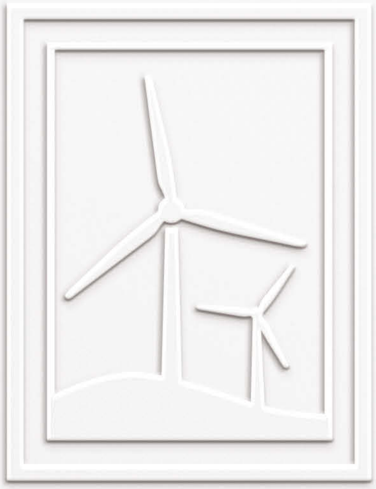
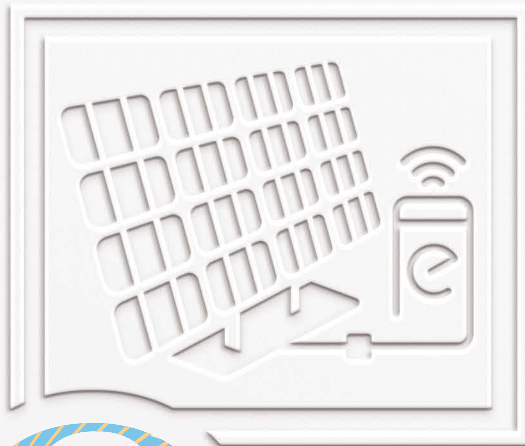
CLP 中電 | 120 years 同行望遠 of shared vision



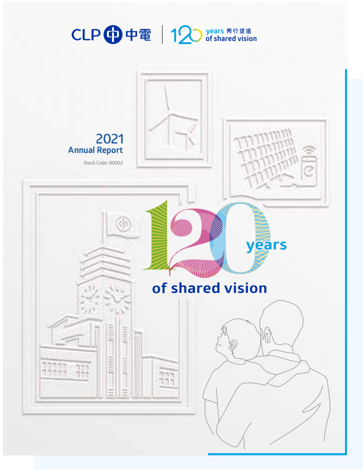
2021 Annual Report

Stock Code: 00002



120 years of shared vision

WELCOME to CLP's 2021 Annual Report.

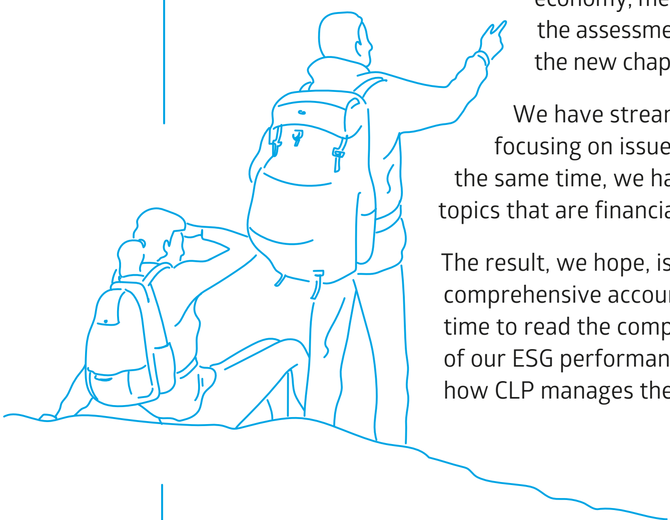


As the world continued to face pandemic-caused disruptions and uncertainties, we recognised the need to communicate how we have placed sustainability at the heart of our business, making it an integral part of our strategy. That focus on sustainability was especially appropriate as 2021 marked CLP's 120th anniversary, a milestone that gave us the opportunity to reflect on a proud history and make plans for future growth so that we can serve our communities for generations to come.

This report is a record of our performance in a turbulent landmark year. It acknowledges the many challenges we faced as a business, and highlights the resilience of our people and the dependable results delivered by our teams across Asia Pacific.

Over the course of the year, we conducted a comprehensive review of our suite of reports to align our disclosure with evolving standards, and to maximise the integration between the Annual Report and the Sustainability Report. We aimed to produce a truly integrated Annual Report that meets – and in many respects exceeds – statutory and regulatory requirements and accounting standards, such as the Hong Kong Listing Rules and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As a result, a number of new features were introduced and improvements were made. One such was the launch of a standalone Climate-related Disclosures Report which is in line with the TCFD recommendations and a testament to our commitment to address climate change and keep our stakeholders informed of our progress.

The review also led us to adopt an approach of double materiality – the concept that companies should report on sustainability matters from the viewpoints of both their impact on enterprise value and their impact on people, the environment and the economy. Based on that approach, the Annual Report focuses on environment, social and governance (ESG) topics that potentially create or erode enterprise value. ESG topics that have an impact on people, the environment and the economy, meanwhile, are discussed in the Sustainability Report. More information about the assessment, the double materiality concept and the material topics can be found in the new chapter titled "Sustainability as Our Business Strategy" on page 22.



