


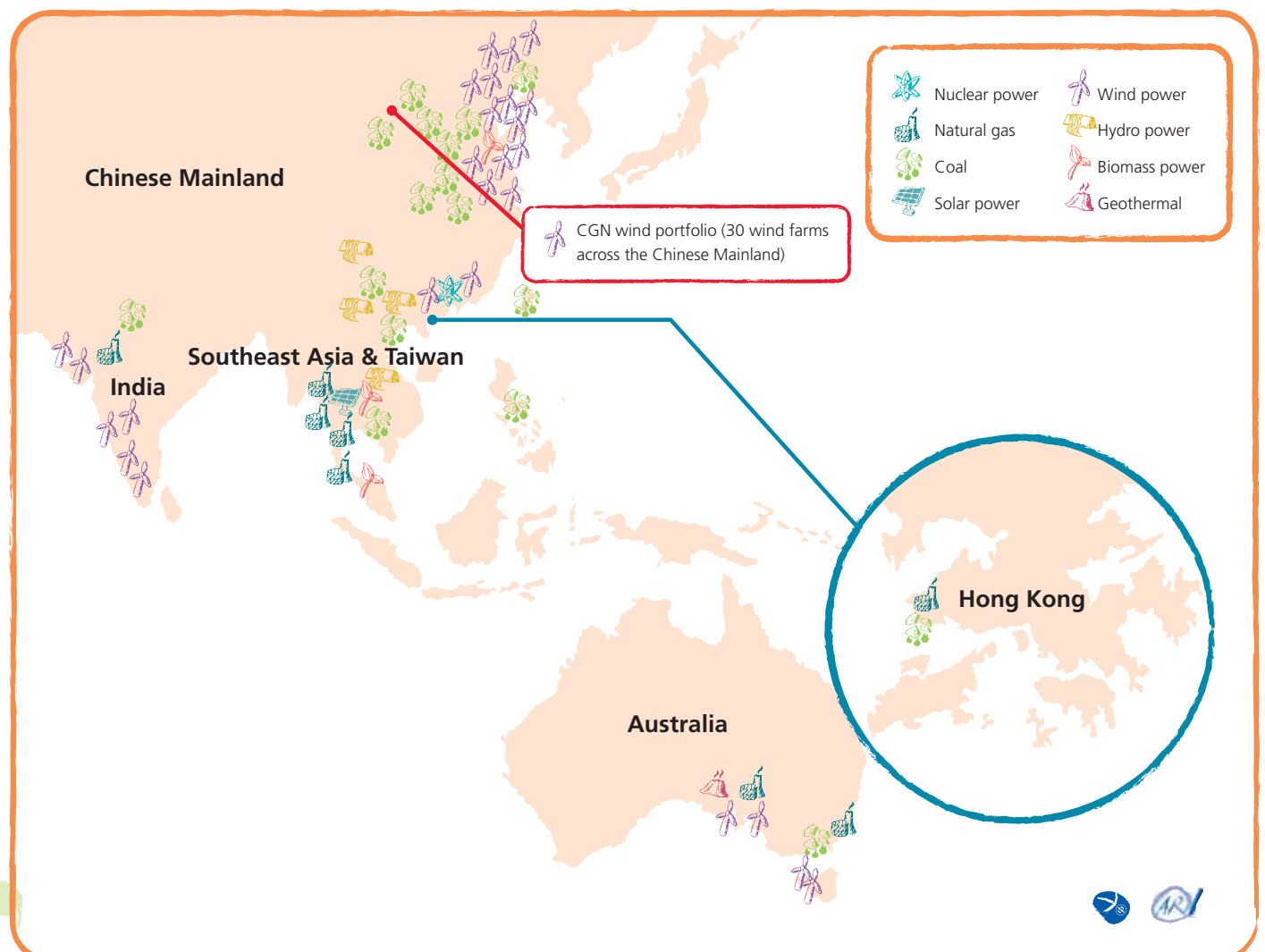
OUR BUSINESS

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.

