2010 Sustainability Report – In Essence

CLP 中電

Our Business

Drivers

POWERING ASIA RESPONSIBLY

Group
Hong Kong
Australia
Chinese Mainland
India
Southeast Asia & Taiwan

Outlook

Enablers

Performance

Contents

Scope of Report

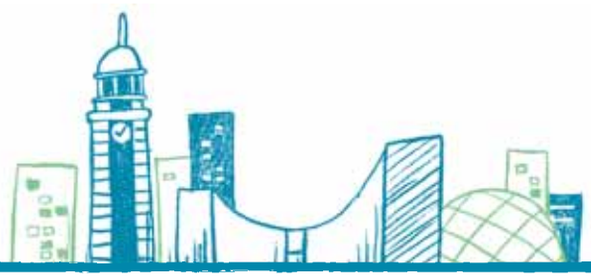
This report covers the annual 2010 performance of operating entities in which we have operational control. CLP Group's strategy, performance and commitments related to climate change expand this scope to include all operating units in which CLP has equity interests. In line with our corporate reporting cycle, the 2010 Sustainability Report covers issues up to 31 December 2010. The Global Reporting Initiative (GRI)'s G3 and the Electric Utility Sector Supplement (EUSS) indicators are addressed in the Online Sustainability Report.

All performance data of operational control facilities, which have been operating for a full calendar year, has been independently verified by an external service provider directly engaged by each facility. The aggregated Group level performance data was also independently verified. Some statistical data derived from our overseas operations may not be strictly comparable as definitions may vary.

Operating entities in which CLP has operational control as of 31 December 2010 and their installed generating capacity:

Hong Kong

- Black Point Power Station (2,500MW)
- Castle Peak Power Station (4,108MW)
- Penny's Bay Power Station (300MW)
- Power Systems
- Retail Services (2.35 million customer accounts)



Australia

- Yallourn Power Station (1,480MW) and Brown Coal Mine
- Hallett Power Station (203MW)
- Iona Gas Storage Facility (22 petajoules)
- Tallawarra Power Station (420MW)
- Retail Services (1.25 million customer accounts)

Chinese Mainland

- Fangchenggang Power Station (1,260MW)
- Huaiji Hydropower Stations (125.2MW)
- Boxing Biomass Heat and Power Plant (15MW)
- Dali Yang_er Hydropower Station (49.8MW)
- Qian'an I Wind Farm (49.5MW)

India

- Gujarat Paguthan Energy Corporation (GPEC) Power Station (655MW)

The Hon. Sir Michael Kadoorie (left), Andrew Brandler (right)

Chairman & CEO's Statement

CLP's Value Framework is the set of business principles and ethics that define our vision, mission, values, identity and our actions. In our Value Framework, we have expressed CLP's commitment to the principles of sustainable development – balancing the social, environmental and economic dimensions of our business and considering the needs of both current and future generations.

There are two critical elements within that commitment. First, the notion of "balance". CLP must strike the right balance between delivering economic value to its shareholders and other capital providers, social value in the form of the delivery of a service in a way which society values and safeguarding the environment on which all our futures depend. Secondly, a sustainable business must be one which meets the needs of its stakeholders today, while looking ahead and positioning itself to meet the needs of shareholders and stakeholders in the years to come.

In CLP's case, the nature of our business means that striking this balance is a demanding challenge. The heart of our business is the generation and supply of electricity across the Asia-Pacific region. Electricity is an essential public service, without which the economic and social progress which we have seen in the region in recent years would not have been possible. And there is still a great deal to be done – about 800 million people in Asia lack access to electricity. Almost 2 billion still rely on the traditional use of biomass for cooking. At the same time, we face a particular dilemma in that, in much of the region, including China and India, coal remains the energy source of choice, due to its affordability, accessibility and the availability of established generation technology to transform coal into electricity. However, the CO_2 emissions produced by coal-fired generation are a major contributor to the growing threat of climate change – a threat whose effect will be felt sharply in the developing and heavily populated countries of Asia.

Striking the right balance between the economic, social and environmental dimensions of our business becomes yet more difficult because the "point of balance" can change rapidly in line with the changing needs, aspirations and priorities of governments, communities and investors. For example, the economic rise of modern China demanded a massive and rapid increase in cheap and reliable power which could only come from tremendous growth in coal-fired generating capacity. Now, China's economic performance has reached the stage where the country's leaders are able to place greater weight on the supply of electricity in more environmentally-friendly ways, including the continued development of hydro electric power, a major increase in wind and solar energy and an ambitious

programme for the expansion of the Mainland's fleet of nuclear power stations, a programme which may see nuclear energy output reach 522 TWh in 2020 compared to only 68 TWh in 2008. A similar trend is emerging in line with economic development in India – in 2008 wind energy in India generated 14 TWh of electricity. By 2020 wind is forecast to produce 57 TWh of power – compared to virtually nothing in 1990.

CLP's business must evolve and, where possible, anticipate these changes in the way in which electricity is provided to the developed and developing countries of our region. We must also recognise the significant differences between the markets which we serve. For example, in our Climate Vision 2050, issued in 2007, we undertook not to build additional conventional coal-fired generating capacity in Hong Kong or in developed countries. When we do build coal-fired power stations, such as our Jhajjar project in India, we do so using the most environmentally-friendly technology which is commercially feasible. At Jhajjar we are using supercritical plant and have installed flue gas desulphurisation equipment, even though this was not required under India's environmental regulations.

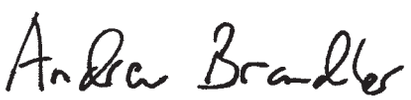
The central component of our Climate Vision 2050 is our commitment to make massive reductions in the carbon emissions intensity of our generation portfolio by 2050. Because of the duration of this commitment we set a number of milestones along the way, by which our progress on our low-carbon journey could be measured. The first of these was at the end of 2010. As this Report explains later, we have met our first milestone. In fact, our progress has been such that we have been able to revise our targets for the next milestone in 2020. These will involve quicker reductions in the CO_2 emissions intensity of our generating plant and yet further growth in the role which renewable energy plays within our portfolio.

We remarked earlier that the point of optimal balance between the economic, social and environmental aspects of our business changes over time. It may be fair to say that the generation to which we belong has done a reasonable job in advancing economic and social development. However, we have probably done less well in discharging our responsibility of stewardship of the environment for future generations. In March 2010, five young engineers from CLP, selected from almost 40 top CLP engineers engaged in our operations in Hong Kong, Australia and India, embarked on a journey to the Antarctica. Their mission was to help the organisation "2041" founded by Polar explorer Sir Robert Swan, to repower its educational and research base for climate studies in Antarctica. With their first-hand observations of the effects of climate change, our young engineers (we call them our "COOL Captains") have acted as CLP's climate ambassadors in sharing their experience, inside and outside the Company, of the adverse impact of climate change on nature.

They have also formed a "Sustainability Task Force" charged with benchmarking CLP's sustainable business practices against those of leading companies worldwide and coming up with recommendations as to how CLP might improve in this regard. Whatever the detailed outcome of this project, CLP can only gain from this exercise of critical self-evaluation and the discussions that this will generate. This is also an example of our willingness to engage in an ongoing debate about the best way in which we can meet our obligations to shareholders and stakeholders, present and future.

CLP has been in business for over a century and remains in fine shape. In that sense, we have proved ourselves to be a sustainable business. But that is the past. CLP's aim is still to be here in another hundred years and still to be valued by our shareholders, the communities we serve and other stakeholders for our economic and social performance and valued for the contribution we have made to the safeguard of the environment on which all our futures depend. This Sustainability Report is a summary of CLP's performance in delivering social and environmental value – our online Sustainability Report contains a greater wealth of detailed information and data. Together with our Annual Report, which concentrates on how we have delivered economic value, our aim is to present shareholders and stakeholders with an integrated and comprehensive picture of CLP's performance over the past year.

The Hon. Sir Michael Kadoorie
Chairman
CLP Holdings Limited



Andrew Brandler
Chief Executive Officer
CLP Holdings Limited

Hong Kong, 24 February 2011

Independent Verification

The qualitative information in this Sustainability Report has been verified by an independent third party, SustainAsia. The verification statement is shown below.

Assurance and Verification

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SustainAsia Ltd has been commissioned by CLP Holdings (CLP) to provide independent verification of CLP's *2010 Sustainability Report – In Essence* (this Executive Summary), which is an abridged version of the online report. This Executive Summary is issued along with CLP's *2010 Annual Report*.

Scope of verification and methodology

The verification process was performed over the January – February 2011 period and its objective was to provide an independent opinion on the accuracy and robustness of the information presented in this Executive Summary, and on its consistency with CLP's 2010 Online Sustainability Report.

SustainAsia's scope of verification was limited to the qualitative information presented in this Executive Summary and excluded quantitative indicators and financial information.

SustainAsia selected a representative sample of qualitative statements in the draft report (English version) for verification, through applying AccountAbility's Five Part Materiality Test. The verification was conducted through desktop review of report content, questionnaires, documentation review and interviews with designated CLP personnel.

As a result of this process, SustainAsia has made some observations and suggested minor adjustments and amendments to the original draft Executive Summary. We have also made recommendations to improve CLP's sustainability management and reporting system.

Conclusion

Within the scope of our assignment, we have assessed the qualitative statements sampled from this Executive Summary and verified their accuracy. We believe this Executive Summary offers highlights of CLP's sustainability challenges that are consistent with the 2010 Online Sustainability Report.

Christophe Bongars
Chief Executive Officer, SustainAsia Ltd
Hong Kong, 28 February 2011

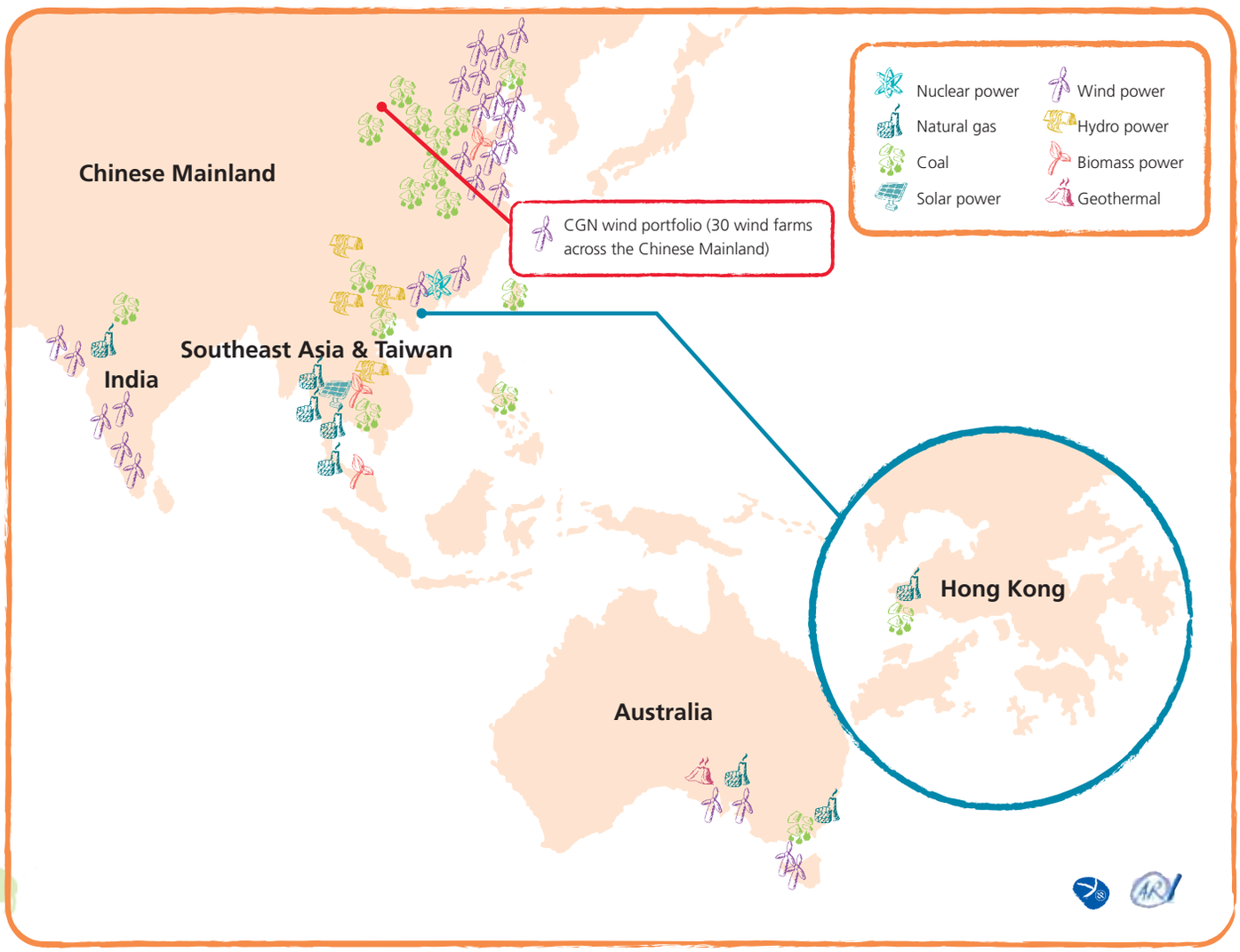
OUR BUSINESS

Our business is to deliver safe, affordable and reliable energy for society, while generating economic returns on our shareholders' investments. We own, build and operate energy-related assets across the Asia-Pacific region.

