



2018

Sustainability Review

Stock Code: 00002

Chairman and CEO message

Over 2018, we saw significant change on many fronts. At the international level, the financial and economic outlook remained uncertain; the effects of climate change became more evident in the extreme weather events experienced around the world; social unrest resulting from inequality continued to increase in many regions; and technological developments disrupted our lives while boosting productivity and innovation. Amid these complexities and uncertainties, it is important for us to be resilient and continue to create long-term value for our stakeholders.

At CLP we understand that our purpose is to deliver reliable, competitively priced, and environmentally sustainable electricity to our customers. As part of our efforts to become a “Utility of the Future”, we also recognise the need to decarbonise and digitalise our business, strengthen our cyber resilience, and attract the right talent to our workforce. In 2018, we announced new decarbonisation targets to further respond to impacts of climate change and we have committed to strengthening these targets at least every five years.

Powering community development

When CLP was founded in Hong Kong in 1901, the public expectations placed on us were simple: keep the lights on. We have met those expectations ever since by delivering safe and reliable electricity to our customers while

keeping the cost of generation under control. Providing reliable power to local communities aside, we deploy our power expertise to help those who are in need in the communities we serve. This has been a legacy we are proud to uphold. Our updated flagship programme, Power Connect (formerly known as Power Your Love), has assisted around 20,000 less fortunate Hong Kong households each year since its launch in 2015. In Australia, the EnergyAssist Programme is similarly providing assistance for customers experiencing financial hardship.

Addressing climate change

Public expectations now extend beyond reliability and affordability to include environmental matters. As a responsible energy provider, we have invested considerable time and resources in addressing the urgent challenges associated

with climate change. In 2018, we announced new targets for Climate Vision 2050, a roadmap for decarbonising our operations. This updated trajectory aims for a reduction in carbon intensity of 20 percent by 2020, 33 percent by 2030, 55 percent by 2040 and 80 percent by 2050, compared with the 2007 baseline. Together with our commitment to regular reviews, this demonstrates our dedication to the Paris Agreement objective of limiting global warming to 2°C above pre-industrial levels.

The financial risks associated with climate change are also informing our future strategy. We have embraced the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and have started working with industry peers to support the development of guidance for disclosure that is appropriate for the electric utilities sector. The introduction of two advanced combined cycle gas turbine (CCGT) units in Hong Kong, which will help us begin the process of retiring the oldest coal-fired units at our Castle Peak Power Station, is a key component of our decarbonisation strategy.

Digital technologies and new opportunities

Digital technologies are the second critical component of our transition to a “Utility of the Future”. The digitalisation of our business includes deploying best-of-breed technologies to optimise existing operations, and developing new products and services to improve the customer experience. For example, we have started rolling out smart meters in our key market of Hong Kong to help customers better manage their consumption habits.

Investing in bulk generation from large thermal assets, particularly coal, is not how we intend to grow our business. Instead, we are focused on the opportunities

associated with advanced renewable technologies, battery storage solutions and demand side management tools that help our customers reduce their energy consumption.

Participation in leading accelerator programmes such as Free Electrons and Startupbootcamp has offered us opportunities to invest in promising, later stage startups. We are also excited to announce that, after months of incubation, we will launch Smart Energy Connect — a one-stop-shop for helping customers manage and optimise their energy usage — in the second quarter of 2019.

Safeguarding our systems and customers

Cyber resilience and the protection of data is another area we take very seriously. We are relentless in our efforts to improve our approach to effectively managing these issues including through the upgrade of the information and operational technologies that keep our systems and customers safe. We are also focused on providing the training our workforce needs to manage our cyber security and data privacy obligations, and to ensure the organisation maintains a culture of vigilance.