We have streamlined the five sections under Business Performance and Outlook by focusing on issues surrounding high-level financial, operational and ESG performance. At the same time, we have enhanced the content of the six Capitals sections, with a focus on ESG topics that are financially material.

The result, we hope, is an informative yet focused Annual Report that provides readers with a comprehensive account of our resilient performance in areas of materiality. Please also take the time to read the complementary Sustainability Report to get a full and detailed understanding of our ESG performance, as well as the inaugural Climate-related Disclosures Report to review how CLP manages the energy transition in light of a changing climate.

A Snapshot of 2021 Annual Report	2021 Sustainability Report	2021 Climate-related Disclosures Report

FAQs from Our Shareholders

Throughout the year, we receive a range of pertinent questions from our shareholders, many of these are very relevant to our business which readers of our Annual Report may be interested in. These topics are covered in various sections of our Annual Report.

Topics

1 Major focus – Decarbonisation actions under Climate Vision 2050, the impact from COVID-19 Omicron variant on various business units, dividend policy and prospects, and funding requirements

Sections

- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Financial Review (page 24)
- Business Performance and Outlook (page 38)
- Capitals (page 64)

2 Group – Capital allocation, balance sheet capacity, potential adoption of new technology to facilitate decarbonisation, and risk management

Sections

- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Financial Review (page 24)
- Business Performance and Outlook – Hong Kong (page 40)
- Business Performance and Outlook – Mainland China (page 46)
- Capitals – Financial Capital (page 67)
- Capitals – Manufactured Capital (page 74)
- Capitals – Intellectual Capital (page 77)
- Capitals – Natural Capital (page 92)
- Risk Management Report (page 138)

3 Hong Kong – Electricity tariffs increase in 2022, impact on cashflow and earnings from additional capital expenditure approved for Development Plan 2018-2023, electricity sales performance, potential investment in offshore wind, status of the new gas-fired generation unit and offshore LNG terminal, potential to lower carbon emissions intensity through the blending of hydrogen into the fuel mix, and the eventual introduction of hydrogen generation technology, outlook for future Development Plans from government's goal to achieve carbon neutrality for Hong Kong by 2050

Sections

- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Business Performance and Outlook – Hong Kong (page 40)
- Capitals – Financial Capital (page 67)
- Capitals – Manufactured Capital (page 74)
- Capitals – Natural Capital (page 92)

4 Mainland China – The continued impact of high coal prices on thermal projects, impact on thermal projects from the company's commitment to exit coal by 2040, earnings outlook of Yangjiang Nuclear, update on Qian'an III which is CLP's first grid-parity and battery project, subsidy payment situation for renewable projects, other potential investment in grid-parity projects and opportunities from China's tightened carbon emissions targets

Sections

- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Business Performance and Outlook – Mainland China (page 46)
- Capitals – Manufactured Capital (page 74)
- Capitals – Natural Capital (page 92)
- Risk Management Report (page 138)

5 Australia – Performance of Customer and Energy businesses. For Customer, the key questions related to ongoing competition and impact of various regulations. For Energy, issues raised included the following: wholesale price outlook and hedging practices, operational challenges at Yallourn, expansion of existing Tallawarra Power Station and use of green hydrogen, the early retirement of Yallourn, Mount Piper performance, coal supply issues and its potential early closure, Kidston Pumped hydro development and other potential projects to address intermittent supply and volatility

Sections

- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Financial Review (page 24)
- Business Performance and Outlook – Australia (page 51)
- Capitals – Manufactured Capital (page 74)
- Capitals – Natural Capital (page 92)
- Risk Management Report (page 138)

6 India – Progress of Apraava Energy's potential investment in transmission assets and renewable energy projects

Sections

- CEO's Strategic Review (page 16)
- Business Performance and Outlook – India (page 57)
- Capitals – Manufactured Capital (page 74)
- Capitals – Natural Capital (page 92)

Contents

Throughout this report, the SR and symbols will guide you to the relevant sections of the Sustainability Report and our website respectively.

About the CLP Group

The CLP Group is an investor and operator in the Asia-Pacific energy sector with investments in Hong Kong, Mainland China, Australia, India, Southeast Asia and Taiwan that span across the energy supply chain. In addition to a diversified portfolio of generating assets that uses a wide range of fuels including coal, gas, nuclear and renewable sources, the Group has operations in the transmission, distribution and retail of energy, and offers smart energy services. In 2021, CLP celebrated the 120th anniversary of its founding in Hong Kong with a commitment to continue to move forward with the community based on a shared vision of a better tomorrow.

2021 Operating Earnings

Hong Kong electricity and related business	HK$8,490 million
Mainland China	HK$1,660 million
Australia	-HK$83 million
India	HK$221 million
Southeast Asia and Taiwan	HK$173 million
Other earnings and unallocated expenses	-HK$944 million
Total	**HK$9,517 million**

Mainland China ◆ ◇ ◆ ◇ ◇

The electricity industry in Mainland China is largely state-controlled. Transmission and distribution are limited to two state-owned enterprises while generation is open for investment. CLP first entered the market in 1979 when the Group began providing electricity to Guangdong province. Today, CLP China is the largest external independent power producer in Mainland China with over 50 power projects in 15 provinces, municipalities and autonomous regions, concentrating on low-carbon energy, including nuclear power and renewable energy, in addition to opportunities in smart energy services.

