

## Chairman and CEO's Statement



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

Last year we explained how, in order to survive and prosper over the longer term, CLP must conduct its affairs in a manner which is financially sound, delivers value to the societies we serve and responsibly manages the environmental impact of our activities. The bottom line, in this case the triple bottom line, is that we must deliver economic value to our capital providers (shareholders and lenders) and social and environmental value to all our stakeholders.

In this Sustainability Report, we concentrate upon the delivery of social and environmental value, whereas our Annual Report deals predominately with the delivery of economic value. Taken together, the two Reports will give shareholders and all stakeholders a clear, comprehensive and honest view of our performance in managing the economic, social and environmental dimensions of our activities (these are sometimes referred to as 'profit, people and planet').

Although the term 'sustainability' may be a relatively recent one in the business vocabulary, the concepts which it encompasses have been inherent to the CLP culture for the past century. This stems from the very nature of our business – one which demands large-scale, long-term capital investment in assets whose economic life may span many decades, one which involves the submission of an essential public service to society and one which, if not properly managed, has the capability to damage our environment for present and future generations. For these reasons we are, and have long been, conscious of the need for our values, abilities and strategy to guide our company along a path of sustained and sustainable business growth.

Our values, abilities and strategy must adapt to, ideally anticipate, changes in technology, markets and societies' means, needs and expectations – changes which appear to be occurring with increasing frequency. In recent years, we have developed a formal Value Framework which sets out the values which govern ourselves, our business and our relationship with our stakeholders. Our abilities have increased and become more attuned to the importance of excellence in the management of the environmental implications of our business – in recent years, we have acquired experience and expertise in a wide range of clean energy technology, including nuclear, hydro, wind and solar energy. Our strategy specifically addresses the issue of global climate change through our 'Climate Vision 2050' issued in December 2007, which commits CLP to massive reductions in the carbon intensity of our generating portfolio from 2007 through to the middle of this century.

This Sustainability Report is only a summary of CLP's performance in delivering social and environmental value – our online Sustainability Report contains a wealth of detailed information and data. Nonetheless, we hope that it will convey the essence of CLP's performance over the past year and the social and environmental trends and developments which we expect to bear upon our business in the years to come.

We believe that this Report describes a company which is mindful of its responsibilities and which takes practical, meaningful and measurable steps to discharge them. By way of illustration only, in 2009, our social initiatives became more wide-ranging as we continued to expand our initiatives, such as CLP's Young Power Programme and the 5-year Regional Tree-Planting Programme, to a regional basis, benefiting all the communities we serve. Good progress was made in retrofitting our Castle Peak B Power Station, although the emissions performance of our Hong Kong generating plant was disappointing this year due mainly to our depleting gas supply. On the safety front, we are pleased to report zero fatalities in all of our operations.


We hope that this year's Sustainability Report will reinforce your confidence in the values which CLP attaches to sustainable business practices, our ability to give life to the vision of sustainability and our actual performance in doing so. Let us know how you think we are doing. As always, we invite and welcome feedback, whether positive or negative, and any constructive views on how we might do better.



**The Hon. Sir Michael Kadoorie**

*Chairman*

CLP Holdings Limited



**Andrew Brandler**

*Chief Executive Officer*

CLP Holdings Limited

Hong Kong, 25 February 2010

# Commitments Beyond Compliance



In the past, CLP has set goals and reported on progress. Comments from stakeholders have highlighted the importance of setting key performance indicators that are material and reflective of the progress and improvements made, rather than project milestones that are 'business-as-usual'. In 2009, we reviewed the previous 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. We trust that these commitments will more clearly reflect our Group direction and enable our readers to further evaluate our performance.

We will review these commitments periodically to ensure they represent key current issues. We will start reporting our progress on these commitments in the next Sustainability Report.

