

CLP and our Employees

The loyalty, skill and motivation of our employees is the foundation of the Group's success. In return, CLP has a responsibility to provide its staff with a safe, healthy and fulfilling work environment, with fair remuneration, fair management and opportunities for learning and professional development.

Safety

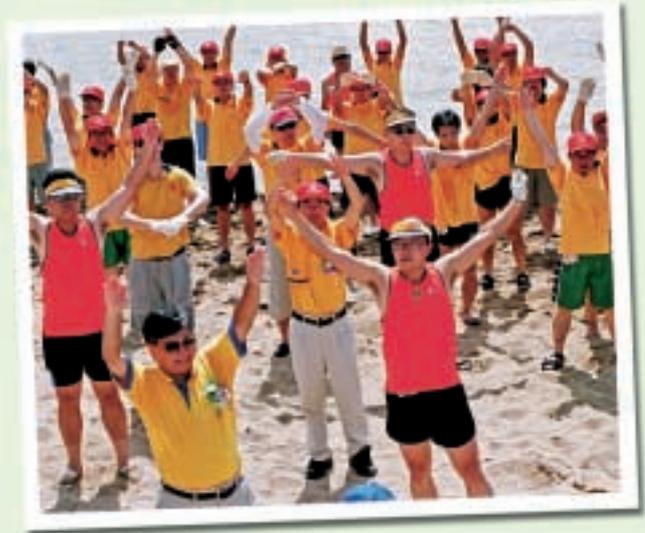
Safety is of utmost importance across the CLP Group. In our Annual Report 2003 we said that our safety performance should not be measured by the effort that we and our employees put into promoting a safe workplace – it can only be measured by the results actually achieved. We stand by this. The safety performance of our Hong Kong electricity business did not meet our standards in 2004.

There were two fatal 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. In addition, an incident in June at Black Point Power Station injured three CLP employees, two of them seriously.

This level of safety performance is unacceptable to our workforce, our management and our Board. Our safety record in recent years has been good. However, past achievement in safety does not guarantee continuing good performance. In safety, every day is a new day.

Each of the accidents in 2004 has been the subject of detailed investigation by panels comprising representatives of senior management. In addition to implementing the specific recommendation of the panels, we have pursued a range of initiatives to reinforce our safety culture, including:

- regular safety visits by directors and senior executives as a conspicuous demonstration of the importance we attach to safety;
- peer reviews to provide a "fresh eyes" view of existing operations and processes;
- use of predictive indicators such as first aid cases, behaviour observations and "near-miss" incidents to provide an early warning of the risk of accidents;
- a safety leader programme, where selected staff pass on their experience to colleagues; and



- a safety incentive scheme, including a Chairman's Safety Award, designed to promote increased awareness of workplace safety.

We are driving hard to achieve an improved safety record throughout 2005 and beyond.

During 2004, GPEC performed well on safety whereas Yallourn had a mixed year:

- GPEC continued to achieve exceptional safety records, reaching 6 years' operations without a lost time incident (LTI). It has also obtained for the 5th consecutive year the Gold Award from the Royal Society for the Prevention of Accidents.
- During February 2004 Yallourn achieved accreditation to the Australian Safety Standard AS4801. Two AS4801 surveillance audits have been completed. Comments from the lead auditor were very positive, indicating that Yallourn's combined safety, health and environment systems approach is among the best in Australia.
- It was a disappointing year at Yallourn from the perspective of LTIs, with three recorded LTIs. This level of performance is not acceptable. On the other hand, Yallourn's total incident frequency rate (TIFR – which includes incidents not resulting in time off work, such as first-aid incidents) for the year 2004 was very encouraging. The 2004 TIFR budget of 25 was set against a 2003 actual TIFR of 27. Yallourn completed the 2004 year with a TIFR of 13 – a reduction of 52% from the previous year.