Hong Kong ◆ ◆ ◆ ◆ ◆

Hong Kong's electricity sector is regulated by the Scheme of Control Agreements and operated by two vertically-integrated utility companies that serve different geographical areas of the city. CLP Power Hong Kong, the larger of the two companies and a wholly-owned subsidiary of the Group, provides a power supply of over 99.999% world-class reliability to 2.71 million customers in Kowloon, the New Territories and most of the outlying islands, serving about 80% of the city's population.

India ◆ ◆ ◇ ◇ ◇

Much of the electricity industry in India has traditionally been owned and controlled by the Federal and State Governments. Since 2006, private companies have been encouraged to invest in the generation and increasingly transmission segments. On the distribution side, the Federal Government has recently progressed initiatives for more privatisation. Since entering the Indian market in 2002, CLP has built a diversified portfolio comprising wind, solar and supercritical coal generating facilities as well as transmission assets. The business, in which the global investment group Caisse de dépôt et placement du Québec (CDPQ) became a strategic shareholder in 2018, was renamed Apraava Energy in 2021, signifying a new phase of growth with a strengthened focus on clean energy, power transmission and other customer-focused energy businesses.

Australia ◆ ◆ ◆

EnergyAustralia is one of the largest privately-owned electricity generators under the National Electricity Market (NEM), a major gas and electricity retailer in New South Wales, Victoria, South Australia and the Australian Capital Territory, and an electricity retailer in Queensland. Private generators operating under the NEM and a number of government-owned assets provide generation services in a competitive wholesale market. The electricity retail market is partially-regulated while the transmission and distribution segments remain substantially regulated.

Southeast Asia and Taiwan ◆ ◇ ◇ ◇ ◇

CLP has minority interests in a solar project in Thailand and a coal-based generation plant in Taiwan. The electricity industry is government-controlled in both markets.

	Current Operations	Potential Opportunities
Generation	◆	◇
Transmission	◆	◇
Distribution	◆	◇
Retail	◆	◇
Smart Energy Services	◆	◇

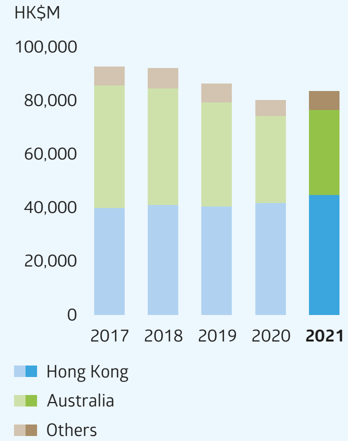
Financial Highlights

Group operating earnings decreased 17.8% to HK$9,517 million, the strong performance in Hong Kong only partially offsetting lower earnings from our generation portfolio in Australia and high coal prices impact in Mainland China. Total earnings reduced to HK$8,491 million after items affecting comparability while dividend is maintained at the same level as in 2020.

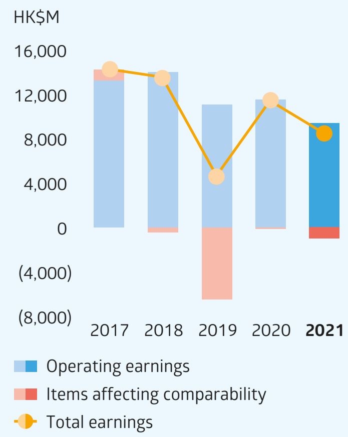
	2021	2020	Increase / (Decrease) %
For the year *(in HK$ million)*			
Revenue			
Hong Kong electricity business	**44,311**	41,325	7.2
Energy businesses outside Hong Kong	**38,941**	37,687	3.3
Others	**707**	578	
Total	**83,959**	79,590	5.5
Earnings			
Hong Kong electricity business	**8,189**	7,818	4.7
Hong Kong electricity business related [1]	**301**	270	
Mainland China	**1,660**	2,233	(25.7)
Australia	**(83)**	1,690	N/A
India	**221**	175	26.3
Southeast Asia and Taiwan	**173**	386	(55.2)
Other earnings in Hong Kong	**(66)**	(238)	
Unallocated net finance (costs) / income	**(9)**	24	
Unallocated Group expenses	**(869)**	(781)	
Operating earnings	**9,517**	11,577	(17.8)
Items affecting comparability	**(1,026)**	(121)	
Total earnings	**8,491**	11,456	(25.9)
Net cash inflow from operating activities	**18,078**	22,374	(19.2)
At 31 December *(in HK$ million)*			
Total assets	**239,809**	234,233	2.4
Total borrowings	**58,215**	54,348	7.1
Shareholders' funds	**113,034**	112,200	0.7
Per share *(in HK$)*			
Earnings per share	**3.36**	4.53	(25.9)
Dividend per share	**3.10**	3.10	–
Shareholders' funds per share	**44.74**	44.41	0.7
Ratios			
Return on equity [2] (%)	**7.5**	10.5	
Net debt to total capital [3] (%)	**28.1**	25.1	
FFO interest cover [4] (times)	**12**	13	
Price / Earnings [5] (times)	**23**	16	
Dividend yield [6] (%)	**3.9**	4.3	