Our employees help us deliver

The digitalisation of the energy sector – combined with our transition to a low carbon future and the impact of energy policy changes – has made our long-standing efforts to build an agile, inclusive and sustainable workforce more important than ever. Competition for STEM qualified individuals in particular is intensifying as all sectors of the economy digitalise. In response, we are committed to attracting diverse and high-quality talent, and to fostering a culture of open communication, mutual understanding, trust and respect.

Our track record of safety performance has not yet improved as much as we would like. While injury rates are declining, the fatalities of one employee and one contractor in 2018 saddened us greatly, and serves to remind us of the urgent need to further strengthen a culture of safety in our business.

Outlook

Looking ahead, stakeholder expectations on the role CLP plays in society will continue to increase. Climate change, in particular, will be a key consideration guiding our future growth, and we are mindful of how an ever-changing regulatory and political environment might interact with our commitments under Climate Vision 2050. We are committed to playing our part in addressing this global challenge and in 2019, we will initiate another round of internal studies to review the feasibility of strengthening our recently updated targets once again.

We have streamlined our reporting approach this year to reflect a sharper strategic focus on the environmental, social and governance (ESG) topics that we have identified as being the most important to CLP and our stakeholders, now and in future. We hope this report provides useful insights into how we are future-proofing our business through decarbonisation and digitalisation, and accurately reflects our very real determination to create sustained value for stakeholders, including local communities and the planet on which we all rely.

“As part of our efforts to become a ‘Utility of the Future’, we recognise the need to decarbonise and digitalise our business, and attract the right talent to our workforce.”

The Honourable Sir Michael Kadoorie Chairman (right) and Richard Lancaster CEO (left)



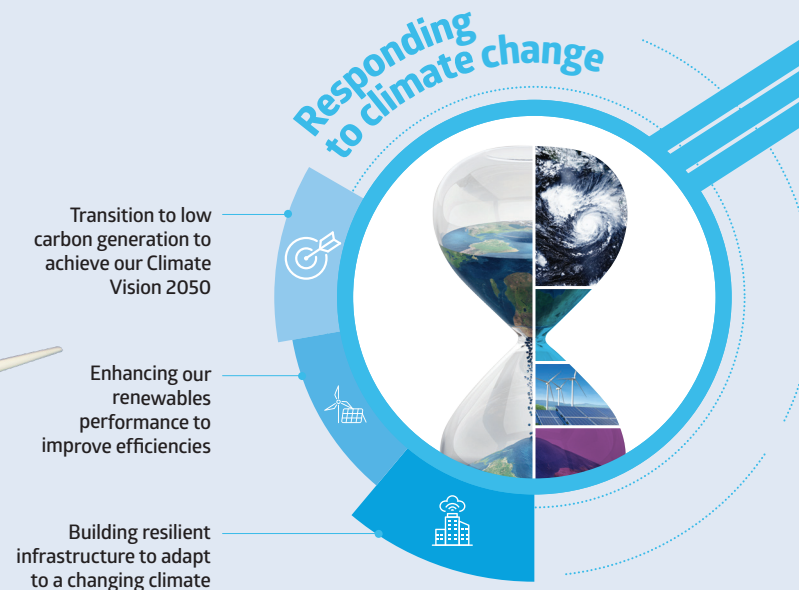
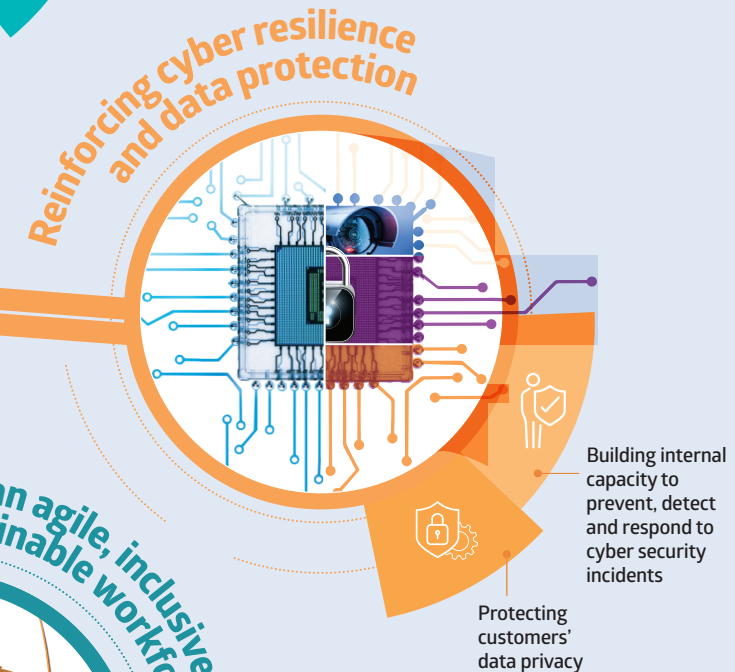
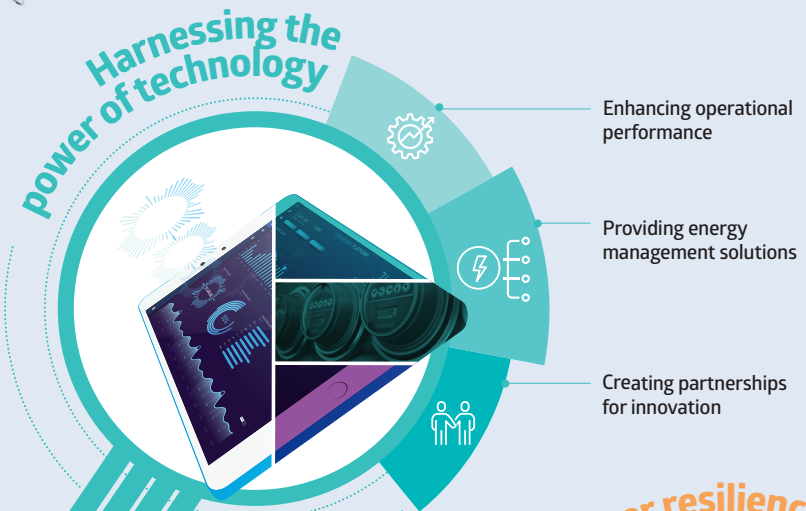
THE HONOURABLE
SIR MICHAEL KADOORIE
CHAIRMAN