Headquartered in Hong Kong, CLP Holdings invests in energy businesses in Hong Kong, Australia, the Chinese Mainland, India and Southeast Asia and Taiwan. We own a diversified portfolio of power generation from gas, coal, nuclear and renewables as well as transmission, distribution and retail businesses.

As of 31 December 2010, we have invested in 13,635 equity MW of electricity generation and 6,599 MW of capacity purchase across the Asia-Pacific region, 22 PJ gas storage capacity in Australia, 13,767 km electricity transmission and distribution lines and 13,421 substations in Hong Kong, and electricity and gas retail businesses serving over 3 million customers in Hong Kong and Australia. For more details on our assets / investments, please refer to the Annual Report.

CLP's Group's Assets / Investments (as of 31 December 2010)



Factors that drive how and why we conduct our business the way we do include our internal values, the changing external landscape and the consequential risks and opportunities to our business.

Our Values

Our mission is to enhance shareholder value while delivering world class products and services of good value to our customers, providing a safe, healthy and fulfilling work environment for our employees, contributing to the economic and social development of the communities in which we operate, and responsibly managing the environmental impact of our operations and products.

This, together with our values and principles, is set out in our Value Framework, which also includes commitments made to our key stakeholders and which we believe are core to the sustainability of our business.

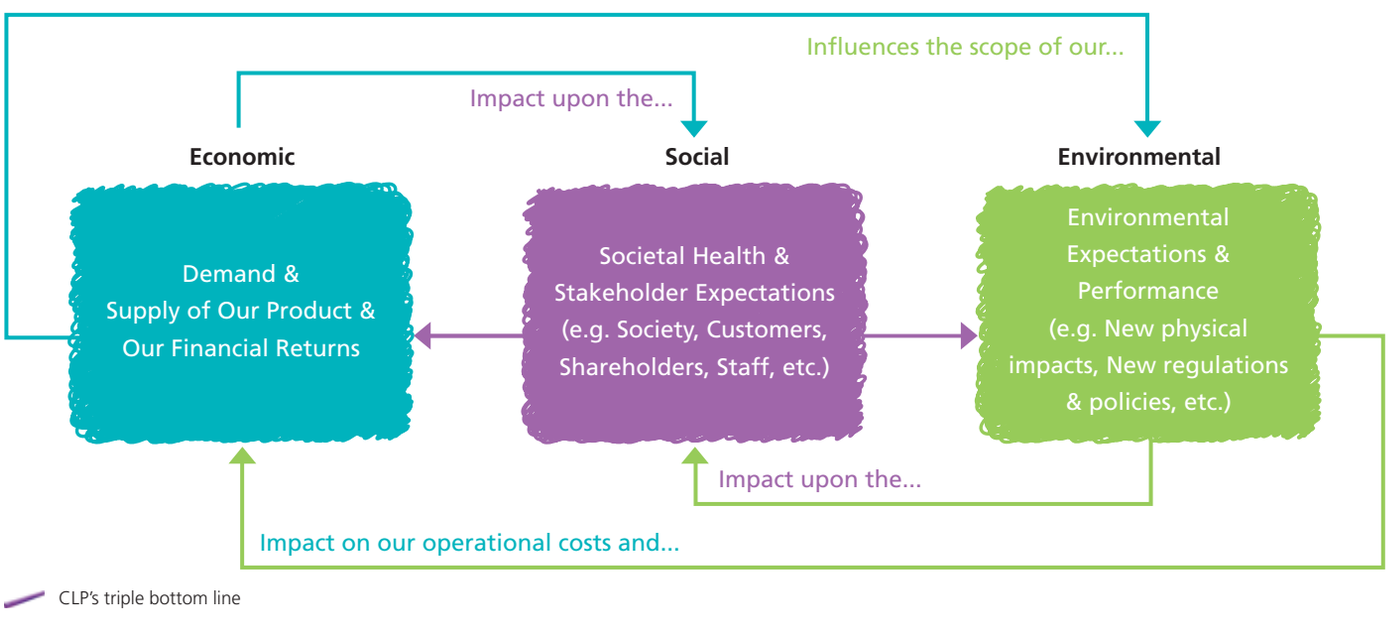
Operating For The Future

Our business involves long term investments and assets that we expect to operate over many decades. Financial and environmental sustainability is therefore important. We must plan for the future when starting new projects.

Throughout its 110-year history, CLP has demonstrated its commitment to sustainability. Further details on the history of CLP and its beginnings are provided in The Hong Kong Heritage Project (www.hongkongheritage.org).

Social & Environmental Responsibilities

We believe conducting our business in a socially and environmentally responsible way is both an ethical obligation and good for business. Minimising environmental impact and contributing to the societies in which we operate is all a part of a sustainable business that produces long term returns on our investments.



The Changing Landscape

Changing Physical Environment

Physical changes in the environment, particularly those linked to climate change can impact not just our assets and operations directly, but also our supply chain and customers. We are now starting to plan a greater robustness into our assets and operations to be more resilient against extreme weather conditions.

Increasing Stakeholder Expectations

As more information becomes available and at a faster rate, people's expectations of both our performance and our rate of responsiveness, will increase. Shareholders expect to know more about our business strategy and performance. Industry regulation is generally increasing and we must be able to demonstrate compliance with all applicable standards. Lenders are also beginning to adopt standards related to environmental impact and carbon emissions.

The Risks & Opportunities

Changing Operational Risks

As both the physical environment and our stakeholder expectations change, so do the risks and opportunities in all parts of our operations from project investment, contruction, through to the operational and decommissioning phases of our facilities.

Investment Risks

The risks and opportunities for investment are heavily influenced by local and/or national policies and regulations on energy and the electricity sector. The more uncertain and volatile the policy direction, the more risks we perceive there to be. This is particularly important in the electricity sector where investments tend to be large (in the hundreds of millions of USD) and locked in over multiple decades (30 to 40 years). Hence, we continue to assess the possibility of such regulations and to factor such considerations into investment decisions, as well as share our experience and views with governments and the community during the development of new policies and regulations.

A key part of our business strategy is to increase the use of renewable energy and to reduce the carbon intensity of fossil fuel generation. This means that we have to assess the risk involved with various forms of new technology. We aim to be an early mover, but not a first mover when prototype risks are still too high.

Design & Construction Risks

During the design and construction phases of a project, much of our risk lies in how we manage the relevant stakeholders. With stakeholder expectations being different between different stakeholder groups, different locations, and changing through time, this is a considerable challenge. We address this challenge through a number of ways, including through our contract arrangements with our contractors and suppliers, training and operational measures to enhance the local safety culture and proactive engagement with the local community to reduce the possibility of project disruptions not only during construction but also during the permitting process prior to construction. Hiring the right people with the appropriate skills and capacity is another challenge, particularly as we progress into more projects using newer technologies.

Stakeholder Support Throughout the Power Plant Lifecycle

The challenge with deployment of new technology in new projects is to complete construction on time and to keep costs within budget. The short history of these technologies means there is limited availability of in-depth experience and so, identifying the right partners and suppliers will be critical to our success in expanding our business into new areas.

Operational Risks

The objective during operation is to comply with all applicable environmental regulations and to achieve high availability. Where we are using renewables, such as wind and solar, the performance of our plant will depend on our ability to assess the characteristics of the renewable resource. For fossil-fuelled projects, the challenge is to procure coal and gas of acceptable quality and price. Proper plant maintenance as well as implementing improvements to enhance performance where possible, help to provide a smoother transition between existing performance and new more stringent standards that will be mandated in the future. We also maintain on going dialogue with our stakeholders to strengthen our licence to operate over time.

Decommissioning Risks

Risk assessments and due diligence are conducted for future decommissioning at the early phase of a project. Mitigation measures are recommended and incorporated into the business plan and budget at this early phase of a project. However, there will be a need for re-assessment when the time comes for decommissioning since regulations, technologies and process would be different 30 or 40 years later at the end of the asset's life.

During the actual decommissioning phase, typical risks include both environmental and social ones. Examples of environmental risks include potential land or groundwater contamination and disposal of waste and debris, while social ones include those relating to employee and public safety, as well as potential local community objections or concerns. Such risks will need to be managed through prudent and transparent planning and extensive engagement with regulators, technical experts and the local community.

Evolving Opportunities

The changing landscape may pose risks, but they also provide potential opportunities. To be able to capture these possible opportunities, we must be able to:

- identify emerging social and environmental issues and to forecast their future trends as part of the input for identifying potential markets and business opportunities,
- adapt to the changes quickly enough to enhance our competitiveness. This involves attracting the right partners and suppliers, increasing access to more favourable lending conditions, and further strengthening the trust and confidence of local communities in our brand to facilitate entry into new markets.

Our current position as the largest foreign investor in wind energy in India is a testimony to the fact that we are performing well in these areas. However, we recognise we cannot be complacent and must continue accumulating more experience and skills to further enhance our abilities, and at a rate that can meet the pace of the fast changing business world.

Our codes, policies and guidelines as well as our processes and systems, enable us to respond to the changing landscape and the resulting risks and opportunities in a way that is consistent with our values. They cover a spectrum of functions critical for the sustainability of our business, ranging from our corporate governance, to the responsible management of environmental impacts, to the hiring and retention of talent, and to how we engage and maintain long lasting relationships with our key stakeholders.

Codes, Policies & Guidelines

CLP's Code on Corporate Governance represents a firm commitment to a framework of business principles and ethics that cover all aspects of our business.

CLP's Code of Conduct (CoC) translates our commitments to all our stakeholders into a set of formal written requirements and puts all employees, officers and directors under stringent obligations. In 2010, there were four cases of breach of Code of Conduct. Sanctions applied ranged from reprimands to dismissal. None of the breaches of the Code involved senior managers or was material to the Group's financial statements or overall operations. For more details on our governance related performance, please refer to our Annual Report.

Group policy statements covering Human Resources, Environment, Health and Safety, amongst others, are in the CLP Value Framework. These policy statements help set a minimal level of requirements across the Group for all operations and business units for which we have operational control and/or majority share. Business units, facilities or departments may develop their own more stringent policies in accordance with local regulations and stakeholder expectations.

We also have more specific operational policies and guidelines that support the delivery of our commitments as outlined in our Group policy statements. For example, to ensure that our facilities implement a system of measuring and improving their environmental performance regardless of their location and regulatory requirements, in 2010, CLP Group rolled out a policy requiring all new and existing operationally controlled facilities to certify their environmental management systems (EMS) to international standards within two years following acquisition or commercial operation. This requirement ensures integration of EMS budgeting at the early stage of business planning as well as delivery of environmental performance during the operational phase of the facilities.

For more details on our codes, policies and guidelines and CLP Value Framework, please refer to our CLP Group website.

Processes & Systems

To ensure implementation of our codes, policies and guidelines, robust processes and systems are in place across all stages of investment through to design, construction, operation and decommissioning.

For example, our investment decision-making process incorporates sign-off of potential projects from multiple functional units across the Group who oversee the financial, social and environmental-related aspects of the business, leading to a more balanced and integrated approach in the decision-making process.

Management systems help to support performance improvement as well as facilitate in the reporting or communication of our performance. For example, our operations adopt internationally certified environmental, safety and health management systems such as ISO14001and NOSA. The table below provides an overview of the status of the management systems at our operational control facilities. More details are given in our Online Sustainability Report.