Notes:
1. Hong Kong electricity business related includes PSDC and Hong Kong Branch Line
2. Return on equity = Total earnings / Average shareholders' funds
3. Net debt to total capital = Net debt / (Equity + advances from non-controlling interests + net debt); debt = bank loans and other borrowings; net debt = debt – bank balances, cash and other liquid funds
4. FFO (Funds from operations) interest cover = Cash inflow from operations / (Interest charges + capitalised interest)
5. Price / Earnings = Closing share price on the last trading day of the year / Earnings per share
6. Dividend yield = Dividend per share / Closing share price on the last trading day of the year

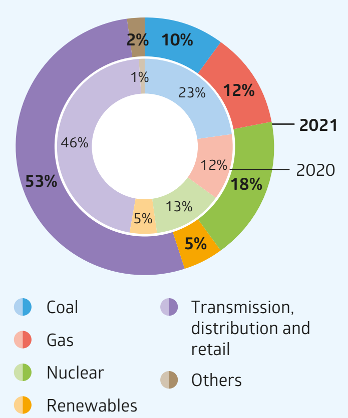
Revenue



Total Earnings



Operating Earnings (Before Unallocated Expenses) by Asset Type



Strategic Framework

Our purpose and strategy

Purpose CLP provides sustainable energy solutions to create value for shareholders, customers, employees and the wider community. We aim to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next.

Strategy

Through our values and commitments, we work every day to grow our business and meet our strategic priorities: creating a **sustainable business portfolio; accelerating our response to climate change** for our business and the communities we operate in; **serving growing demand for energy solutions; leveraging technology** to deliver leading customer experiences and enhance operating performance; and **investing to build an agile and innovative workforce**.

Read CEO's Strategic Review on pages 16 to 21

Double materiality assessment

Material ESG topics:

- Shaping and executing the transition to net zero
- Pursuing growth opportunities in Hong Kong and the Greater Bay Area
- Reinforcing resilience in a changing operating environment
- Building an agile and innovative workforce
- Aligning business activities with community, employee and customer expectations

Financially material

Impact material

Megatrends analysis

Read Sustainability as our Business Strategy on pages 22 and 23

Strategic priorities

1 Continue to grow a sustainable business portfolio

- Growing provision of energy solutions in the Asia-Pacific region underpinned by capital discipline

2 Accelerate our response to climate change

- Accelerate decarbonisation of CLP's portfolio, reinforce resilience in a changing climate and manage social impact

3 Serve growing demand for energy solutions

- Pursue growth opportunities from energy infrastructure, Energy-as-a-Service and customer-facing energy solutions

4 Leverage technology for experience and performance

- Deliver leading customer experiences and empower customers in making better energy choices
- Adopt technologies to enhance operating performance and drive new business

5 Invest to build an agile, innovative workforce

- Invest to build organisational agility and develop future skills
- Support CLP's people to thrive in change, promoting health and wellbeing

How we measure success

Key performance indicators

See Human Resources & Remuneration Committee Report on pages 170 to 187 on how remuneration is linked to performance indicators

- **HK$8,491 million** Total earnings — 2020 : HK$11,456 million
- **HK$9,517 million** Operating earnings — 2020 : HK$11,577 million
- **HK$7,832 million** Dividends — 2020 : HK$7,832 million
- **91,183 million kWh** Electricity sent out — 2020 : 85,937 million kWh
- **5.15 million** Retail customer accounts in Hong Kong and Australia — 2020 : 5.12 million
- **9 cases** Environmental regulatory non-compliance — 2020 : 4 cases

0.57kg CO_2e/kWh Greenhouse gas emissions intensity — 2020 : 0.57kg CO_2e/kWh

3,624MW Renewable energy capacity — 2020 : 3,398MW

Resilience projects and investments

- Assessing extreme weather impact on Yallourn
- Climate resilience studies for assets in Hong Kong, Mainland China and India

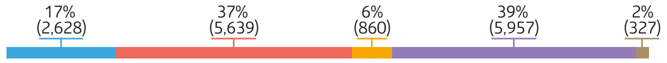
99.999% Reliability in Hong Kong — 2020 : 99.999%

Operating earnings* by asset type % (HK$ million)

Total: HK$10,638 million

* Before unallocated expenses

Capital investment# by asset type %[1] (HK$ million)



Total: HK$15,411 million

On accrual basis

Coal[2] | Gas | Nuclear | Renewables | Transmission, distribution and retail | Others

Notes: 1 Any minor discrepancies in totals are due to rounding of figures.
2 Capital investments in coal assets include maintenance, upgrades and efficiency improvements only.

