

CLP and our Employees

Diversified businesses – but common values and standards.

In the past, the overwhelming majority of the CLP Group's employees have been engaged in our Hong Kong electricity business. This workforce has been characterised by loyalty, experience and mastery of the technical and professional skills needed to maintain the quality and reliability of the electricity supply to our customers in Kowloon and the New Territories.

As the CLP Group expands, our business becomes more diverse. The skills and competencies required of our colleagues in different countries may vary according to local circumstances, as well as specific operational or market factors. The challenge for the Group is to achieve Group-wide excellence in the management of our human capital, drawing on the best practices found anywhere in the Group and preserving and reinforcing the strengths and qualities of our staff which have contributed to CLP's success over the past century.

In this regard, the integration and consolidation of human resources at Yallourn Energy and the merchant energy business was a matter of particular attention in the second half of 2005. The changes needed to key human resources processes and policies to ensure consistency across the new TRUenergy business have been identified. The high priority issues of remuneration strategies, performance incentives and code of conduct have already been addressed. Other changes, including alignment of performance management processes will be rolled out during 2006.

CLP became the major shareholder in the Huaiji project in late 2005, giving us increased influence over the management of the project and of its human resource capacity. To achieve operational efficiency and transform the traditional "state-owned" enterprise to a modern commercial organisation, progressive steps have been taken in rationalising the management, organisation structure and staffing level as well as introducing a performance-based remuneration system and embarking on various culture change initiatives across the board.

Our People

The following charts provide an overview of the CLP Group's workforce. They illustrate that:

- the majority of our colleagues serve the Hong Kong electricity business, although other businesses, notably in Australia, are of increasing importance;
- our staff are experienced, with considerable length of service and high levels of technical and professional qualification – in line with the needs of an electric utility; and
- in Hong Kong turnover in some staff groups increased as the employment market recovered. However, turnover in our core engineering skills remains low – supporting the continuity in knowledge and experience which is important in our electricity business. The noticeable increase in the Group-wide turnover is mainly due to this being the first year we have included the turnover data of our wholly-owned subsidiaries, including TRUenergy.



CLP Bangkok Office – staff outing in 2005

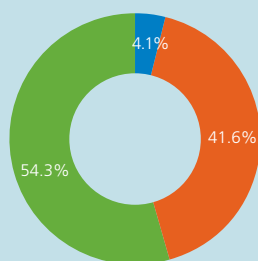
Employee by Business

| | 2005 (%) | 2004 (%) |
|--|-------------|-------------|
| CLP Holdings | 1.3 | 1.6 |
| Electricity Business in Hong Kong | 63.8 | 83.7 |
| Energy Business in Australia | 18.3 | 5.2 |
| Electricity Business in Chinese Mainland | 8.2 | 0.4 |
| Electricity Business in Asia | 4.2 | 4.5 |
| Electricity-related Business | 4.2 | 4.6 |

Employee Profile

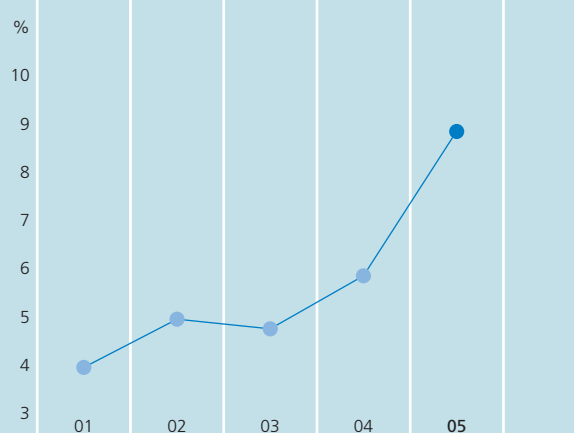
| | 2005 | 2004 |
|---|----------------------|----------------------|
| Total at Year End | 6,059 | 4,633 |
| Average Age | 41.8 | 41.8 ⁽¹⁾ |
| Average Years of Service | 15.2 | 16.1 ⁽¹⁾ |
| Qualifications (staff with undergraduate education & above) | 49.7% ⁽²⁾ | 46.7% ⁽¹⁾ |

Employee by Category



- Senior Management
- Managerial/Professional Staff
- Technical, Administrative and Support Staff

Turnover⁽³⁾



Remarks:

(1) GPEC and Yallourn employees not included

(2) TRUenergy and CLP Engineering (Macao) Limited employees not included

(3) Turnover includes voluntary turnover (i.e. resignations) and other separations (e.g. end of contract, retirement, dismissal, etc)
For 2004 and before, only HK based employees were included in the turnover analysis



left One way to improve management flexibility

right Trainees and apprentices graduation ceremony 2005



Building and Maintaining Human Capital

In 2005, we continued our initiatives to maintain our core skills and develop the potential of our workforce.