Management Systems at CLP Operationally Controlled Facilities as of 31 December 2010

Country	Facility	Business Type	Generation Type	Generating Capacity (MW)	Environmental Mgt System	NOSA Audit in 2010 (Grading)	SHE Peer Review in 2010
Australia							
	Yallourn	Power Generation	Coal	1,480	✓	–	✓
	Hallett	Power Generation	Gas	203	Under Development	–	–
	Tallawarra	Power Generation	Gas	420	Under Development	–	✓
	Iona	Gas Storage	NA	NA	✓	–	✓
China							
	Fangchenggang	Power Generation	Coal	1,260	Under Planning	3*	–
	Huaiji	Power Generation	Hydro	125.2	✓	3*	–
	Dali Yang_er	Power Generation	Hydro	49.8	Under Planning	–	–
	Boxing Biomass	Power Generation	Biomass	15	Under Development	3*	✓
Hong Kong							
	Black Point	Power Generation	Gas	2,500	✓	–	–
	Castle Peak	Power Generation	Coal	4,108	✓	–	–
	Penny's Bay	Power Generation	Oil	300	✓	–	–
	Power Systems	Transmission & Dist.	NA	NA	✓	NA	NA
	Marketing & Customer Services	Retail Services	NA	NA	✓	NA	NA
India							
	GPEC	Power Generation	Gas	655	✓	5*	–

Notes:

Under Development - System being set up with resources and staff support in place

Under Planning - System being planned with resources being allocated

NA - Not applicable to operation

NOSA - National Occupational Safety Association

SHE - Safety, health and environment

Information technology (IT) systems, such as the Emissions Management Information System (EMIS) are instrumental in supporting the collection and reporting of the increasing amount of data and information arising from the ever growing range of environmental regulations. In 2010, we completed the development of the EMIS for our operations in Hong Kong. This system will help track our environmental performance against the expanding scope of legal requirements, such as emissions caps and stack emissions limits, and support our endeavours to begin tracking our performance in emerging environmental areas as well.

Board Level Support on Sustainability

CLP's commitment to the principles of sustainability is well embodied in our Corporate Governance structure. In October 2005 the CLP Board established our Social, Environment and Ethics Committee subsequently renamed in 2008 as the Sustainability Committee. The Sustainability Committee oversees CLP's positions and practices on social, environmental and ethical issues that affect shareholders and other key stakeholders. The Committee is chaired by the CEO and comprises executive and independent non-executive directors. In 2010, the Sustainability Committee endorsed the new CLP Group climate change 2020 targets before they were presented in our publication "Our Journey Towards a Low-Carbon Energy Future".

PERFORMANCE

Our social and environmental performance reflects the factors which drive our business (see pages 6 to 8) and the manner in which these have been managed through the enabling processes and disciplines (see pages 9 and 10). For more details, please refer to the Online Sustainability Report and the Annual Report.

Air Quality

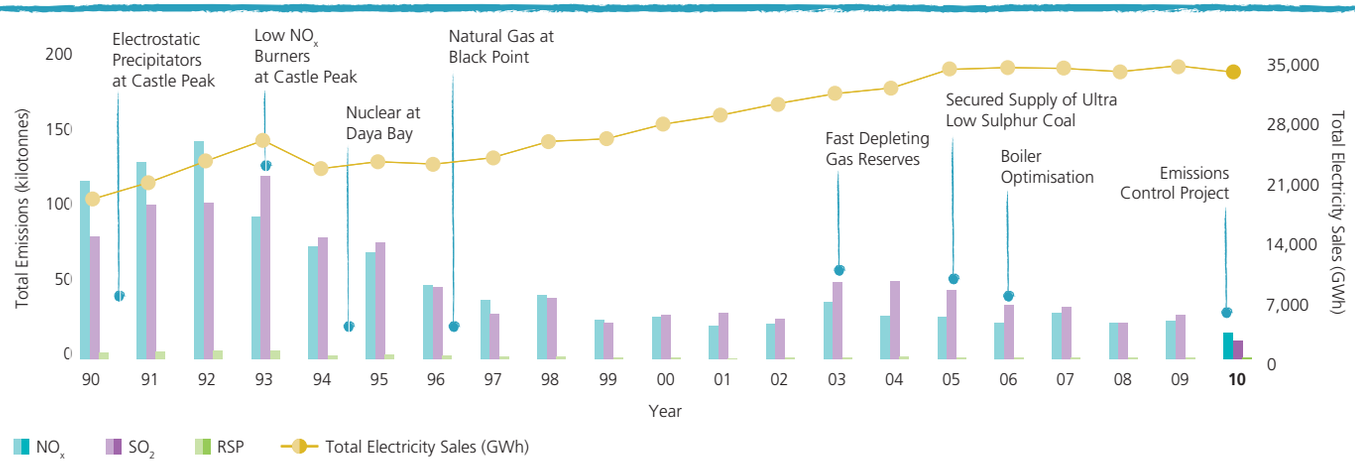
In 2010, we continued our efforts to reduce our emissions across the CLP Group: sulphur dioxide (SO_2) reduced by 49%, nitrogen oxides (NO_x) by 10% and total suspended particulates (TSP) by 6% compared to 2009 levels. These reductions are mainly achieved through the commissioning of the emissions control facilities at the Castle Peak Power Station, increased use of natural gas and less coal in our Hong Kong operations, lower SO_2 emissions at Yallourn in Australia (see Online Sustainability Report for details), as well as reduced use of naphtha and more natural gas at GPEC in India.

Hong Kong

In Hong Kong, the emissions control facilities at Castle Peak Power Station were commissioned in 2010. In addition, we were able to increase our gas consumption in 2010, which also helped to address local air quality concerns. Through these initiatives, CLP Power Hong Kong has achieved reductions of sulphur dioxide (SO_2), nitrogen oxides (NO_x) and respirable suspended particulate (RSP) emissions by 58%, 32% and 32% respectively compared with 2009 levels, all below the 2010 caps required by the Government of Hong Kong Special Administrative Region (HKSAR Government). These represent a reduction of SO_2, NO_x and RSP emissions levels of 59%, 56% and 57% respectively compared with 1997 levels.

Concerning natural gas supply to Hong Kong, we continue to pursue options as stated in the Memorandum of Understanding on Energy Cooperation signed in August 2008 between the HKSAR Government and the Central People's Government. We have completed an Environmental Impact Assessment (EIA) for the pipeline in Hong Kong waters which was approved on 27 April 2010 and an Environmental Permit issued on 25 May 2010. Key regulatory permits were obtained by the end of 2010 with construction planned to commence on the gas receiving facilities at Black Point Power Station in Q1-Q2 2011. Construction on the submarine gas pipeline is expected to follow later in 2011. Our work to increase the natural gas supply is in line with our business plan of having 40% gas in our Hong Kong portfolio by 2020 and contributes to the HKSAR Government's intended overall fuel mix for Hong Kong.

Total Air Emissions from CLP Power Hong Kong (Generation)



Total Emissions Reduction (1990-2010) :
NO_x ↓ 85% SO_2 ↓ 85% RSP ↓ 82%* Total Electricity Demand ↑ 79%

*HK Government Air Pollutant Emission Inventory Data

Climate Change

In our Climate Vision 2050, we set a target of reducing our group-wide CO_2 emissions intensity to 0.8kgCO_2/ kWh from a baseline of 0.84kgCO_2/ kWh in 2007. We met this target as of 31 December 2010. This was achieved mainly through the operation or acquisition of a number of wind farms in the Chinese Mainland, India and Australia, and the divestment of Anshun II coal-fired power station in the Chinese Mainland. In "Our Journey to a Low-Carbon Energy Future" published in December 2010, we reported that we were likely to miss this target. At the time of publication, annual independently verified data was not yet available, and hence we applied a conservative estimate. Our up-to-date verified data shows that as of 31 December 2010, our Group CO_2 intensity has in fact been reduced to 0.8kgCO_2/ kWh.

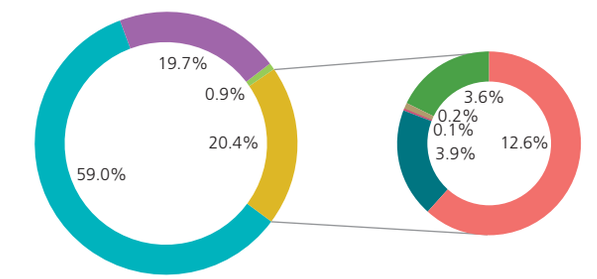
Also under our Climate Vision 2050 was a target to have 20% of our generating capacity in non-carbon emitting sources by 2020. As of 31 December 2010, we have met this target, 10 years ahead of schedule:

CLP Group Climate Change Targets & Performance

	Targets	Performance		
	2010	**2010**	2009	2008
CO_2 Intensity (kgCO_2/ kWh)	0.8	0.8	0.83	0.84
Renewables (excluding hydro >100MW) (% of CLP Group portfolio)	5	14.0	9.4	6.5
Total Renewables (% of CLP Group portfolio)	-	16.8	11.3	8.4
Non-carbon Emitting % (% of CLP Group portfolio)	-	20.4	15.0	12.3

CLP Group's Generation Mix

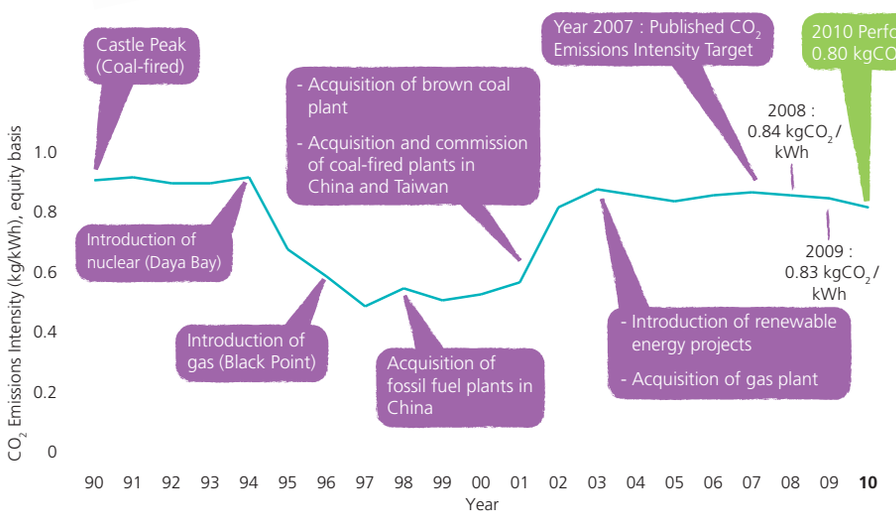
(as of 31 December 2010)



- Coal (8,043MW)
- Gas (2,690MW)
- Oil (124MW)
- Non-carbon emitting (2,778MW)
- Wind (1,714MW)
- Hydro (537MW)
- Biomass (14MW)
- Solar (21MW)
- Nuclear (492MW)

Notes:
1 Total may not be the exact sum of numbers shown here due to rounding
2 By equity

CLP Group CO_2 Emissions Intensity



Achieved 0.8kgCO_2 / kWh Target in 2010

2010 Key Milestones

- Acquisition of CGN Wind Portfolio (including 18 fully operational wind projects) and commercial operation of five other wind projects (totalling 426 equity MW) in China
- Divestment of Anshun II coal-fired power station (420 equity MW) in China
- Commercial operation of three wind projects (totalling 181 equity MW) in India
- Commercial operation of one wind project (56 equity MW) in Australia
- Commercial operation of one hydro project (51 equity MW) in Laos

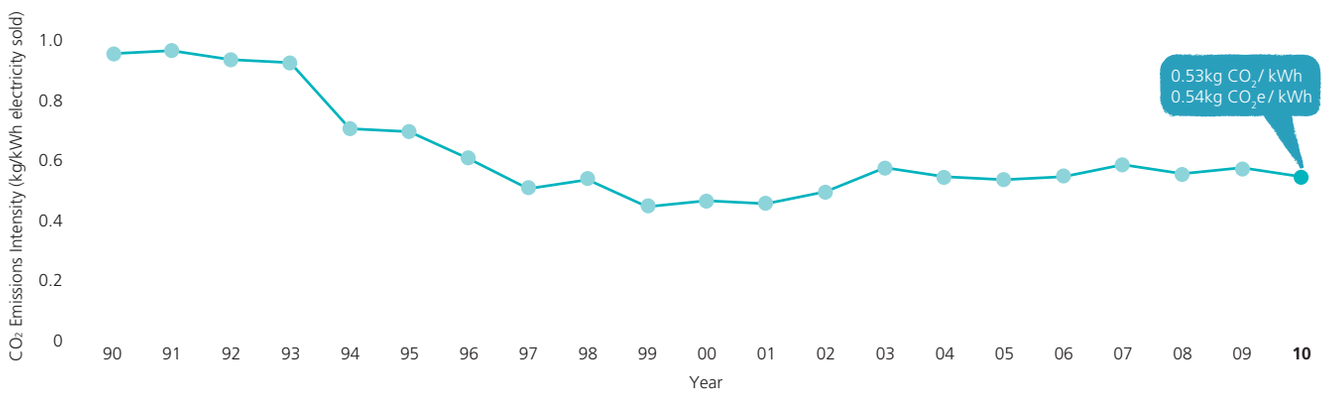
Notes:
1 Data on an equity basis covering all majority and minority share facilities in CLP Group's generation portfolio.
2 Data from 2008 onwards have been verified by a third party.