Good results were also achieved by those joint ventures in which CLP participates and where we aim to make a significant contribution to safety performance:

- Guangdong Daya Bay Nuclear Power Station was placed first in the categories of Nuclear Safety, Industrial Safety and Radiation Protection in Electricité de France's 2004 Safety Challenge awards for its nuclear power stations and other French-built stations in the world;
- as at 14 December 2004 5 million man-hours had been worked on the BLCF project without an LTI;
- CLP Guohua (including Panshan, Sanhe, Yire and Shenmu Power Stations) had no LTIs for over 3.88 million man-hours worked during 2004;
- Huajji JVC had no LTIs for over 1 million man-hours worked in 2004;
- Guizhou CLP Power Company Limited (Anshun II) had no LTIs for over 0.67 million man-hours worked in 2004; and
- Shandong Project (including Shiheng, Heze II and Liaocheng power stations) had no LTIs for over 6 million man-hours worked in 2004.

We are taking steps to ensure that good practices and lesson learned on safety issues are transferred across the Group. In 2004 we brought together specialist staff from virtually all the operations in which we have an interest to exchange experience and ideas on safety, health and environmental matters.



GPEC employees during fire-fighting training



Can the employees share the results of the Company?

?

Mr. Lee Kit Mau
Senior Foreman –
Electric Installation,
CLP Power Hong Kong

Yes. All employees in our Hong Kong electricity business now have a percentage of their individual remuneration in the form of an annual incentive payment. Payments under the incentive plan reflect both the performance of the individual and also the overall performance of the organisation. When evaluating organisational performance we adopt a balanced approach. This means taking into account not only our financial results, but also considering our safety, operational, and environmental performance.

←



Andrew Brandler
Chief Executive Officer

Remuneration and Performance

One of the policies which underpins our remuneration structures is that of the alignment of reward with performance. In 2004 we completed the implementation of a new performance-based system for CLP's Hong Kong workforce. This has replaced the previous fixed bonus and allowances. All permanent staff now have an appropriate percentage of their pay related to individual and company performance and the 13th month bonus has been completely phased out.

At Yallourn, continuous efforts were made to drive organisational performance through performance-based remuneration measured by progress against posted development plans. GPEC has implemented a revised Performance Management System in line with Group principles.

CLP and our Employees

Building our People Capital

In Hong Kong we continued with initiatives designed to ensure that our staff have the experience and skills needed to maintain the quality and reliability of the electricity supply to our customers.

Our efforts to preserve a balanced age profile and steadily to rejuvenate our workforce included:

- a new intake to the CLP Executive Programme which brings in talented young people;

- the recruitment of graduate engineering and technician trainees; and
- the hiring of new apprentices.

14.3% of our employees now have less than three years of service (2003: 16%).

As a result of our workforce rejuvenation initiatives, the rate of increase in the average age of our workforce has slowed down. The average age is now 41.8 compared to 40.6 three years ago.

Employee Profile

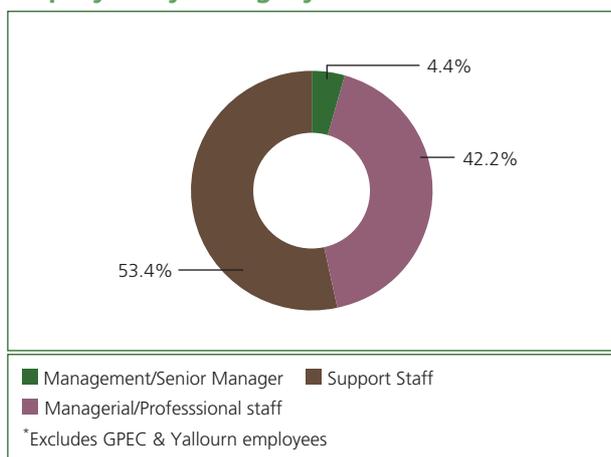
	2004	2003
Total at Year End*	4,633	4,705
Average Age	41.8	41.2
Average Years of Service	16.1	15.4
Qualifications (staff with Tertiary & above education)	46.7%	>45%