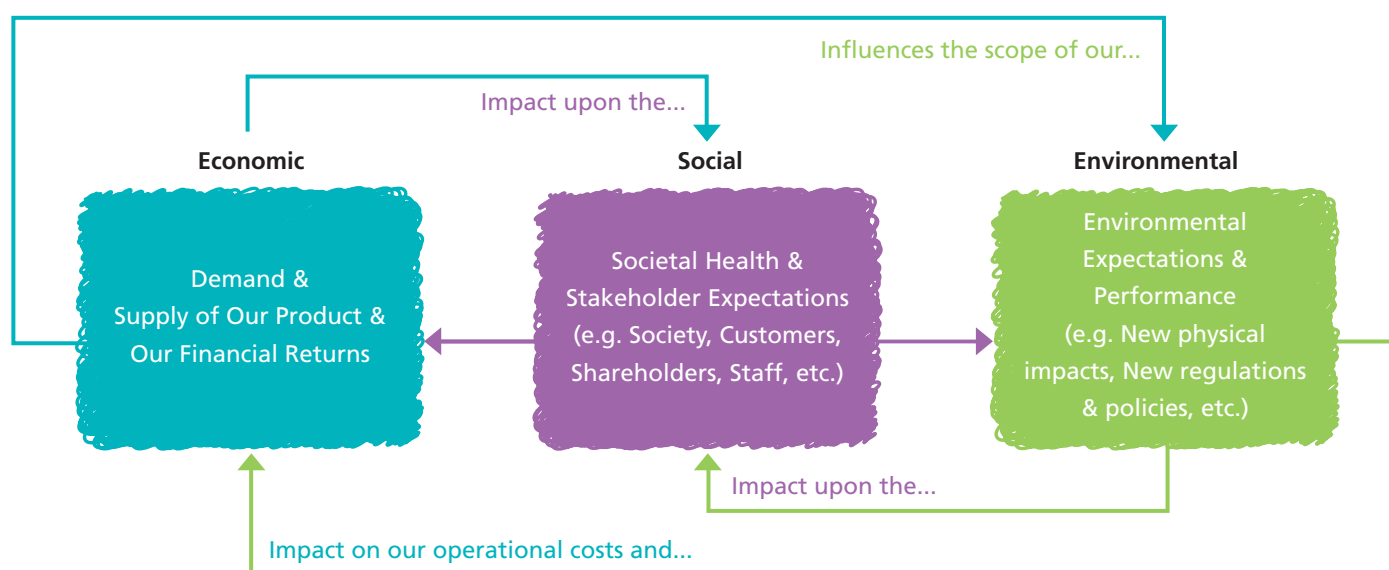
Operating For The Future

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.



CLP's triple bottom line

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, construction, through to the operational and decommissioning phases of our facilities.

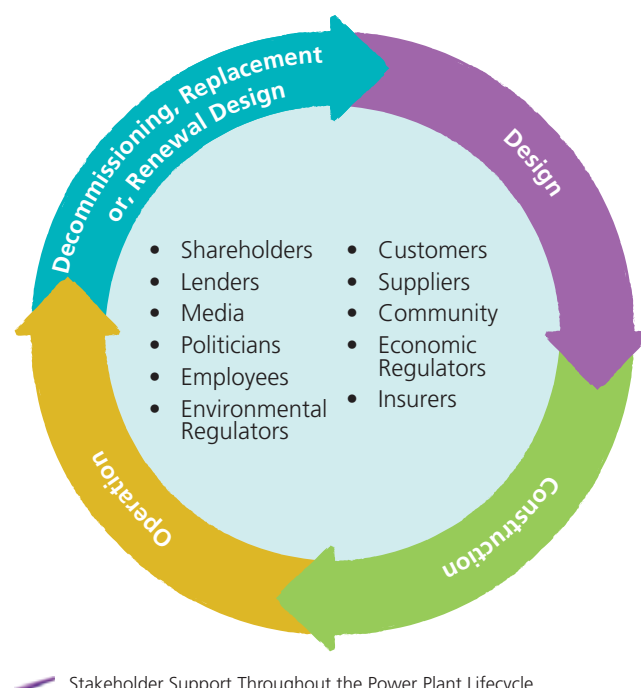
Investment Risks

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.



Drivers

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.




ENABLERS

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 Et 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 Et 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.



Enablers

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 ISO14001 and 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". 