Hong Kong

Our Hong Kong CO_2 emissions intensity has also been reduced mainly because we were able to use more gas and therefore less coal. As of 31 December 2010, our Hong Kong CO_2 intensity was 0.53kgCO_2/ kWh, down from 0.56kgCO_2/ kWh in 2009, while our emissions intensity in CO_2 equivalent (including CO_2 and other material greenhouse gas emissions) was 0.54kgCO_2e/ kWh.

For more details on our Hong Kong carbon emissions, please see our Online Sustainability Report.

CO_2 Emissions Intensity of CLP Power Hong Kong (1990-2010)



Note: CO_2 emissions intensity data from 2007 onwards have been verified by a third party.

Mr. Woo Choi Cheung

Amid slower business growth in Hong Kong and the ever-rising environmental awareness (or mounting pressures from environmentalist groups), what is CLP management's strategy response in the coming year? How do you manage to strike a balance between meeting environmental requirements and maintaining CLP's steady growth?

Shareholder

Environmental issues are vey much an integral part of our business strategy. Given the substantial impact that environmental and climate change factors impose upon our business, we must go beyond balancing to mainstreaming these factors into our business.

For instance, we are experiencing an increasing alignment between the energy and environmental policies of Hong Kong and the Mainland, especially in the areas of fuel mix, environmental performance and the capital investment and regulatory structure.

In the coming year, our focus is on securing the replacement gas supply for our Black Point Power Station, and supporting Government's policy objectives regarding fuel mix and emissions levels. Our mission remains to provide adequate, reliable, cost effective and environmentally responsible electricity supply to Hong Kong.

Andrew Brandler

Chief Executive Officer

Employees

Retaining Talent

The Human Resources (HR) agendas and priorities of each of our businesses vary significantly as a result of different regulatory, legislative and competitive environments and also whether they are mature or growth businesses. Despite these differences, our approach to HR management is based on common group-wide values and commitments to employees. These include competitive remuneration and benefits aligned with local market requirements, ongoing investment in individual training and development, a culture of mutual respect and open communication, and a working environment that recognises the importance of employee well-being and work-life balance.

We believe that our consistent group-wide approach to people management partly explains why, despite the fact that we operate in very competitive labour markets, our businesses have stable and loyal workforces with levels of staff turnover often well below the local market average. However, it should be noted that zero staff turnover is not a describable goal as this would limit promotion opportunities resulting from turnover, particularly in our sector where there is limited growth in headcount. For more details, please see the Annual Report.

Key Indicators	2010	2009
Total number of employees	**6,075**	5,777
Average age	**42.8**	42.9
Average years of services	**16.2**	16.3

Succession Planning

We have been fortunate to have a very stable senior executive team for many years. However, within the next 10 years the retirement projection of this group will accelerate and consequently we need to ensure succession plans are in place.

Supporting this is the annual group-wide Management Development and Succession Planning (MDSP) process. In 2010, internal successors were identified for 100% of senior management positions retiring within the next five years (2009: 100%). All (100%) existing senior positions which became vacant in 2010 were filled internally in accordance with planned succession arrangements (2009: 96%). To support our succession planning process, in 2010 we continued to make a significant investment in developing identified successors and other high potential staff. For more details, please see the Annual Report.

Employees eligible to retire within the next five years	2010	2009
Hong Kong	**12.5%**	11.4%
Australia	**9.5%**	10.1%
India	**1.3%**	1.5%
Chinese Mainland	**11.3%**	7.3%

Talent For A Changing Industry

As the profile of our generation portfolio has shifted to cleaner fuels, we have seen a corresponding shift in the skills profile of our staff. For example, in 2000 only 46 CLP staff worked in renewable energy (i.e. wind, hydro, biomass, and solar) and gas-fired power stations – now there are 875. We anticipate that this shift will continue as we pursue our climate vision goals.

The skills that are required include business development, project management, and operation and maintenance. In addition there are highly specialised technological skills needed such as in wind resource assessment.

We have used a three-pronged approach to obtain the required new skills:

- We encourage and support existing staff to develop the skills and expertise needed, for example, to shift from traditional fuels to wind power. This provides staff with exciting new career development opportunities;
- Following the acquisition of renewable energy businesses, we have invited some of their staff to join CLP, for example, we recruited 19 Roaring 40's staff in the Chinese Mainland in 2009;
- We also selectively recruit individuals with specialised skills, for example in wind resource assessment, from the international market. The recruitment market for these skills is very competitive, although the balance between supply and demand can change quickly as the pattern of public sector subsidies for renewable energy comes under pressure in some economies.

As our renewable energy business has expanded across the region, we have realised that a critical source of competitive advantage is being able to leverage skills and experience between our businesses. At Group level we have established regional knowledge sharing processes, for example our regional wind forum, to identify and capture synergies. Examples of these synergies include equipment procurement, wind assessment, and operation and maintenance. The ability to transfer knowledge quickly between our businesses has a significant impact on asset performance.

Employees at Fangchenggang Power Station, the Chinese Mainland

CLP employs capable and committed people across the region

Safety

Our safety objective of providing a safe working environment covers our employees, our contractors and all others working with us on all our sites regardless of project complexity and cultural considerations. However, we recognise that many of our markets are in developing economies where a safe working environment has not always been as achievable as in the more developed markets. The challenge for CLP is to bring local practices and attitudes for all of our markets up to the best of international safety standards.

Our combined disabling injury incidence rate for employees and contractors improved to 0.18 (0.19 for 2009), despite the growth of our portfolio and the challenges from high risk construction activities.

However, our safety performance improvement was overshadowed by one employee fatality in Meter Reading in Hong Kong, and three subcontractor fatalities at Jhajjar (two in 2010 and one in 2011), India. The Jhajjar and the Jiangbian Hydro projects remain the most challenging within our portfolio in terms of safety management. The Jhajjar site is difficult due to differences in safety culture and language barriers, while the Jiangbian site is located within naturally rugged landscape. We are implementing additional controls to reduce the risk and continuing to reinforce the message that safety is our highest priority.

Disabling Injury Incidence Rate (DIIR*) for Employees and Contractors (for facilities in operation)

Operationally controlled facilities	Employees		Contractors	
	2010	2009	**2010**	2009
Hong Kong (CLP Power)	**0.05**	0.02	**0.22**	0.17
Australia (TRUenergy)	**0.62**	0.74	**0.78**	1.79
Chinese Mainland (Fangchenggang, Boxing, Huaiji and Yang_er)**	**0.00**	0.39	**0.09**	0.14
India (GPEC)	**0.00**	0.00	**0.00**	0.00

* Disabling Injury Incidence Rate (DIIR) is the number of disabling injuries per 200,000 man-hours exposure, which is roughly equal to the number of disabling injuries for every 100 full-time employee in one calendar year.

** 2010 data includes Yang_er hydro power station for the first time, and excludes Anshun II which CLP has divested from since April 2010.

Disabling injury incidence rates (DIIR) in 2010 for employees and contractors in operating facilities for which we had operational control are shown above. To further improve our safety reporting, starting this year, we have expanded the scope of our safety reporting from operational assets within our operational control to also include construction sites within our operational control, covering both contractors as well as employees. Data for the last two years under this new expanded scope are shown below.

Disabling Injury Incidence Rate (DIIR*) for Employees and Contractors Combined (for facilities in operation and under construction)

Operationally controlled or majority owned facilities in operation and projects under construction	**2010**	2009
Hong Kong (CLP Power + CLP Engineering subsidiary)	**0.17**	0.12
Australia (TRUenergy)	**0.68**	1.02
India (GPEC, Jhajjar, Khandke, Samana, Saundatti, Theni, Harapanahalli & Andhra Lake facilities)	**0.19**	0.18
Chinese Mainland (Anshun II, Fangchenggang, Boxing, Huaiji, Yang_er, Jiangbian, Qian'an, Penglai facilities & Shanghai Office)	**0.12**	0.17
Southeast Asia + Taiwan (BLCP and Lopburi in Thailand and Ho-Ping in Taiwan)	**0.00**	0.09
Overall	**0.18**	0.19

* Disabling Injury Incidence Rate (DIIR) is the number of disabling injuries per 200,000 man-hours exposure, which is roughly equal to the number of disabling injuries for every 100 full-time employee in one calendar year.

To enhance construction safety, we held workshops attended by CLP staff together with our contractors in the Chinese Mainland and India to convey CLP's safety requirements and to ensure their integration in site management. Furthermore, we continued our efforts to develop safety leadership, in particular at high risk construction sites such as those mentioned earlier.

Our objective over the past three years was to elevate the safety consciousness within the organisation through the provision of an updated safety structure and guidance, and introducing initiatives designed to be undertaken across the Group. We put particular emphasis on using the knowledge that exists within the Group and on taking specialist external advice. We believe that we are making progress in safety awareness and providing the necessary standards and controls for a safe working environment. However, we are equally aware that many challenges remain.

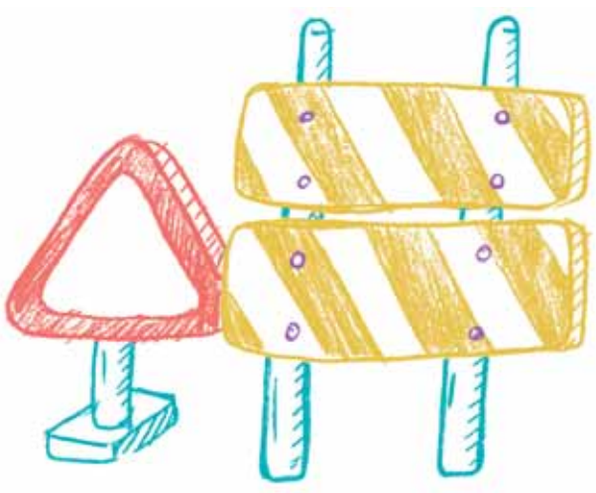
Nuclear Safety

As of 31 December 2010, CLP had one nuclear power station in its portfolio, namely the Daya Bay Nuclear Power Station (Daya Bay). CLP has been a minority shareholder of Daya Bay with a 25% shareholding and offtaking 70% of the electricity generated in Daya Bay which, since 1994, has played a major role in supplying safe and reliable electricity to Hong Kong, contributing to approximately one third of the source of electricity CLP supplies to its Hong Kong customers.

Since May 2010, there were a total of three Licensing Operational Events (LOEs) at Daya Bay, among which, two were classified as Level 0 and one as Level 1 on the International Nuclear Event Scale (INES) (a zero-to-seven scale for reporting nuclear safety incidents). For more information, please refer to the Annual Report. AR All three LOEs were of a non-emergency nature and do not require emergency response. Events that do not require emergency response are those that carry no nuclear safety significance or consequence and have no impact on the external environment or public safety.

The Level 1 event was identified on 23 October 2010 during a planned outage inspection of Unit 1. This revealed a flaw in a section of pipework in the auxiliary cooling system which is used to take away residual heat from the reactor during its shutdown - in other words, pipework which is only used when the reactor is not working. Such Level 1 Events are by no means unusual - and the identification of such incident is in line with the strict international disciplines applied to the treatment of incidents at nuclear power stations. There have, for example, been 12 Level 1 Events at Daya Bay since 2001. On both occasions, CLP, its partner CGNPC at Daya Bay, the operator of the power station and the Ministry of Environmental Protection of China all confirmed that these cases had no impact on public safety, public health or the environment.