Initiatives / investments in new products and services

- Partnered with CYZone and Free Electrons to identify innovators
- Investment in CSG Energy Innovation Equity Investment Fund
- Strategic investments in global innovation hubs

Adoption of new products and services

- Air conditioning predictive control system and battery energy storage system at Hong Kong International Airport
- 92% increase in sales of Smart Energy Connect's energy solutions
- CLPe Solutions' solar energy projects with DFI Retail Group and English Schools Foundation
- New business model for centralised cooling project at Guangzhou shopping mall
- EnergyAustralia offers homeowners integrated solar-plus battery system

73 CLP Power Hong Kong customer satisfaction score — 2020 : 74

6.7% Net Promoter Score for EnergyAustralia — 2020 : 9.6%

Smart meters

over **1.2million** connected for Hong Kong customers since 2018

over **0.9million** connected for EnergyAustralia's customers

Digital adoption

- Data analytics platform for renewable energy assets in Mainland China and India
- Access to global data from The Weather Company

Feed-in Tariff Scheme in Hong Kong

265MW approved or connected to grid since May 2018

Renewable Energy Certificates sales in Hong Kong in 2021

15GWh

Demand response programmes

over **70MW** maximum demand reduced in Hong Kong

186.2MW capacity contracted in Australia

8,116 Employees for CLP Group — 2020 : 8,060

0.07 Lost time injury rate — 2020 : 0.11

0.23 Total recordable injury rate — 2020 : 0.32

51.6 Average training hours per employee — 2020 : 42.5

30.5% Women in leadership positions — 2020 : 27.3%

12.3% Women in engineering — 2020 :11.5%

26% Female employees — 2020 : 26%

56 Graduate internships in Hong Kong — 2020 : 59

Creating Value for Stakeholders

How we create value

At CLP, we utilise various capitals to create value for shareholders, customers, employees and the wider community.

Inputs / Capitals

Financial Capital

- Shareholders' funds of HK$113,034 million
- Total borrowings of HK$58,215 million

Risks

- Financial risk
- Commercial risk

Manufactured Capital

- Generation capacity of 20,018 equity MW
- Long-term capacity and energy purchase agreements of 5,090MW
- Transmission and high voltage distribution lines of 16,834km
- 15,441 primary and secondary substations in Hong Kong

Risks

- Operational risk
- Extreme weather as a result of climate change

Human Capital

- 8,116 employees

Risks

- Human resources risk
- Health and safety

Intellectual Capital

- Strengthened technological capabilities to develop Energy-as-a-Service business model
- Digitalisation of operations
- Investments in technology companies and funds
- Partnerships with innovation accelerators

Risks

- Commercial risk

Natural Capital

- 426,190TJ of coal consumed
- 142,304TJ of gas consumed

Risks

- Climate change

Social and Relationship Capital

- Engagement with policymakers and stakeholders toward net zero
- Public education towards greater energy efficiency and decarbonisation
- Community support to mitigate the impact of COVID-19

Risks

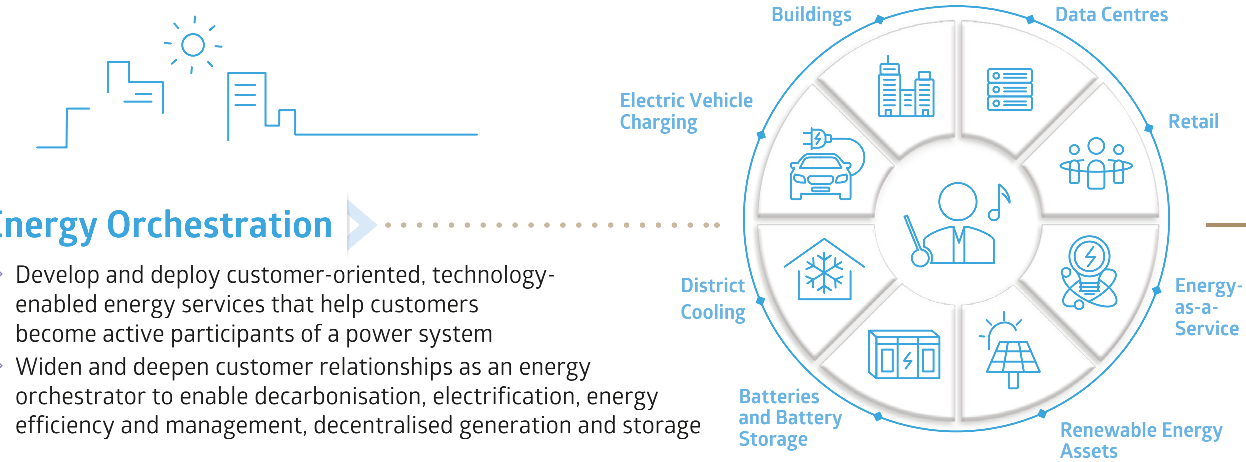
- Regulatory risk
- Market risk

What we do

We operate in different parts of the energy value chain in each of the markets we are in, tailoring our solutions based on the local context.