RICHARD LANCASTER
CEO

HONG KONG, 25 FEBRUARY 2019

Building the “Utility of the Future”

In 2018, we conducted a materiality assessment to identify and prioritise the environmental, social and governance (ESG) topics most important to CLP and its stakeholders in the medium to long term. The assessment involved analysing the megatrends most likely to shape CLP and considered the views of subject matter experts and senior management. This 2018 Sustainability Review provides a snapshot of the five most material ESG topics (as shown on the right). Please read our [Sustainability Report](#) online for a complete account of our sustainability performance, including key ESG metrics.



Our priorities



Growing our business with purpose

CLP's mission is to produce and supply energy with minimal environmental impact to create value not only for shareholders, but for customers, employees and the wider community. This purpose-led approach to growing our business continues to serve us well. It encourages a long-term mindset in our decision-making and reflects our legacy as a family-owned business. Doing the right thing will always matter to CLP. After 117 years in business, we recognise that success is measured over the long-term, and that we will not prosper over time without supporting local communities and the planet on which we all rely.

84.5% of economic value generated is distributed to stakeholders

2.3m smart metres in Hong Kong by 2025

About 20,000 households in Hong Kong had benefitted from "Power your Love" and reduced electricity costs annually



Responding to climate change

There is broad international consensus about the need for rapid decarbonisation if the most serious consequences of climate change are to be avoided. As a result, stakeholders are increasingly focused on how we identify, respond to and disclose our climate change mitigation and adaptation efforts. We continue to work hard to address these concerns. In 2007, we became the first power company headquartered in Asia to set carbon intensity reduction targets. Our transition to a low carbon future is set out in Climate Vision 2050, which also aligns with our support for the UN Sustainable Development Goals.