In January 2011, CLP announced a revised notification mechanism to report minor incidents to the public within two working days of their occurrence, to reinforce community confidence in nuclear safety and transparency. For regular updates on Daya Bay, please refer to the Hong Kong Nuclear Investment Company Limited (HKNIC) website (www.hknuclear.com).



Community Investment

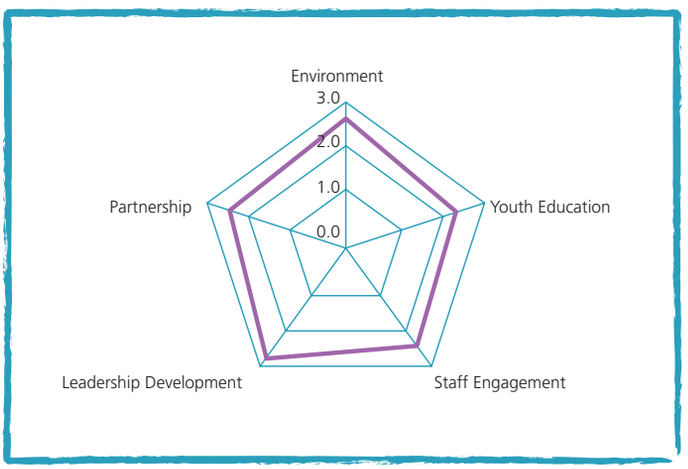
At CLP, we are aware that our business interests are interdependent on our licence to operate which is granted by the local communities. We listen and address our stakeholder concerns on how we run our business, and how to help enhance the growth and development of their people and the society.

To measure and evaluate community programme performance and impact, we have adopted the London Benchmarking Group (LBG) methodology since 2009. The LBG model is a global standard that measures a company's contribution to the community, such as cash, time, management costs and in-kind donations against the output and long term benefits of the community investments. Using results produced from the LBG benchmarking exercise, we were able to evaluate our community initiatives to identify areas of improvement. Our goal is to see how each of our initiatives makes a meaningful contribution to our communities and where we can best focus our future efforts.

Below is a summary of the assessment outcome using the LBG methodology presented in a three-point scale for three of our community programmes. Our Online Sustainability Report covers more programmes.

Young Power Programme

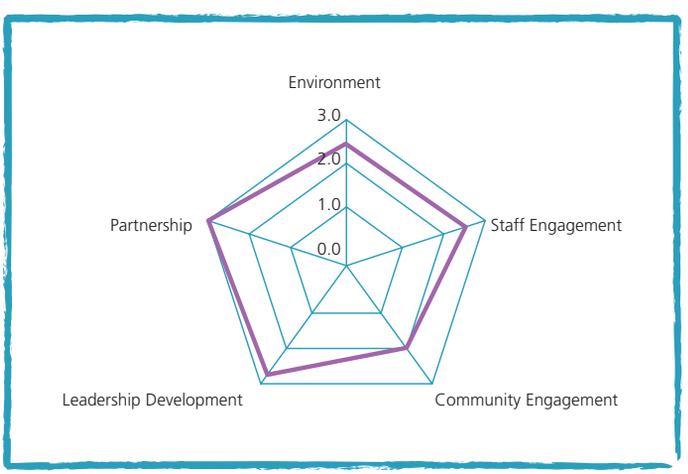
CLP's Young Power Programme (YPP) continued to engage students from Hong Kong, the Chinese Mainland and India in 2010 with the theme "towards a low carbon future". YPP aims at equipping future leaders with skills to address complex social and environmental challenges through leadership-training activities.



YPP students at a cotton field near our biomass power station in Boxing

Project COOL

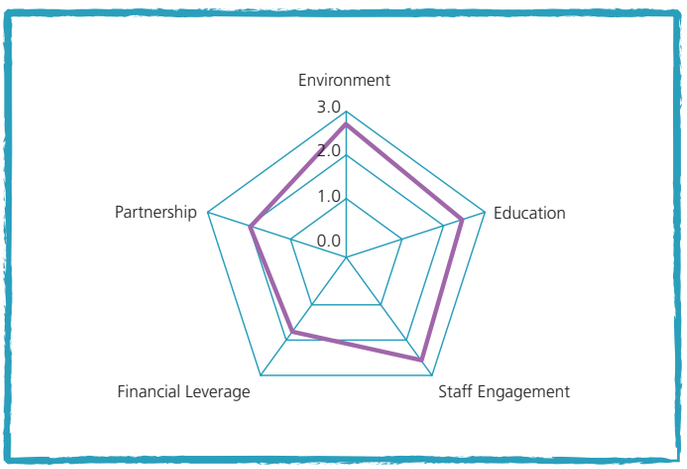
In 2010, five CLP engineers from Hong Kong, Australia and India joined a three-week Antarctic expedition to witness the effects of climate change and set up renewable energy devices to power the Education Base (E-base), which is operated by the non-governmental organisation "2041".



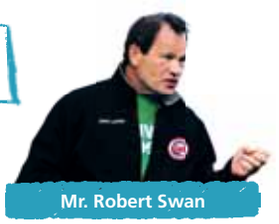
CLP's COOL Captains in action in Antarctica

Regional Tree Planting

In April 2008, CLP pledged to plant one million trees in five years across Hong Kong, Australia, the Chinese Mainland, India and Thailand under the Regional Tree Planting Programme. Since then, we have planted about 680,000 trees across Asia-Pacific with a survival rate of over 75%.



CLP's Managing Director - Southeast Asia participates in regional tree planting activities in 2010



Mr. Robert Swan

Founder of 2041

What has CLP done with the knowledge and experience gained from the (Project COOL Antarctic) expedition?

One of the main objectives of Project COOL is to nurture climate leadership within our company. In 2007 we pledged to reduce the carbon intensity of our generation portfolio by 75% by 2050. Turning this long-term climate strategy into reality will require the support of all stakeholders, including the next generation of leaders within our company. This programme gives our young colleagues the opportunity to witness the impact of climate change and learn about the actions that businesses could take to contribute to the collective efforts of developing sustainable communities.

Upon their return, the COOL Captains held a number of experience and knowledge sharing sessions with our colleagues across the region, students participating in the 2010 Young Power Programme as well as the members of the local community in Hong Kong, the Chinese Mainland, Australia and India. They also initiated a task force to review and assess CLP Group's current sustainability practices. Project COOL has definitely achieved its goals to the fullest extent — it helped prepare our colleagues for the challenges that may emerge as they continue the Company's journey to a low-carbon energy future.

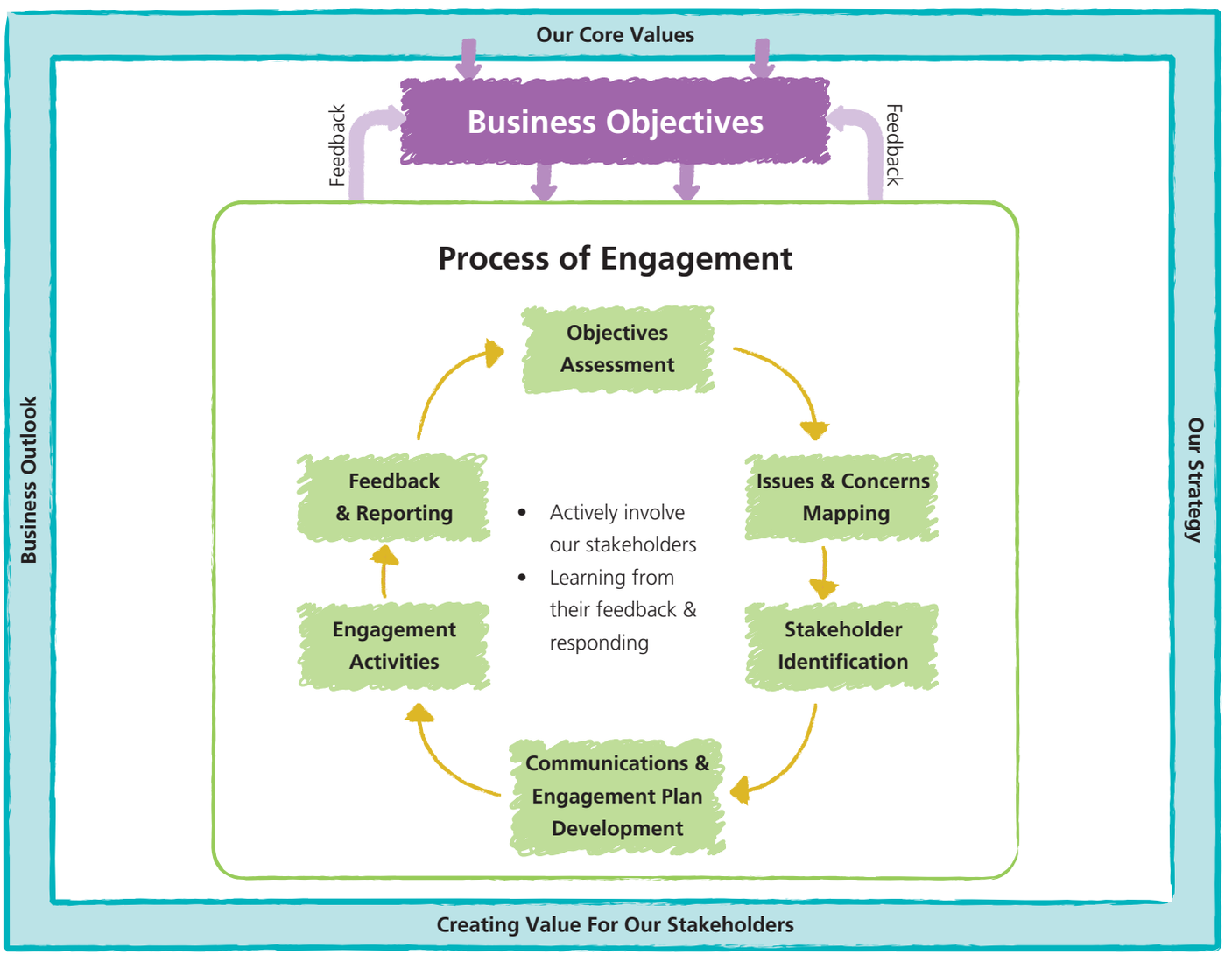
Jane Lau

Group Public Affairs Director

Stakeholder Engagement

CLP communicates with our stakeholders through various channels including: shareholder and community visits to our facilities; consultations with non-profit organisations, experts and government officials; knowledge-sharing forums with our partners, suppliers and industry peers; and community investment programmes. Through our website and periodic publications such as our Annual and Sustainability Reports, strategy documents, and responses to government consultations, we hope to facilitate our stakeholders' understanding of the power sector and our operations. These channels enable our stakeholders to provide us with feedback so that we can continue to improve our performance.

In 2010, we conducted a review of our stakeholder engagement processes and articulated a framework of our engagement activities.



Stakeholder Engagement Framework

The review encompassed an audit of CLP's past and current stakeholder engagement efforts and processes to assess our level of engagement and to identify potential areas for improvement. The study found that CLP's stakeholder engagement activities support the company's overall strategy and operational management. Engagement has helped the company learn from its stakeholders and manage issues in an informed, interactive and effective way, which in turn strengthens CLP's licence to operate and create value for its stakeholders. The assessment also provided several recommendations:

- To keep our stakeholders better informed of emerging issues facing the power industry;
- To enhance our communication channels such as through digital platforms;
- To use more creative communication tools to more clearly explain our technical capabilities and constraints.

Our stakeholders' expectations are constantly evolving. Our relationships with our stakeholders must also evolve so that we can work collaboratively towards building and maintaining a sustainable business. For example, recognising the sensitivity around nuclear power, CLP will continue to step up its efforts to heighten the public's understanding of nuclear power.

As our business continues to grow across the region, the challenges we face are more complex and demanding. One important area is public policy development, which can have profound implications on our business. For example, in September 2010, the Hong Kong Government launched a public consultation on its proposed *Climate Change Strategy and Action Agenda* to reduce the city's carbon intensity by 50-60% by 2020. The Government's proposal has a direct impact on CLP's operations in Hong Kong. CLP's Response to Hong Kong's Climate Change Strategy and Action Agenda Consultation Paper was issued in November 2010 to share the company's view and can be downloaded from our CLP Hong Kong website (www.clp.com.hk).