Within our Hong Kong electricity business:

- In order to ensure the future supply of key skills, a five-year manpower planning framework was developed to project long-term demand and supply of core engineering skills. We promoted power engineering as a future career through our Young Power Programme.
- A challenge facing many utility companies is that of retaining key knowledge as core workers retire. In order to do this, in our Hong Kong electricity business, we have embarked on a series of knowledge management initiatives intended to ensure that we retain key knowledge.
- The first intake of the CLP Executive Programme (CEP) completed their two-year management training programme and have moved into substantive management roles. The second intake will complete the programme in 2006.
- We continued with our annual Management Development and Succession Planning Programme, with its focus on widening our talent pool and increasing our leadership strength. Internal successors have been identified for 80% of key management positions (2004: 74%). 89% of such key positions which became vacant in 2005 were filled internally and in accordance with our planned succession arrangements (2004: 84%).
- As part of that Management Development and Succession Planning Programme, each year we review nominations for High Potential Employees (HIPOs), whose development is closely reviewed and monitored by a management development committee led by the CEO. Currently, we have a total of 58 HIPOs identified.

- We continued the CLP Internship Programme which encourages students to join CLP during summer or for a twelve months' placement. Each student is assigned a specific project and a designated CLP manager as mentor. The programme has an excellent reputation with local universities. There were 48 students participating in the programme in 2005 (2004: 51).

At TRUenergy, there is an ongoing focus on training and development, with all employees having personal development plans in place. During 2005, the main focus of training was in the call centre, where a number of new systems have been implemented. During 2006, succession planning at TRUenergy will be aligned with the overall CLP Group Management Development and Succession Planning Programme. This will be supported by a new talent development programme to be implemented within TRUenergy.

In GPEC, we have completed a review of key human resource issues that need to be addressed in order to ensure that we have a stable workforce and are able to retain core skills. In particular, GPEC has introduced trainees in the areas of maintenance and operations in order to build sustainability over the long run and a variety of training programmes have been actively promoted. In addition, a number of initiatives relating to remuneration and benefits will be implemented in 2006.

For 2005, the investment in developing the CLP Group's workforce, including GPEC and TRUenergy, amounted to a total of 28,724 training days (2004: 27,787) i.e. an average of 4.7 man days per employee.

With the growth of our business outside Hong Kong, we have been encouraging more staff mobility across the region, in order to leverage our core skills and experience and to provide development opportunities for staff. We have been taking steps to promote mobility by ensuring that movement opportunities across the Group are identified and communicated effectively and that our human resources policies encourage and facilitate regional mobility. By way of example, we will introduce a regional posting into our graduate engineer training programme in 2006.

Knowledge Management

Starting within our Hong Kong electricity business, we have embarked on a series of knowledge management initiatives intended to enhance our business performance through the fostering of learning, sharing, creation and retention of knowledge. These initiatives have included:

- Measures taken by our power systems business to capture our “tacit knowledge” in the form of the undocumented skill and expertise accumulated by our staff through many years of design and operational experience. A total of ten content themes have been initially targeted, of which four have already been implemented and made accessible to staff.
- We have conducted a knowledge audit to map out the important knowledge items needed to support our major business activities, the sources of this knowledge and the corresponding users. Potential bottlenecks in the knowledge flow have been identified and action plans developed to leverage further on the wealth of knowledge processed by our staff.

- We have conducted a survey to gauge the quality of our knowledge sharing culture within the major operating units. The survey indicated that staff were making good use of our corporate technology platform to share knowledge and that they were well aware of the benefits to them of effective knowledge management.

We envisage that, in light of the experience we gain in Hong Kong from our knowledge management initiatives, these will gradually be extended elsewhere within the CLP Group – not only within our wholly-owned operations at GPEC and Yallourn, but also that they will contribute to the joint ventures in which CLP plays an active role.

Remuneration and Performance

One of the Group policies which underpins our remuneration structure is that rewards should be aligned with performance.

As from 2005, all Hong Kong based staff are remunerated under a performance-based pay programme, which has replaced the previous fixed bonus and allowances. All permanent staff now have a percentage of their pay related to individual and company performance.

Remuneration practices throughout TRUenergy have been reviewed. It is envisaged that fixed and variable remuneration processes will be aligned from July 2007. As an initial step, from January 2006 onwards, all permanent, non-award staff have started to participate in the same annual incentive plan. This will reward employees for the achievement of objectives linked to business goals, provided that the TRUenergy business as a whole reaches agreed targets.

Q: **Mr. Ho Kwok On** *Depot Assistant, East Region/Kwun Tong, CLP Power Hong Kong* (left)

Is there any better incentive plan that the company will implement to replace the existing performance management system (PMS)?

A: **Roy Massey** *Director – Group Human Resources* (right)

All organisations need to have a performance management system (PMS) in order to align the efforts of individual staff with organisational goals, and help to identify training and development needs. Our PMS system and supporting processes were designed to incorporate internationally recognised best practices. The PMS is also reviewed regularly to ensure that it is aligned with our needs. For example, in 2004 a new PMS system was introduced for operational and support staff following such a review.

In addition to the PMS, we have implemented an annual incentive plan for all Hong Kong based staff. This enables all Hong Kong staff to enjoy bonuses based on a combination of individual performance (as assessed through the PMS) and organisational performance.