Generation ▸ Transmission ▸ Distribution

- Procure adequate and appropriate fuels and energy resources from diversified sources
- Design, build, operate and invest in centralised and decentralised generation facilities with increasing deployment of low-carbon energy sources
- Design, build, operate and enhance transmission networks to facilitate integration of more clean energy into the grid
- Design, build and operate distribution networks
- Integrate distributed energy resources into the grid



Energy Orchestration

- Develop and deploy customer-oriented, technology-enabled energy services that help customers become active participants of a power system
- Widen and deepen customer relationships as an energy orchestrator to enable decarbonisation, electrification, energy efficiency and management, decentralised generation and storage

New technologies and digital applications

- Data analytics, artificial intelligence and Internet of Things (IoT) facilitate flexibility of entire energy system
- Enable dynamic system balancing that integrates centralised and decentralised generation, and balances demand against different generation profiles to optimise cost efficiency, reliability and environmental performance
- Enable delivery of smarter and greener energy products and services

Outcomes

Financial Capital

- Reliable and consistent ordinary dividends with steady growth supported by earnings
- Timely repayment to lenders
- Sustainable financing

Manufactured Capital

- Maintaining operational excellence despite challenges in weather conditions, fuel prices and COVID-19 to provide reliable, cleaner and affordable electricity supply

Human Capital

- Initiatives to promote staff wellbeing amid COVID-19
- Improvement on safety performance

Intellectual Capital

- Flexible, environmentally-sustainable energy solutions for customers with increase in sales from Smart Energy Connect

Natural Capital

- Updated Climate Vision 2050 to achieve net zero by 2050 and phase out coal by 2040
- Expansion of renewable energy portfolio

Social and Relationship Capital

- Strong focus on engagement with our key stakeholders to plan for and execute a just energy transition
- Provided support to the communities to mitigate pandemic-related impacts

Outputs

Economic value generated of HK$85,088 million

- **Shareholders**: total dividends of HK$7,832 million, HK$3.10 per share
- **Lenders**: net finance costs of HK$1,774 million
- **Suppliers and Contractors**: fuel and other operating costs of HK$58,428 million
- **Employees**: staff expenses of HK$5,107 million
- **Government and Regulators**: current income tax of HK$1,720 million
- **Community**: donations of HK$15 million

Building and organising an agile, innovative workforce with the right values and ability to thrive regardless of the external environment will come to define what CLP truly stands for as a Utility of the Future.

The Honourable Sir Michael David Kadoorie
Chairman

Dear Shareholders,

2021 has been a year of conscientious effort and commitment at CLP. We have been adapting and building our resilience to COVID-19, sustaining operational excellence and strengthening our commitment to decarbonisation.

More than two years into the pandemic, we continued to make it our priority to look after people – our colleagues, customers and the communities. Many of our markets have seen the beginning of their economic recovery from COVID-19 although a recent surge in variant cases is disrupting the course.

The lingering impact of the pandemic and other challenges such as the energy crisis and high fuel prices impacted CLP's financial performance in Australia and our thermal assets in Mainland China. However our main Hong Kong operation was largely dependable. We remain cautiously optimistic on the region's economic outlook, especially given the strengths of our position in our home market Hong Kong alongside our long-term commitment in Mainland China.

In 2021, the Group's operating earnings decreased 17.8% to HK$9,517 million, while total earnings fell 25.9% to HK$8,491 million from 2020. The drop in total earnings was primarily due to significantly lower earnings from the generation portfolio of our Australian business and high coal prices in Mainland China. There were also several one-off charges including settlement of a long-running litigation in Australia and costs in ensuring the safe operation of the Yallourn mine following the impact caused by extreme weather.

Notwithstanding this, the Board is confident in the Group's ability to maintain the integrity of its operations and has approved a fourth interim dividend payment for 2021 of HK$1.21 per share, in line with the same period in 2020. Total dividends per share for 2021 are maintained at HK$3.10.

The world was watching as the 2021 United Nations Climate Change Conference (COP26) unfolded in Glasgow in November. Given the complexity of the issue and the diversity of stakeholders involved, we welcome the progress that emerged from the summit and the strengthened commitments many countries made in 2021. In spite of the progress and commitments demonstrated so far, more needs to be done. We must all recognise that success will not appear overnight, and we are just embarking on this long journey.

In September, we unveiled our updated Climate Vision 2050 with a commitment to achieving net-zero emissions across our business by 2050. We brought forward the date of the complete phase-out of the coal-fired generation assets in our portfolio to 2040, a decade earlier than previously pledged.

We have set new targets for 2030 and further strengthened our 2040 targets to align with what the latest climate science deems necessary to meet the goals of limiting global warming to well-below 2°C above pre-industrial levels. To pursue efforts to limit warming to 1.5°C, we remain committed to strengthening our decarbonisation targets at least every five years. As we race against time and move towards net zero, careful long-term planning and coordination to balance different interests as well as large-scale investments to support the transition will become ever more critical.