Ms. Christine Fang

What has been CLP's experience in supporting the Active Mind programme, a community investment programme involving collective efforts from the corporation, community, welfare sector?

Chief Executive, The Hong Kong Council of Social Service

Launched in 2007 and joined by more than 15 professionals from various disciplines of the elderly care field on the steering committee, Active Mind is the first and largest Hong Kong community programme which brings together NGOs, the business sector and the public to enable deprived elderly with suspected cognitive impairment to receive early assessment and treatment, and to foster greater community awareness of dementia. Apart from providing matching fund to the public donation and staff volunteering, we work with the Hong Kong Council of Social Service and programme partners to enhance the public awareness of the rising challenge of dementia and recruit senior citizens for cognitive assessments. The programme is joined by the Hong Kong Chinese Women's Club, who develop a standardised training kit for Active Mind and manage the trainer workshops and by the Hong Kong Polytechnic University who lead in research design and result analysis.

The concern for dementia has gained some traction in Hong Kong since then. It is expected that, in the long run, the programme will not only provide preventive measures to the elder citizens, but also ease the difficulties and burden of their families and the public healthcare system. Active Mind has demonstrated the possibility of making valuable contribution to the community through coordinated efforts and resources with different parts of the society.

Zoe Lee

Group Public Affairs Manager-
Corporate Communications

Economics

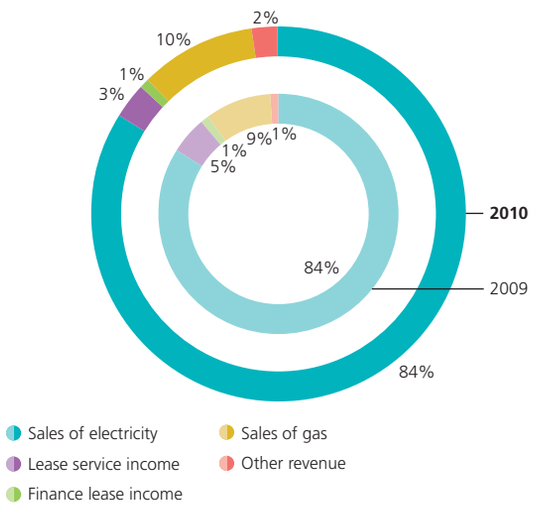
As a business, it is essential that we deliver economic value to our shareholders. For more details of our financial performance, business strategy and outlook, please refer to our Annual Report.

Revenue and Expenses

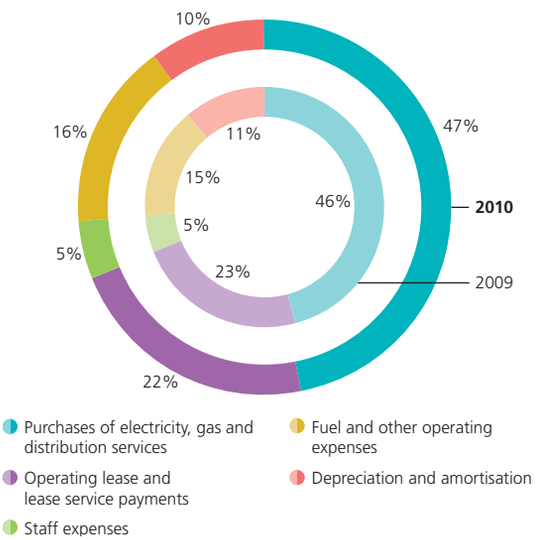
The Australian dollar increased in value by an average of 15.6% over the Hong Kong dollar causing a lift to both revenue and expenses. In Australia, revenue grew through the increase in retail electricity prices and the higher retail sales volumes. Expenses increased because of the rise in electricity network charges due to the higher rates and volumes achieved.

In Hong Kong, the HK¢2.6 rise in basic tariff and the increase in fuel clause revenue (to recoup higher coal costs) pushed up revenue from the electricity business. On the other hand, higher coal costs and the use of more gas in the fuel mix led to an increase in expenses.

Analysis of Revenue



Analysis of Expenses



How We Compare

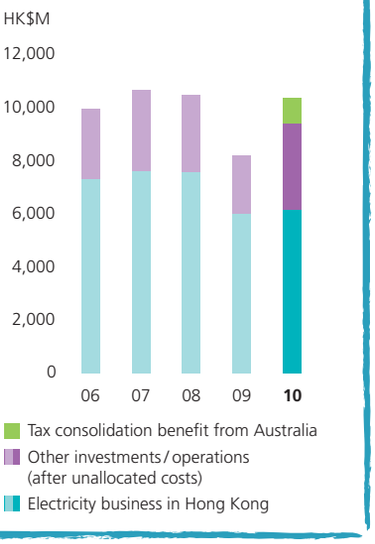
There has been a growing interest internationally to incorporate environmental, social and governance (ESG) related considerations in investment decisions. Sustainability indices under the auspices of stock markets represent visible benchmarks which reflect on companies' corporate sustainability performance. Companies are assessed through a long list of indicators and assessment criteria and the investment community generally sees companies being included in these sustainability indices as the leaders. However, it should be noted that companies must attain a certain market capitalisation to be eligible for inclusion in these sustainability indices assessments. Since 2009, CLP has been included in the Global Dow and listed on both the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) and the Dow Jones Sustainability Asia Pacific 40 Index (DJSI Asia Pacific 40). Locally in Hong Kong, CLP was also selected as a constituent of Hang Seng (Mainland and HK) Corporate Sustainability Index and Hang Seng Corporate Sustainability Index which were launched in 2010.

Strong financial results with 7.2% increase in operating earnings accompanied by 26.1% uplift in total earnings

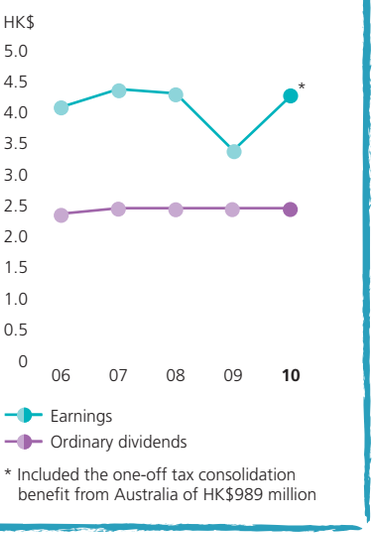
	2010	2009	Increase %
For the year (*in HK$ million*)			
Revenue			
Electricity business in Hong Kong (HK)	**29,944**	28,297	5.8
Energy business outside HK	**28,124**	22,175	26.8
Others	**342**	196	
Total	**58,410**	50,668	15.3
Earnings			
Electricity business in HK	**6,129**	5,964	2.8
Other investments / operations	**3,476**	3,007	15.6
Unallocated net finance costs	**(18)**	(21)	
Unallocated Group expenses	**(439)**	(413)	
Operating earnings	**9,148**	8,537	7.2
Other income	**356**	153	
Tax consolidation benefit from Australia	**989**	–	
Other one-off items of TRUenergy	**97**	(17)	
Provisions for Roaring 40s / Solar Systems and OneEnergy	**(258)**	(477)	
Total earnings	**10,332**	8,196	26.1
Net cash inflow from operating activities	**16,085**	14,529	10.7
At 31 December (*in HK$ million*)			
Total assets	**179,355**	156,531	14.6
Total borrowings	**44,623**	39,431	13.2
Shareholders' funds	**79,661**	70,761	12.6
Per share (*in HK$*)			
Earnings per share	**4.29**	3.41	26.1
Dividends per share			
Interim	**2.48**	1.56	
Final[1]	**–**	0.92	
Total	**2.48**	2.48	–
Shareholders' funds per share	**33.11**	29.41	12.6
Ratios			
Return on equity[2] (%)	**13.7**	12.3	
Total debt to total capital[3] (%)	**35.9**	35.7	
Net debt to total capital[4] (%)	**33.3**	30.7	
Interest cover[5] (times)	**7**	8	
Price / Earnings[6] (times)	**15**	15	
Dividend yield[7] (%)	**3.9**	4.7	

Notes:
1 A fourth interim dividend is paid instead of a final dividend for the year 2010.
2 Return on equity = Total earnings / Average shareholders' funds
3 Total debt to total capital = Debt / (Equity + debt). Debt = Bank loans and other borrowings.
4 Net debt to total capital = Net debt / (Equity + net debt). Net debt = Debt - bank balances, cash and other liquid funds.
5 Interest cover = Profit before income tax and interest / (Interest charges + capitalised interest)
6 Price / Earnings = Closing share price on the last trading day of the year / Earnings per share
7 Dividend yield = Dividends per share / Closing share price on the last trading day of the year

Total Earnings

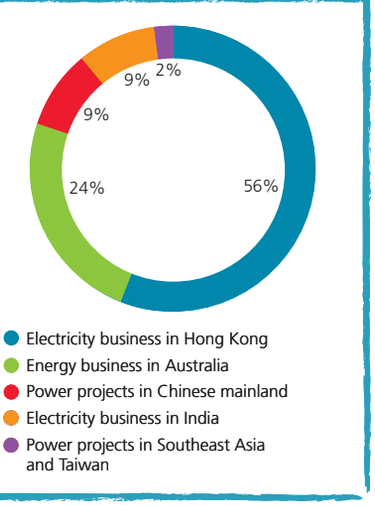


Earnings and Dividends per Share



* Included the one-off tax consolidation benefit from Australia of HK$989 million

Total Assets in 2010



Key Performance Indicators

We selected key indicators from the Global Reporting Initiative's reporting guidelines and other key performance data to provide readers with an overview of our performance. Independently verified performance data of each of our facilities within the scope of reporting are available in the online SR. We included colour coded arrows this year to show how our performance compares with 2009. However, this does not apply to performance changes due to normal operational fluctuations.

Performance Indicators	Units		Year 2010	Year 2009	Year 2008	GRI Reference
Economic Performance						
Total revenue	HK$ million		**58,410**	50,668	54,297	EC1
Total earnings	HK$ million		**10,332**	8,196	10,423	
Total assets, including leased assets (as at 31 December)	HK$ million		**179,355**	156,531	132,831	
Shareholders' funds (as at 31 December)	HK$ million		**79,661**	70,761	63,017	
Dividends per share	HK$		**2.48**	2.48	2.48	
Return on equity	%		**13.7**	12.3	16.4	
Environmental Performance[1]						
Coal consumed (for power generation)	TJ		**369,196**	469,509	445,211	EN3
Gas consumed (for power generation)	TJ		**135,556**	102,160	105,821	
Oil consumed (for power generation)	TJ		**1,272**	7,185	6,452	
Biomass consumed (for power generation)	TJ		**1,375**	1,012	-	
Carbon dioxide equivalent (CO_2e) emissions	kT	↓	**41,793**	49,761	-	EN16
Carbon dioxide (CO_2) emissions[2]	kT	↓	**41,668**	49,631	44,251	
Nitrogen oxides emissions (NO_x)	kT	↓	**38.9**	43.3[3]	46.9	EN20
Sulphur dioxide emissions (SO_2)	kT	↓	**22.6**	44.1[3]	55.3	
Total particulates emissions	kT		**6.4**	6.8	6.8	
Total water withdrawal (for power generation)[4]	Mm^3		**45.9**	46.1[3]	-	EN8
Total water discharge (from power generation)[4]	Mm^3		**21.5**	19.0	17.3	EN21
Environmental regulatory non-compliances resulting in fines or prosecutions	number		**0**	0	-	
Environmental licence limit exceedances & other non-compliances	number	↑	**3**	1	-	
Hazardous Waste Produced[5]	T (solid) / kl (liquid)		**803 / 1,167**	771 / 1,011	-	EN22
Hazardous Waste Recycled[5]	T (solid) / kl (liquid)		**39 / 844**	57 / 636	-	
Non-Hazardous Waste Produced[5]	T (solid) / kl (liquid)		**8,029 / 2**	5,160 / 0	-	
Non-Hazardous Waste Recycled[5]	T (solid) / kl (liquid)		**3,199 / 0**	2,369 / 0	-	
Climate Vision 2050 Target Performance						
Renewable energy generation capacity (equity basis)[6][7]	% (MW)	↑	**14.0 (1,905)**	9.4 (1,243)	6.5 (817)	EN6
Total renewable energy generation capacity (equity basis)[6]	% (MW)	↑	**16.8 (2,286)**	11.3 (1,494)	8.4 (1,066)	
Non-carbon emitting generation capacity (equity basis)[6]	% (MW)	↑	**20.4 (2,778)**	15.0 (1,986)	12.3 (1,558)	
Carbon dioxide emissions intensity of CLP Group's generation portfolio (equity basis)[6]	kg CO_2/ kWh	↓	**0.80**	0.83	0.84	EN16

