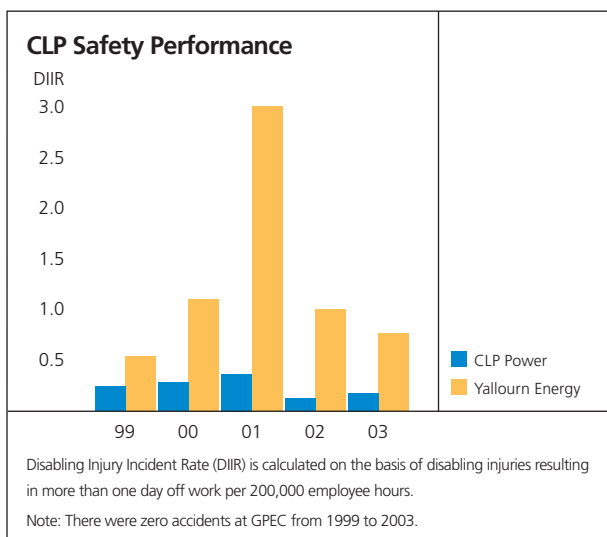
Power station staff at GPEC

CLP provides a safe, healthy and fulfilling work environment for our employees, with fair remuneration, fair management and opportunities for learning and professional development. This creates a workforce which is loyal, skilled and motivated to achieve excellence in performance.

In this section of the Annual Report, we describe some of CLP's policies and initiatives towards improving our "human capital".

Employee Safety

Safety is of utmost importance across the CLP Group. Our safety performance should not be measured by the effort that we and our employees put into promoting a safe work place – it can only be measured by the results actually achieved. 2003 saw a good performance in Hong Kong and in our subsidiaries in Australia and India.



Highlights of this performance include:

- CLP's accident rate in Hong Kong in 2003 was the lowest since statistics first became available in the early 1980s;
- At 31 December 2003, GPEC had completed more than 1 million man hours of operations, over a period of 1,974 days, without a lost time incident; and
- Yallourn Energy achieved a major improvement in safety with no lost time injuries since May 2003.

The joint ventures in which CLP participates, and where we aim to make a significant contribution to safety performance, also achieved good results, such as:

- 1,958 days of incident-free operation at Shiheng Power Station;
- Guangdong Daya Bay Nuclear Power Station was awarded first place in Industrial Safety and Radiation Protection in the Annual Reactor Safety Challenge competition for 2002 organised by sister plants in France; and
- All four power stations operated by CLP Guohua achieved substantially improved results in the annual National Occupational Safety Association (NOSA) five star audits (with three stations being awarded four stars and one, Shenmu, receiving a three star grading).

The nature of our business demands a collective and constant attention to safety from all of us, every day and in everything we do, if we are to achieve our goal of zero accidents. Our safety performance in Hong Kong was marred by two tragic accidents in February and March

2004. These led to the loss of life of an employee of a CLP contractor at Black Point Power Station and a CLP employee working on an overhead line tower near Tseung Kwan O. High-level CLP management teams have been established to investigate the causes of the accidents and we are co-operating fully with the relevant authorities. We will do all we can to apply the lessons learned and prevent these ever happening again.

Building our Human Capital

In Hong Kong, the CLP Group must possess the experience and skills required to ensure the quality and reliability of the electricity supply to our customers.

To safeguard these qualities over the longer term requires a balanced age profile, with an organisation which is steadily rejuvenated. 16% of our current workforce now has less than three years of service and, on average, our new recruits are ten years younger than those who leave. We continue to recruit engineering and technical trainees, in addition to the CLP executive programme which is designed to bring in to the Group young talented people as our future leaders in both technical and general management areas.