As one of the largest integrated utility companies in the Asia-Pacific region, CLP's approach to tackling the threats of climate change has a dual focus: to progressively decarbonise our business operations while providing sustainable and commercially viable energy solutions that will deliver net-zero for this generation and the next. We are also keenly aware that once our industry is decarbonised, greater use of electricity can enable other sectors in the economy such as transportation and manufacturing to reduce their carbon footprint.

We ended 2021 with the Group's commitment to capital expenditure at a high level, mainly driven by the decarbonisation investments in Hong Kong, Mainland China, Australia and India. While these investments reflect our commitment to decarbonisation and confidence in the economic prospects of our markets, they also highlight the importance of partnerships given the significant capital required.

The new gas-fired generation unit at Black Point Power Station marks an important milestone in Hong Kong's transition towards a zero-carbon future.

In India, we have built a successful partnership with the Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ) to jointly explore the many non-carbon opportunities offered by the country. Our collaboration since 2018 has enabled Apraava Energy – the new brand of our Indian business – to venture into new industry segments and secure a number of significant investments including two transmission projects.

This business model of bringing in new capital to fund the investments required for the energy transition in our markets has proven effective. CLP is open to replicate this in other markets to draw on support from investors and financiers.

Closer to home we are witnessing the growth opportunities created by a rise in the demand for smart, green energy services in the Greater Bay Area. We believe innovation will be at the epicentre of the energy transition and CLP is keen to leverage technology and our expertise in Hong Kong to bring sustainable energy solutions to a wider audience.

2021 is a year to be remembered. It was CLP's 120th anniversary – an opportune time to reflect on our long history in Hong Kong, our growing capabilities in Mainland China and other territories, and the abilities to deliver in such fast-changing markets. During our anniversary year, we took the opportunity to reinforce our long-standing commitment to Hong Kong and deepen our connections with the communities of which we have been a proud member since 1901. In October, I had the pleasure – together with the Chief Executive of the Hong Kong Special Administrative Region The Honourable Mrs Carrie Lam Cheng Yuet-ngor – to officiate the opening of a state-of-the-art gas-fired generation unit at our Black Point Power Station. The addition of this new facility is a strong testament to our dedication to continue to serve this city with less carbon emission.

Our resilience today, just like our historic successes, is of course built on the people who make up this business. To the 8,116 CLP colleagues around the world, whose passion and expertise inspire us every day, may I thank you.

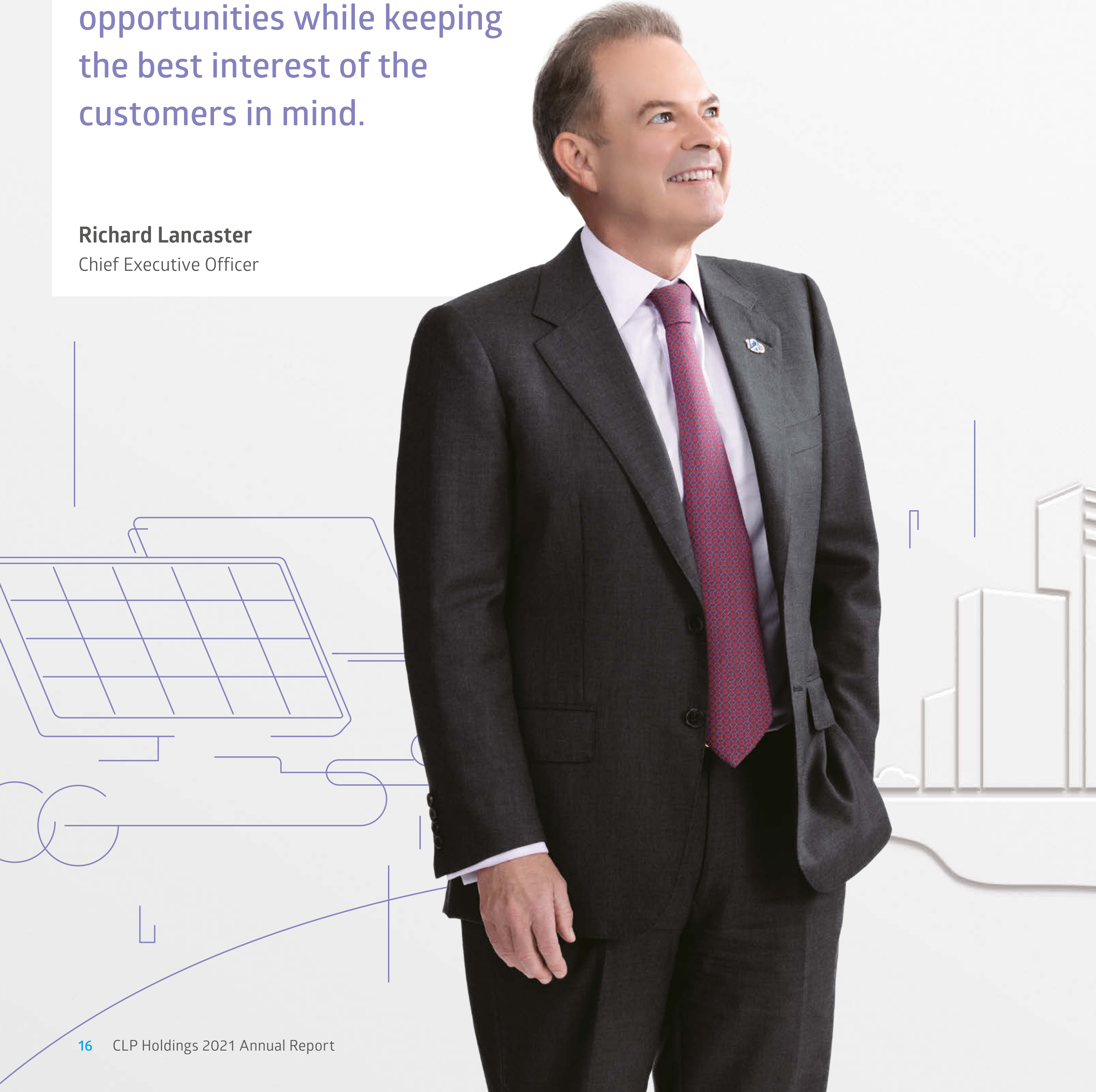
As we look forward to 2022 and many more years ahead, I am pleased to say that we shall be moving our head office to a brand new building in the Kai Tak Development Area which will provide an exciting and truly modern place to work for our colleagues. In the last decade, this site of Hong Kong's famous old airport at Kai Tak has seen its own transformation to a modern business hub – a shining representation of Hong Kong's dynamic, digital future. The new head office project underlines our confidence in Hong Kong and commitment to continue to support the sustainable growth of our city.