## Environmental



### 1. Implement the Group Climate Strategy – Climate Vision 2050

- A reduction in the CO<sub>2</sub> intensity of our generation portfolio from 0.84kg CO<sub>2</sub>/kWh to:
  - 0.8kg CO<sub>2</sub>/kWh by 2010
  - 0.7kg CO<sub>2</sub>/kWh by 2020
  - 0.45kg CO<sub>2</sub>/kWh by 2035
  - 0.2kg CO<sub>2</sub>/kWh by 2050
- Increasing the share of non-carbon emitting generation capacity in our portfolio to 20% by 2020

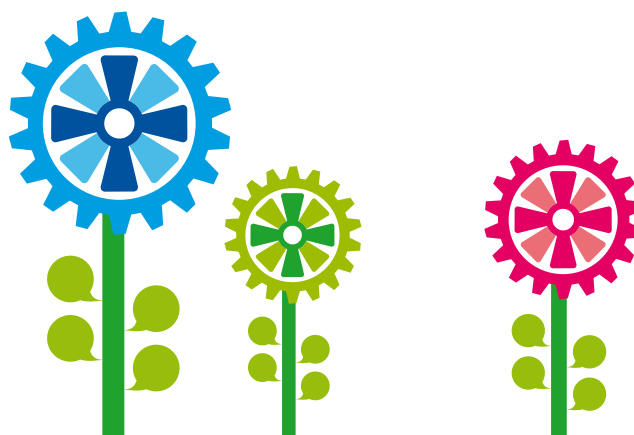
### 2. Ensure the capacity of renewable energy in CLP's power generation portfolio is at least 5% (equity basis) by 2010

## Why the commitment?

Climate change is a critical issue for the world, the electricity business and CLP, because of our use of fossil fuels. We expect new policies, new technologies, and new customer preferences to lead towards a less greenhouse gas intensive energy future. Though these are not yet in place, CLP recognises the need for decisive action to limit emissions of greenhouse gases. Our Climate Strategy Framework was adopted by our Board of Directors on 12 December 2005 and we began the implementation in 2006, although some aspects of our strategy, such as our renewable energy business, started earlier.

We released CLP's Climate Vision 2050 on 7 December 2007. In this Manifesto, we commit ourselves to playing our role in the collective response to the threat of global warming by setting specific targets and commitments to reduce the CO<sub>2</sub> intensity of our generating portfolio.

The 5% renewable energy target was an earlier commitment which preceded the Climate Vision 2050 targets. Although we met this target in 2007, 3 years ahead of schedule, we will report on this commitment until the original target year of 2010. This is because the target was set as a percentage, and any substantial changes in our portfolio towards non-renewable generation types could render non-compliance to this target.



## 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

## Why the commitment?

Our objective is to provide a safe environment for our employees, our contractors and all others working with us on all our sites regardless of project complexity and cultural considerations. We want everybody to go home safely to their families when they finish their work.

We cannot completely eliminate risks but we strive hard to raise safety standards substantially above the local prevailing norms. We will continue to apply Group and regional level resources to support all those working with us and to provide the necessary management tools and skills to create a culture of zero injuries. We will require our partners and contractors to demonstrate a clear commitment to the same goal.

## 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

## Why the commitment?

We produce electricity to support the social and economic development of the Asia-Pacific region. We hold our investments for many years and our staff and operations are often deeply embedded in the communities we serve. These drive us to work in partnership with the communities we serve to ensure that our operations create positive social impact and enhance their quality of life.

CLP supports programmes that reflect the needs and expectations of local communities. We partner with local people, local organisations and all those involved to see that results could be sustained in the long run. We build the capacity of local communities so that they can improve on results over time. Through this approach, we build strong and enduring relationships with our stakeholders and ensure that our initiatives will bring a positive impact.



# Relationships

## Stakeholder Engagement

Views from our stakeholders, both internal and external, are extremely relevant to CLP's decision-making process. As our 2009 stakeholder consultation for the Hong Kong Offshore Wind Farm proposal revealed, stakeholders have high expectations of us to not only gather a diverse range of views, but to be able to harmonise them in our undertakings. Our Tallawarra gas-fired project in Australia, commissioned in January 2009, demonstrates our continual willingness to communicate with the local community and gain their support. In addition to specific projects, we continue to engage our colleagues and stakeholders to nurture good relationships, such as through the sharing of CLP's position on climate change and encouraging staff and community participation in our initiatives.