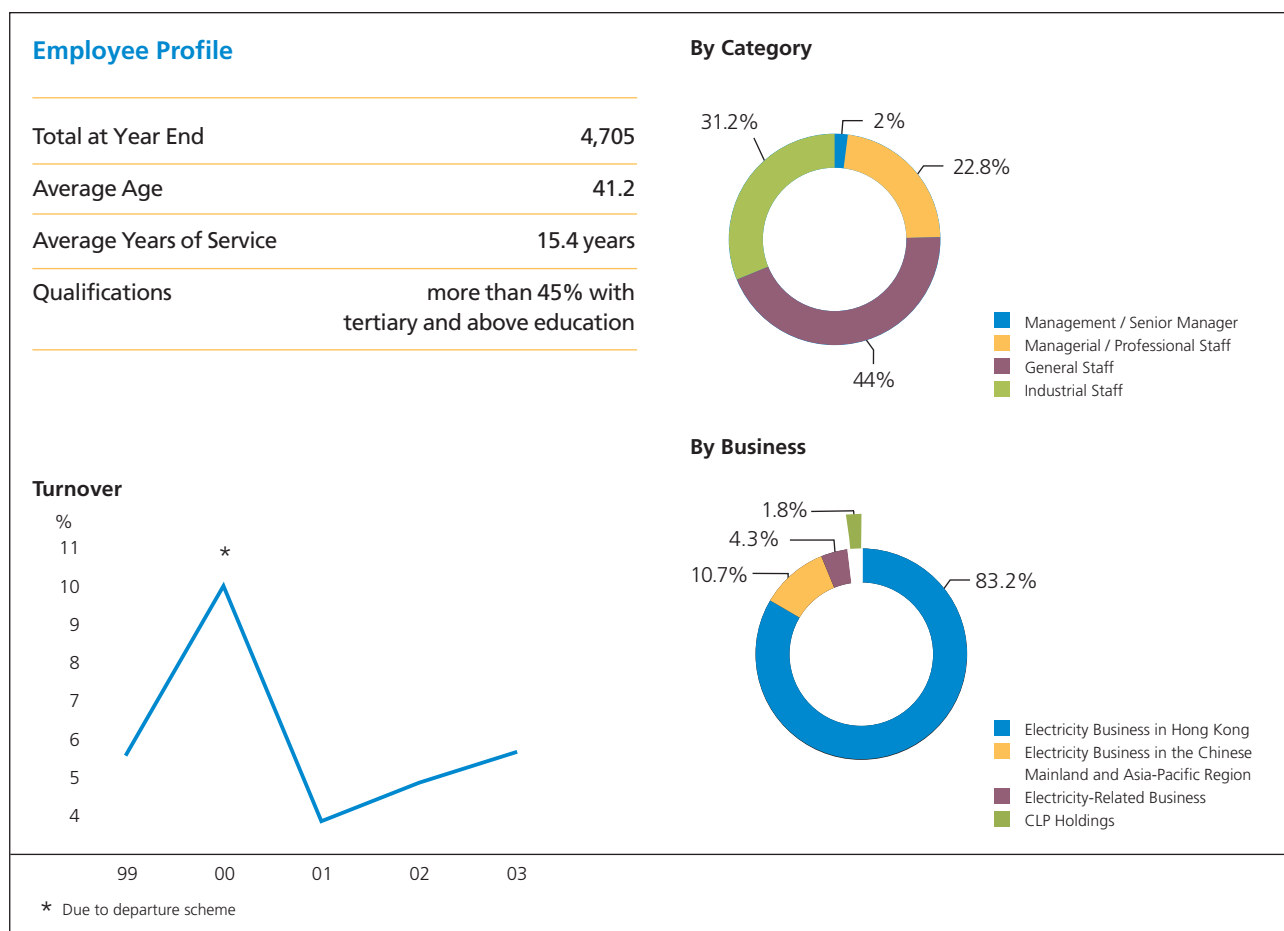
During 2003, we continued with a range of human resources initiatives intended to widen our talent pool and

increase our leadership strength across the CLP Group. The future of our business relies on both:

- optimal leadership strength and a diversified pool of young talent; and
- the possession of skills and human resources to promote business excellence and meet evolving business needs.

CLP's Management Development and Succession Planning is a major component of our processes to identify and invest in future leaders. This programme includes early identification of high potential individuals, through structured processes and criteria. In 2003, about 80 potential leaders were identified within the scope of this programme. Their career development is closely reviewed by Senior Management, under the direction of the Group Managing Director. Internal successors have been identified for 77% of key management positions. Of such positions which became vacant in 2003, 67% were filled internally and in accordance with our planned succession arrangements.

We are determined that all our colleagues should have an opportunity to enhance and develop their professional skills. For example, the annual performance assessment of every member of staff in Hong Kong identifies their training and



development needs, which are then systematically followed up. At Yallourn Energy, every employee has a personal development plan with career goals and training requirements, all of which are aligned with Yallourn Energy's business objectives.

In 2003, for the CLP Group as a whole, 40,066 man-days were allocated to staff training and development (2002 : 30,930 man-days). This is the equivalent of 8.5 training man-days per employee.

Enhanced Performance Culture

CLP fosters a performance oriented culture. Our "pay for performance" remuneration system consists of two components – base compensation and annual incentive. Base compensation is reviewed annually, taking into consideration the competitive market position, market practice and individual performance. Staff receive an annual incentive determined by the achievement of pre-set, individual, functional, corporate and CLP Group objectives. This has replaced the previous fixed bonus and allowances. Implementation of this incentive-based pay system started in 2001. By the end of 2003, 48% of CLP's workforce in Hong Kong were rewarded under this programme, which will be fully implemented during 2004.

Yallourn Energy has introduced performance-based remuneration for all employees based on progress against posted development plans. There were no losses due to

industrial action in 2003. Through a Culture, Community and Image group, formed from a diverse group of employees and managers, Yallourn Energy has developed a "picture of future success" as a basis for its continuing efforts to achieve outstanding performance.

Shared Vision and Values

It is important that CLP's values are both clearly articulated and completely understood and accepted by our colleagues. Alignment around a common vision and values requires an atmosphere of respect, trust and mutual understanding. This must be promoted through open, two-way communication, and willingness to discuss issues and concerns raised at any level in the organisation. In 2003, this policy of on-going communication was implemented through a range of measures including our Joint Consultative Committee consisting of representatives from supporting staff and management, Intranet, management briefings, road-shows and team briefings.

To establish a shared vision and a common set of values for all of our employees, we rolled out the value framework amongst our colleagues elsewhere in the CLP Group. Our ethical standards, which are expressed in the Code of Conduct which forms part of the value framework, have already been applied at GPEC. A statement of principles and ethics, reflecting CLP's Code of Conduct, has been issued to all employees at Yallourn Energy.

CLP staff participating in "Trailwalker" 2003