0.66 kg CO₂/kWh carbon intensity on an equity plus long-term capacity and energy purchase basis

12.8% renewable energy capacity (as a percentage of total capacity)

24.1% non-carbon emitting energy (as a percentage of total capacity)



Harnessing the power of technology

New technologies are revolutionising the energy landscape like never before, and in order to capture the opportunities ahead, we are transforming our business model to become a "Utility of the Future". This strategic evolution is focused on investing in best-of-breed technologies to decarbonise and digitalise our existing operations, as well as developing new products and services for our customers. One key opportunity is the introduction of advanced energy management solutions for smart cities, which will enable customers to become active participants in the energy ecosystem. We have also invested in a range of venture capital funds to pre-empt disruption and to identify strategically relevant technologies ahead of competitors.

Smart Energy Connect

will be launched in Q2 2019, to enable customers to adopt energy management solutions more rapidly

550+ companies covered by our Innovation Pipeline

In 2018, we made direct investments in **start-ups** and participated in large technology-focused **venture capital funds**



Building an agile, inclusive and sustainable workforce

The digitalisation of the energy sector – combined with the transition to a low carbon future – has made an agile workforce more important than ever. This is being compounded by broader social and demographic changes creating challenges on the labour supply side. Competition for STEM (Science, Technology, Engineering and Mathematics) qualified individuals will intensify as all sectors of the economy digitalise. This has reinforced the need for CLP to maintain an inclusive and sustainable workforce. In all parts of our business, we remain committed to attracting diverse and high-quality talent, and to fostering open communication, mutual understanding, trust and respect.



Reinforcing cyber resilience and data protection

An exponential rise in the use of data increases our exposure to cyber-attacks, especially after several recent cases at prominent international businesses. Customers are increasingly concerned about how their personal information is protected and used. We recognise there is no perfect solution to protecting our business operations and customers. But early detection coupled with effective response and recovery measures are essential. CLP has invested heavily in the people and resources we need. We are monitoring our systems around the clock to identify possible incidents promptly, and continue training staff on how to identify and detect anomalies.

Cyber Security Incident Response Process reviewed

The CLP Privacy Principles and CLP Personal Data Protection Compliance Manual reviewed in Nov 2018

7,634 employees

16 senior strategic hires from diverse locations and sectors

21.2% of technical trainees intake were females

22.9% women in leadership



About CLP

CLP Holdings Limited, a company listed on the Stock Exchange of Hong Kong, is the holding company for the CLP Group, one of the largest investor-owned power businesses in Asia Pacific. Through CLP Power Hong Kong Limited, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity to 80% of Hong Kong's population.

Outside Hong Kong, CLP holds investment in the energy sector in Mainland China, India, Southeast Asia, Taiwan and Australia. Its diversified portfolio of generating assets uses a wide range of fuels including coal, gas, nuclear and renewable sources. CLP is one of the largest external investors in the Mainland's renewable energy sector. In India, it is one of the biggest renewable energy producers and among the largest foreign investors in the electricity sector. In Australia, its wholly-owned subsidiary EnergyAustralia is one of the largest integrated energy companies, providing gas and electricity to over 2.55 million households and businesses.

CLP is listed on the Global Dow – a 150-stock index of the world's leading blue-chips, the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Dow Jones Sustainability Asia Pacific 40 Index (DJSI Asia Pacific 40), Hang Seng Corporate Sustainability Index Series and MSCI ESG Leaders Indexes.



CLP Holdings Limited

中電控股有限公司

8 Laguna Verde Avenue
Hung Horn, Kowloon, Hong Kong
Tel: (852) 2678 8111
Fax: (852) 2760 4448

www.clpgroup.com

Stock Code: 00002