Performance Indicators	Units		Year 2010	Year 2009	Year 2008	GRI Reference
Social Performance						
Total Employees (based on geographical location)	number		**6,075**	5,777	5,717	LA1
Hong Kong	number		**4,228**	4,164	4,165	
Chinese Mainland	number		**574**	546	525	
Australia	number		**939**	841	856	
India	number		**309**	207	143	
Other locations (Southeast Asia & Macau)	number		**25**	19	28	
Employees eligible to retire within the next five years (based on employing entity)[8]	%		**11.3%**	10.3%	8.8%	EU15
Hong Kong	%		**12.5%**	11.4%	9.9%	
Chinese Mainland	%		**11.3%**	7.3% [9]	2.1% [9]	
Australia	%		**9.5%**	10.1%	8.6%	
India	%		**1.3%**	1.5%	1.4%	
Other locations (Southeast Asia & Macau)	%		**0%**	0%	0%	
Voluntary staff turnover rate	%		**5.3%**	2.7%	5.8%	LA2
Fatalities (employees only)[1]	number	↑	**1**	0	0	LA7
Cases of disabling injuries (employees only)[1]	number	↓	**2**	3	9	
Days lost / charged (employees only)[1]	number	↑	**6,010** [10]	45	109	
Training per employee	average man days		**5.5**	4.9	5.9	LA10
Convicted cases of corruption	case		**0**	0	0	SO2
Breaches of Code of Conduct	case	↓	**4**	8	8	SO8

↑↓ Improvement ↑↓ Negative impact (Not applicable to performance changes due to normal operational fluctuations)

Notes:

1 Covered operating entities which CLP has operational control for the full calendar reporting year. Inclusion of three new facilities (Huaiji, Yang_er in the Chinese Mainland & Tallawarra in Australia) and exclusion of one facility (BLCP in Thailand) in 2010.

2 Yallourn and Hallett facilities reported CO_2e emissions pertinent to local statutory Greenhouse gas reporting requirements.

3 Data updated to align with Yallourn's data calculation methodology /new parameter definition.

4 Quantity of cooling water withdrawal & discharged (2010: 4,670.7Mm^3; 2009: 3,163.9Mm^3) not included.

5 Waste categorised in accordance with local regulations.

6 "Equity basis" includes all majority and minority share facilities in the CLP Group portfolio.

7 Hydro plants with capacity larger than 100MW excluded.

8 Employees on fixed-term contract not included.

9 Data updated to align with current reporting definition.

10 The increase in days lost is due to the employee fatality in Hong Kong.

Data have been independently verified by ERM-Hong Kong, Limited. Verification statement is available upon written request.

Group

Climate Change

CLP's climate strategy has a fundamental impact on our business strategy because a low carbon generation pathway translates into a departure from business-as-usual. The numbers speak for themselves - we moved from a company with just over 1% renewable energy in our portfolio in 2004, to over 16% in 2010 (over 20% non-carbon emitting including nuclear power).

Our experience so far has provided a clear indication that we can proceed with our climate strategy faster than originally anticipated. We have therefore reviewed our 2020 targets to further reduce our CO_2 emissions intensity, and to increase our non-carbon emitting generation portfolio:

	Original Targets	New Targets
2020 Carbon Intensity:	0.7kgCO_2/ kWh	0.6kgCO_2/ kWh
2020 Renewable Energy Target:	–	20%
2020 Non-Carbon-Emitting Target:	20%	30%

These targets were published in "Our Journey to a Low-Carbon Energy Future" in December 2010 and can be downloaded from the CLP Group website (www.clpgroup.com).

Our journey towards a low carbon generation portfolio so far has been taken with clear support from our shareholders, our lenders, and our stakeholders at large. We make our investment decisions based on the principles that they must be financially sound, deliver value to the societies we serve, and responsibly manage the associated environmental impacts. We believe the results to date have demonstrated the soundness of this strategy and we will continue along the same direction.

Safety

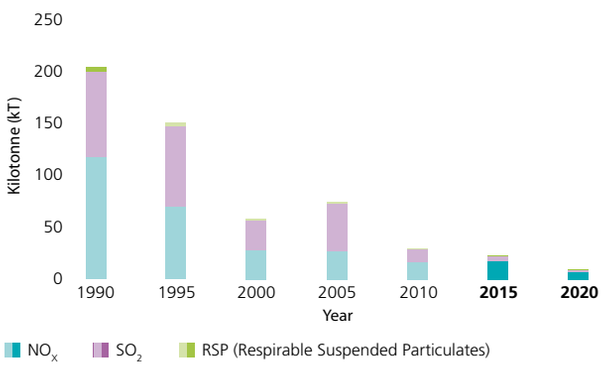
We will continue to aim at achieving improvements in our safety performance that will take us towards the goal of zero injuries. Our emphasis for 2011 is to implement safety initiatives at both the regional and site levels, and to turn learning into action plans that will strengthen accountability.

At the Group level we will apply resources to help reinforce safety skills, continue the learning process, and maintain an environment where everybody will think about safety for themselves as well as for others above anything else.

Hong Kong

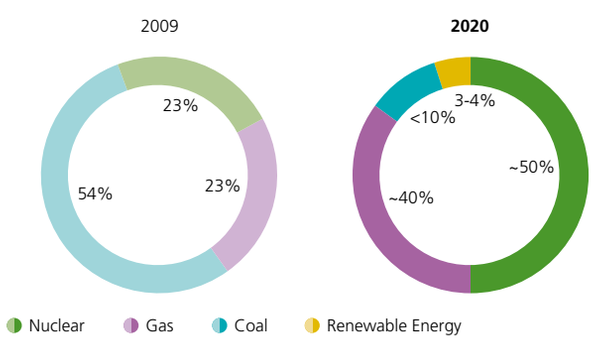
Our mission remains to provide adequate, reliable, cost effective and environmentally responsible electricity supply to Hong Kong. In the coming year, there will be a particular emphasis on supporting Government's policy objectives regarding fuel mix and emissions levels. Specific plans and activities envisaged for 2011 are described in the Annual Report.

CLP Power Hong Kong Air Emissions from 1990 to 2010 and Projected Emissions to 2015 and 2020



The 2015 emissions projection is based on the HKSAR Government applicable emissions caps for the three power stations under Castle Peak Power Company in 2015. The 2020 emissions projection is based on the HKSAR Government's proposed fuel mix in the Hong Kong's Climate Change Strategy and Action Agenda, issued in September 2010.

Hong Kong's Fuel Mix for Power Generation in 2009 and Proposed Fuel Mix for 2020



Source: Hong Kong's Climate Change Strategy and Action Agenda, HKSAR Government, September 2010

Over the course of this decade we foresee that our Hong Kong electricity business will be categorised by:

- strengthened infrastructure integration with Guangdong, notably through the import of gas and nuclear power;
- a cleaner fuel mix, which will involve using more gas, importing more nuclear energy and reducing our reliance on coal, as well as promoting the use of local renewable energy sources to the extent that this is practical;
- the continued implementation of the inter-government MOU so that new, long-term gas supplies are brought to Hong Kong;
- the timely development of pipeline infrastructure and necessary arrangements and project implementation to bring new long-term gas supplies to Hong Kong;
- the promotion of energy efficiency – we will continue to help our customers to boost energy conservation through energy efficiency related services and public education, as well as offering advice on energy efficient products, better building design and optimal equipment selection for businesses;
- management of the ongoing capital expenditure which our business will require, both to timetable and within budget; and,
- excellence in operations at all times, including the effective management of critical business issues such as tariff levels and environmental performance.

Australia

The Australian electricity sector has been privatised in recent years, but government policy remains a major impact on the business environment:

The Federal government has been contemplating legislation to reduce greenhouse gas emissions in response to the threat of climate change. There are uncertainties surrounding the Federal government's carbon policy design and pricing mechanism. Our fully owned Australian subsidiary TRUenergy, has been actively participating in this policy debate through offering constructive and fair-minded opinions and suggestions to the Australian government. We will continue to engage with the Australian government leading up to it finalising its carbon mechanism by the end of 2011.

Furthermore, the Federal and State authorities play an active role in energy policy which relates to renewable energy. Although the Australian governments have moved away from ownership of electricity infrastructure, they have remained highly engaged in the related fields of greenhouse gas emissions, promotion of renewable energy and energy efficiency. One example is Australia's Mandatory Renewable Energy Target Scheme (MRET), which commits the Federal government to achieving a 20% share for renewable energy in Australia's electricity mix by 2020. This target has further been split into Small-scale Renewable Energy Scheme and Large-scale Renewable Energy Target since January 2011. TRUenergy will need to pursue long-term contracts with renewable energy projects, so that we can procure the renewable certificates which we, as an electricity retailer, are obliged to acquire under this scheme.

The Australian Federal and State policies are aligned with CLP Group's own Climate Vision 2050 target of making massive reductions in the carbon emissions intensity of our generating portfolio. TRUenergy will continue to implement its own climate strategy, which will contribute to the overall CLP Group climate strategy. We will continue to pursue a lower carbon portfolio in renewable energy including solar energy.

Chinese Mainland

The current 11th Five Year Plan and supporting policies such as feed-in tariffs for renewable energy demonstrated the active promotion of energy efficiency, renewable energy and the accelerated development and deployment of new energy technology. Apart from investing as minority shareholder in wind farm projects, we have successfully developed and commissioned CLP's first wholly-owned wind project in the Chinese Mainland, the 49.5MW Qian'an I project. On hydropower, our 330MW Jiangbian hydropower project's construction work has also been progressing well, despite the physical and technical challenges the site presents. We are going to leverage on these experiences to move forward in developing renewable energy in the Chinese Mainland.

On the other hand, high coal price from the start of 2010 and the coal market price being predicted to be unstable in 2011 onwards have added to our operational risk. Going forward, we plan to manage this risk through reducing coal prices by pursuing long-term coal supply contracts and sourcing alternative coal supplies. With a healthy tariff for coal-fired plants in the Chinese Mainland, this line of business will remain profitable. However in 2010, we have made a move to rationalise our asset ownership in coal-fired projects in the Mainland. The divestment of Anshun II Power Station which we held a 70% ownership was a case in point. This is aligned with the Group's strategy, expressed in our Climate Vision 2050, of reducing the carbon emissions intensity of our generating portfolio.

The PRC government will continue to support the development of clean electricity generation during future planning cycles, whether this is in the form of renewable energy, nuclear power or more efficient coal-fired plant. CLP has already adjusted its Chinese Mainland strategy to position itself in line with this move towards cleaner electricity generation, as part of the Group-wide policy of reducing the carbon intensity of our generation portfolio. Over the coming three to five years CLP aims to re-balance its portfolio from one centred on coal-fired generation to one which prioritises low carbon emissions. To do this, CLP intends to consolidate and rationalise its assets ownership and structures for coal-fired projects, and to pursue clean and renewable energy sources in the Mainland, including wind, hydro and nuclear power.

India

The growth of electricity demand in India and the accompanying need for large-scale investment in generation and transmission infrastructure, combined with CLP's experience in all aspects of the power industry and our growing reputation in India, means that a wide range of investment opportunities are available to expand our business.

Environmental policies and regulations in India are emerging although the scope and pace will continue to vary from state to state. There is opportunity for us to influence local standards by introducing and sharing our best practices and standards. Our experience in successfully bidding for the Jhajjar Power Station project, entered with voluntary inclusion of flue gas desulphurisation emission control technology and safeguarded for incorporation of carbon capture technologies when available, has given us confidence in our ability to win projects while also being environmentally responsible. We will continue developing coal-fired plants in developing countries that achieve our Group's environmental standards, and anticipate possible participation in the bidding for another large coal-fired power project in the coming years.

Seeing the potential market opportunities arising from climate change, the government seems keen on setting policy directions to encourage the development of renewable energy, particularly since there are significant natural resources present. We can support policy makers in their challenging job of developing efficient and effective policies for today's fast changing environment by sharing our experiences on which policies encourage commercial viability and which do not. Hence, there is opportunity for CLP to develop more renewable energy projects in India. CLP is currently the largest external investor in wind energy in India. We will continue to invest in wind energy projects, so as to retain our position. We will also continue with bids for transmission and hydro power projects to diversify our asset portfolio, and explore early opportunities for participation in the development of solar energy in India.

