

2010 Sustainability Report ~ In Essence



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Scope of Report

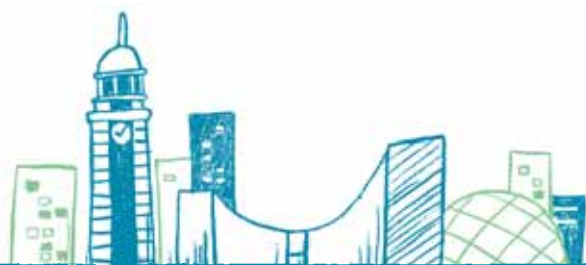
This report covers the annual 2010 performance of operating entities in which we have operational control. CLP Group's strategy, performance and commitments related to climate change expand this scope to include all operating units in which CLP has equity interests. In line with our corporate reporting 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 CO₂ 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 CO₂ 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.



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Assurance and Verification

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.

A handwritten signature in blue ink, appearing to read "C. Bongars".

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