* Includes GPEC & Yallourn employees

Employee by Business Activity

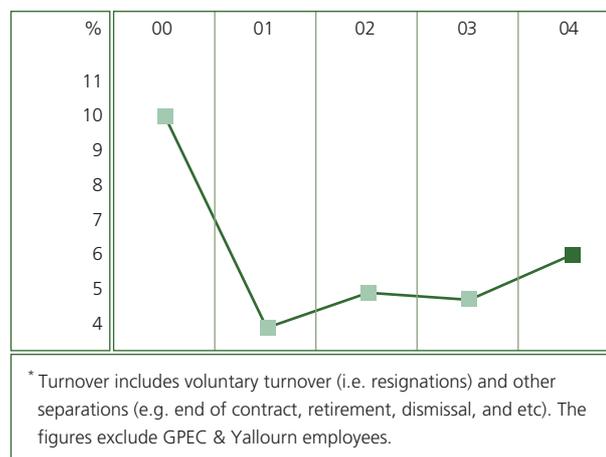
	2004	2003
CLP Holdings	1.6%	1.8%
Electricity Business in Hong Kong	83.7%	83.2%
Electricity Business in the Chinese mainland and Asia-Pacific Region	10.1%	10.7%
Electricity – Related Business	4.6%	4.3%

Employee by Category*



Note: The company has re-categorised its employees in 2004 due to the integration of the grading structure for general & industrial staff.

Turnover*



In 2004 we maintained our focus on widening our talent pool and increasing our leadership strength. Our Management Development and Succession Planning remained a major component of our efforts towards this objective. About 80 potential leaders have been identified within the scope of this programme. Their career development is closely reviewed by Senior Management under the direction of the Group Managing Director, with career and training opportunities being mapped out on an individual basis. Internal successors have been identified for 74% of key management positions (2003: 77%). 87% of such key positions which became vacant in 2004 were filled internally and in accordance with our planned succession arrangements (2003: 67%).

The opportunity to enhance professional skills must be available to all our colleagues. For this reason the annual performance assessment of every employee in Hong Kong identifies training and development needs, which are then systematically followed-up.

These processes extend outside of Hong Kong. At Yallourn every employee has a personal development plan with career goals and training needs. At GPEC professional staff are undergoing training on Effective Personal Productivity aimed at improving professional and personal performance.

For 2004, including GPEC and Yallourn, the investment in developing our workforce amounted to a total of 27,787 training man-days (2003: 40,066) i.e. an average of 5.76 man-days per employee. The reduction in total training man-days compared to the previous year is due to the successful implementation of two major IT system projects, both of which required a significant training investment in 2003.

Looking forward, we have recognised the need to strengthen our long-term manpower planning process in order to ensure that we are adequately prepared for changes in the supply and demand of essential skills. In 2005, we will begin this by focusing on core skills in our Hong Kong workforce.

We have also recognised the need to increase the mobility of our workforce, both to meet our business need for availability of skills, and in order to meet the career development aspirations of our employees. In 2005, we will be taking steps to increase staff mobility by ensuring that movement opportunities across the Group are identified and communicated effectively, and that our human resources policies support regional mobility. In addition, we plan to introduce a regional posting into our graduate engineer training programme.

What will CLP do if there is surplus manpower as a result of the opening up of the Hong Kong electricity market in 2008?

Mr. Ho Wai Ip
Cook, CLP Power Hong Kong

Like any business, we aim to ensure that we have the right staff and skills for the business and market environment in which we are operating. I cannot predict the precise shape of the post-2008 electricity regulatory regime nor its particular implications for our human resources requirements. However, I believe that our staff have the experience and expertise which our community needs in order to ensure the continued provision of a first-class and cost-effective electricity supply. When you joined CLP in September 1993, we employed 6,243 staff in our Hong Kong electricity business. At the beginning of February 2005, we had reduced our manpower to 3,855, notwithstanding an increase of about 43% in electricity sales since 1993. I am confident that our human resources are deployed effectively. I see no reason why any fair and balanced outcome to the discussion on the post-2008 electricity regulatory regime should lead to significant reductions in the manpower we need to serve our customers well.

Andrew Brandler
Chief Executive Officer