## Serving our Customers

In order to communicate with and serve our customers better, we revamped the *CLPOnline* customer portal in 2009. Our customers can operate their accounts through this channel while learning about climate change, energy efficiency and conservation, as well as electric vehicles. They can also calculate their carbon footprint and home energy consumption using the online energy and carbon calculators. In Australia, TRUenergy's website also provides ample information on energy efficiency, and options to purchase certified green electricity and carbon offsets.

## Working with Suppliers

We aim to foster a collaborative relationship with our suppliers, whether it is on safety, economic or environmental issues. In the spirit of improving our supply chain performance, for instance, TRUenergy in Australia has formally included sustainability into their procurement policy and thus will endeavour to procure commodities, services and supplies that have the lowest possible carbon footprint and impact on the environment whenever it is economically and practically viable.





As Andrew Brandler, CEO of CLP Holdings, at the Financial Times / World Energy Council Energy Leaders Summit in London



As part of TRUenergy's policy engagement efforts, Terry Kallis, Managing Director of Petratherm and Richard McIndoe, Managing Director of TRUenergy, met with Australian Federal Energy Minister, Mr. Martin Ferguson, and South Australian Premier, Mr. Michael Rann at Petratherm's site

## Policy Advocacy

We actively engage with policy makers and professional bodies on issues that pertain to our business. Globally, the need for an equitable climate regime is pressing as we approach the end of the first 'Kyoto Protocol' period (2008-2012). Given this urgency, we see opportunities in developing Asia where we operate regarding national environmental and climate change policy-making. The highlights for CLP included: TRUenergy's advocacy on the Australian Carbon Pollution Reduction Scheme; participation in the HKSAR Government's consultations for the Air and Water Quality Objectives; participation in the HKSAR Government's Study of Climate Change in Hong Kong; and the publication of 'Beyond Copenhagen' – our Group position on COP15 at Copenhagen and beyond.

**Mr. Brad Page**  
Chief Executive Officer  
Energy Supply Association  
of Australia



**Andrew Brandler**  
Chief Executive Officer



**CLP has investments in many countries across Asia. With a corporate commitment of reducing the greenhouse gas intensity of the Group's generation fleet to 0.2 kg of CO<sub>2</sub> per kWh by 2050, what government policy settings will be required to support this goal?**

What happened at the UNFCCC Climate Summit in Copenhagen reinforces our belief that national policies, not international ones, will have a greater impact on achieving carbon emissions reduction.

As governments develop their Nationally Appropriate Mitigation Action (NAMA) plans, they should have a direct line of sight between policy and investors' returns if they want to mobilise investments in low-carbon solutions. In our view, NAMA and any other national or domestic level policies should be simple, definitive, meaningful and mindful of the long-term nature of investments.

Definitive targets combined with simple policy measures, such as tariff subsidy, will reduce ambiguity for investors. Meaningful measures will also help in bridging the parity gap between coal and clean energy as the latter may remain an uneconomic form of generation without them. Since investments in the power sector are held for many years, it is important to note that if there are changes to a policy after it has been in place, investments made under the old scheme should be exempted from the changes – otherwise investor confidence will be undermined.

But above all, governments should recognise that existing power players are well-placed to help their economies transition to a low-carbon future and that there is no point in wiping them out with ill-devised policies. Mitigation and adaptation objectives that allow for a smooth transition are likely to be more cost-effective and efficient, and should not lead to a sudden elimination of industries. Jobs will also be preserved with the re-training of talent that currently exist within the power industry to take up new roles in a low-carbon power sector.

CLP will certainly be looking at these factors in NAMAs and other national and domestic development policies and plans as we identify opportunities to decarbonise our generation.