To maintain our growing reputation and commitment to being a responsible company, we will continue to invest in communities and engage local stakeholders in a way that helps strengthen and maintain long lasting relationships between CLP and the local communities we serve.

Mr. B. K. Batra

Climate change has become a vital issue in recent years. As the thermal power sector is one of the major factors contributing to global warming, what initiatives does CLP plan to take to reduce carbon emission levels? What are the plans of CLP to diversify into the green energy sector in India?

Executive Director, IDBI Bank

CLP's Climate Strategy developed in 2007, has become very much a core element of our business strategy. The centre of this strategy is our commitment to reduce the CO_2 intensity of our generating portfolio from 0.84kg CO_2 / kWh (as of 30 June 2007) to a progressively lower carbon portfolio with an intensity of 0.2kg CO_2 / kWh by 2050. As of 31 December 2010, we have already achieved our first target of reducing the portfolio carbon intensity to 0.8 kg CO_2 / kWh. The reduction in carbon intensity was mainly achieved through the continued expansion of our non-carbon emitting portfolio and increased use of natural gas. In light of our promising performance to date, we have set tougher targets for our next milestone in 2020, of 20% renewable energy capacity, 30% non-carbon emitting generating capacity and a carbon intensity target of 0.6 kg CO_2 / kWh.

As for India, we are already the largest external investor in wind energy, with a portfolio of over 480 MW of wind energy capacity and more expected in the next few years. We are also exploring the opportunity to participate in the deployment of solar energy in India. Gujarat and Rajasthan have the best solar resource in India, as well as supportive state-level policies. It is there that we are likely to focus our efforts.

Rajiv Mishra

Managing Director – India

Southeast Asia & Taiwan

In the past, environmental regulations in this region seemed to be emerging at a relatively slower pace compared to the larger emerging economies. However, with the onset of global climate change concerns and related possible access to international funding (such as from the United Nations or developed countries), this trend may change. Certain governments in this region may consider their potential for leapfrogging into the future, such as by passing rapidly from conventional sub-critical coal-fired generation directly to a cleaner portfolio characterised by gas-fired generation and renewable energy. Combine that with the business environment uncertainties that can be created by varying policy-making approaches, we must continue to monitor and incorporate these possible risks while pursuing our opportunities.

There may be opportunities in developing Southeast Asian countries for further greenfield projects where CLP is able to apply its abilities to engineer, construct and operate. This is a market where we need to be selective in all aspects of risk and return and only move forward on projects that provide security of cash flow from the Power Purchase Agreements, pass through fuel costs and where the cost of electricity is affordable. These are the necessary preconditions for us to develop the two coal-fired projects in Vietnam, just as much as there would be for any other projects which would come forward in the future. We would also be open to opportunities to develop more renewable energy projects wherever the value of low carbon generation is recognised and stable, supportive government policies are in place.

Commitments Beyond Compliance

In the past, CLP had set goals and reported on progress. Stakeholders have highlighted the importance of setting key performance indicators that are material and reflective of progress and improvements made, rather than project milestones that are "business-as-usual".

Hence, in 2009, we reviewed the goals set, and revised them as Group level commitments that are beyond regulatory compliance. These commitments encompass our efforts in the environmental, safety and community areas, and include qualitative initiatives as well as quantitative targets that go beyond compliance. We will review these commitments periodically to ensure they represent key current issues.

Environmental

1. Implement the Group Climate Strategy – Climate Vision 2050

- A reduction in the CO_2 intensity of our generation portfolio from 0.84kg CO_2 / kWh to:
  - 0.8kg CO_2 / kWh by 2010
  - 0.6kg CO_2 / kWh by 2020 (Revised in 2010)
  - 0.45kg CO_2 / kWh by 2035
  - 0.2kg CO_2 / kWh by 2050
- Increasing the share of non-carbon emitting generation capacity in our portfolio to 30% by 2020 (Revised in 2010)

2. Ensure the capacity of renewable energy in CLP's power generation is at least 5% (equity basis) by 2010

- Announced in 2010, a new target of 20% of CLP Group's equity generating capacity powered by renewable energy by 2020

Progress

We met the target of reducing our Group-wide CO_2 emission intensity to 0.8kg CO_2 / kWh from a baseline of 0.84kg CO_2 / kWh in 2007 as of 31 December 2010.

We also met our target to have 20% of our generating capacity as non-carbon emitting by 2020 as of 31 December 2010, 10 years ahead of schedule. So we have set a new target of 30% by 2020.

As of 31 December 2010, our total renewable energy generation capacity has increased to 2,286MW on an equity basis, which is equivalent to 16.8% of our total equity based generation capacity (14.0% excluding hydro >100MW). This formally concludes our previously set target of having 5% of our generation portfolio from renewable energy (excluding hydro >100MW) by 2010.

Safety

3. Achieve a continuing and sustainable improvement in safety performance each year that will take us to the objective of zero injuries:

- Reinforcing the visible leadership commitment to safety from our managers
- Enhancing our management systems where necessary
- Joining hands with our contractors to keep all their workers safe when working with us
- Eliminating hazards related to human error
- Reinforcing safety reviews to monitor progress and transfer experience across the Group
- Building a culture where people support each other to work safely

Progress

We have made good progress under each of the initiatives listed under this commitment. Please refer to the Online Sustainability Report for a detailed account of our progress.

Our combined disabling injury incidence rate for employees and contractors improved to 0.18 (0.19 for 2009), despite the growth of our portfolio and the challenges from high risk construction activities.

However our safety performance improvement in 2010 was overshadowed by one employee fatality in Meter Reading in Hong Kong, two subcontractor fatalities at Jhajjar, India (one additional fatality at Jhajjar in February 2011). The Jhajjar and the Jiangbian Hydro projects remain the most challenging in respect of safety management. We are implementing additional controls to reduce the risk and continuing to reinforce the message that safety is our highest priority.

Community

4. Community-related Commitments

- To review and articulate our stakeholder engagement model in 2010
- To plant no fewer than 180,000 trees in 2010 in our operating areas so as to raise environmental awareness in the respective communities
- To engage no fewer than 4,500 students in Hong Kong, the Chinese Mainland and India in the regional Young Power Programme
- To promote a better understanding of the power industry and environmental awareness by opening our power plants and other educational facilities in Hong Kong, the Chinese Mainland and India for visits by students and members of the public

Progress

In 2010, we reviewed our stakeholder engagement model, which will help us perform our stakeholder engagement work in a more systematic way in the future. Please refer to the Online Sustainability Report for more details.

During the year, we planted a total of over 245,000 trees, thus surpassing our target. Please refer to the Online Sustainability Report for more details.

5,000 students participated in the Young Power Programme and the follow-up in-school presentations. Furthermore, 8,500 members of the public had the opportunity to view and be involved in projects implemented by the students.

Electrodrome, an interactive education and exhibition centre funded and operated by CLP in Ahmadabad, Gujarat, India, was opened during the year, joining our other educational facilities in the Chinese Mainland and Hong Kong to meet this goal. During the year, over 610,000 members of the public, including students, visited the facilities.

How Can You Contact Us?

CLP Holdings Limited
147 Argyle Street
Kowloon, Hong Kong

Fax: (852) 2678 8453
Email: SRfeedback@clp.com.hk

We invite you to give feedback on our report and performance. You may use our feedback form or your own chosen format.

We pledge to donate HK$60 to a charitable organisation (this year, Families of Spinal Muscular Atrophy) for each shareholder who elects to receive corporate communications electronically, and for each feedback that we receive on the Sustainability Report.

Related Publications and Websites

CLP Group www.clpgroup.com

2010 Online Sustainability Report
www.clpgroup.com/sustainabilityreport

CLP Hong Kong www.clp.com.hk

Hong Kong Nuclear Investment Co. Ltd.
www.hknuclear.com

CLP China www.clp.com.cn

CLP India www.clpindia.in

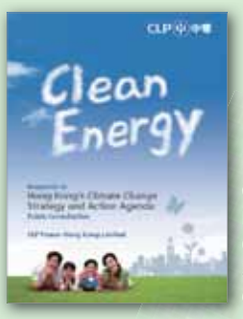
TRUenergy www.truenergy.com.au

The Hong Kong Heritage Project
www.hongkongheritage.org

CLP Holdings
2010 Annual Report

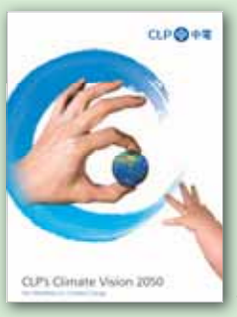
CLP's Value Framework

Our Journey to a Low-Carbon Energy Future



CLP's Response to Hong Kong's Climate Change Strategy and Action Agenda Consultation Paper

Beyond Copenhagen
– Powering Asia Responsibly



CLP's Climate Vision 2050
– Our Manifesto on Climate Change

CLP Technology Roadmap 2010

*All these publications are available on our website.

CLP Group

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Stock Code: 00002

Readers' Feedback

This year, we continue to provide a shorter printed version with detailed information in the 2010 Online Sustainability Report (www.clpgroup.com/sustainabilityreport). Please let us know whether you like this arrangement. Apart from this, any feedback from our readers is important in helping us improve our performance as well as reporting. Please take a few minutes to give us your views and return this form by fax or mail. Alternatively, you can give us your feedback electronically using the online feedback form, or through the contact given in the inner cover page of this report.

This year, for every feedback regardless of the format we receive it in, we will donate HK$60 to Families of Spinal Muscular Atrophy (SMA) Charitable Trust (www.fsma.org.hk).

1. **We included more information on our financial performance and our workforce in this year's report. Do you find it useful?**

   ☐ Yes ☐ No

   Please tell us why: _____

2. **How would you rate our reporting quality?** **(1 being least satisfied, 10 being most satisfied)**

   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

   Please tell us why: _____

3. **How would you rate CLP's sustainability performance?** **(1 being least satisfied; 10 being most satisfied)**

   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

   a) If you are satisfied with our performance (with rating 6 or above), which area did we do best in? **(You may choose more than one)**

   ☐ Air Quality ☐ Climate Change ☐ Safety ☐ Community ☐ Stakeholder engagement

   Others, please state: _____

   b) If you are dissatisfied with our performance (with rating below 6), which area do we need to improve most? **(You may choose more than one)**

   ☐ Air Quality ☐ Climate Change ☐ Safety ☐ Community ☐ Stakeholder engagement

   Others, please state: _____

4. **Have you read our Online Sustainability Report?**

   ☐ Yes ☐ No

   Any specific comments: _____

5. **Any other comments / suggestions?**

_____

_____

Please send your comments to:

Simeon Cheng
Group Environmental Manager
CLP Holdings Limited
147 Argyle Street
Kowloon, Hong Kong

Fax: (852) 2678 8453
Email: SRfeedback@clp.com.hk

In September 2011, we will upload a feedback summary along with our responses on our Group website, and send to those who provided feedback. If you would like us to send you the feedback report, please provide your contact information or send an email to SRfeedback@clp.com.hk

Name: _____

Email: _____

Mailing Address: _____

_____

Families of SMA Charitable Trust (FSMA)

This year our donation will go to FSMA (www.fsma.org.hk), which was founded in Hong Kong in 1998 to relieve the hardship and suffering of patients with an extremely debilitating genetic disease called Spinal Muscular Atrophy (SMA). SMA is a rare disease, but when it strikes it is terribly debilitating and merciless to young children and even babies. There is currently no treatment and no cure for SMA.

FSMA provides life-saving and life-sustaining para-medical machinery, financial assistance, self-help programmes and outings for SMA patients and their families to promote common support and understanding. FSMA also supports international medical research into this disease.

With your support, FSMA would like to purchase stand-by life saving medical machinery and continue to offer home-based rehabilitation therapies. The special medical machinery, such as ventilation support equipment, will be held by FSMA to be loaned out temporarily to any family whose child may be in need of aggressive medical intervention. The home-based rehabilitation therapies programme provides professional therapists who visit patients' homes to assess, advise, reach and monitor patients' conditions. This programme, currently supporting 70 registered patient members and newly diagnosed babies, helps ensure severely and chronically ill SMA patient are being properly cared for at home.