In the face of the challenges and opportunities of this decade that are becoming increasingly clear, our focus and priorities are also well-defined. Working closely with partners and governments in our markets to support the realisation of climate targets, deliver a credible decarbonisation plan and leverage technology to serve growing demand for energy solutions are top of mind. But most important of all, building and organising an agile, innovative workforce with the right values and ability to thrive regardless of the external environment will come to define what CLP truly stands for as a Utility of the Future.

The Honourable Sir Michael David Kadoorie
Hong Kong, 28 February 2022

Companies like CLP that are at the forefront of the energy transition must themselves transition and transform to embrace these challenges and opportunities while keeping the best interest of the customers in mind.

Richard Lancaster
Chief Executive Officer



Global challenges in the energy markets and the ongoing impact of the pandemic, alongside a clear and very welcome intensification of efforts to address climate change, mean that 2021 has further extended this period of fast change for the energy industry and for CLP.

Some of the core capabilities at CLP are adaptability and reliability, ensuring that we keep the lights on and deliver sustainable energy solutions for different customers regardless of the changes in our markets. I am pleased that the business continued to exercise the agility and dedication to maintain a high level of resilience across our operations during the year.

Climate change, with the associated natural disasters becoming more severe and frequent, represents a specific risk to our communities and our operations. CLP's strategy recognises not just our own important journey to net zero, but our ability to play a key role in supporting decarbonisation of the wider society wherever we operate.

The energy crisis in Europe, a power crunch in China and higher fuel prices in many regions have re-emphasised the need for careful planning and coordination to manage the energy transition smoothly. Any significant shocks to reliability, price and employment in the energy sector could easily threaten the necessary collaboration between energy companies, their customers and governments in delivering the energy transition.

It is reassuring that our Climate Vision 2050 is laying out a clear decarbonisation roadmap for the business. In 2021, we conducted a strategic review of Climate Vision 2050, taking into account a comprehensive range of factors including the latest climate science, technology trends, the regulatory environment, the risks and opportunities to the business and the views of key internal and external stakeholders, not least our investors. The updated document includes more ambitious targets and our pledge to accelerate the phase-out of coal. To deliver a safe, reliable and cost-effective energy transition, targeted investments in new low-carbon opportunities and close partnerships on the decarbonisation journey will now constellate.

In 2021, our partnerships with governments in markets where we operate have proved fruitful. Through these collaborations, we were able to contribute the most of our experience and expertise to support the achievement of national climate targets and the coordination of an orderly energy transition that leaves no one behind.

On an industry level, our partnerships with like-minded organisations helped galvanise the efforts required to enable solutions at scale. During COP26, CLP joined 27 other companies in making pledges to drive growth in demand for, and supply of, hydrogen. The pledges we made, through the World Business Council for Sustainable Development and The Sustainable Markets Initiative, sent a clear signal for an increased use of hydrogen as a low-carbon fuel in generation and transportation and a prompt to hydrogen producers to develop additional capacity at scale. As with any new low- and zero-carbon technology, scale will bring commercial viability. This will be key for the gradual introduction of hydrogen into our gas-fired power plants in Australia as well as Hong Kong.

Hong Kong

Hong Kong remains the cornerstone of our business and the city's gradual economic recovery from COVID-19 last year lifted electricity demand across sectors. In 2021, operating earnings from Hong Kong's electricity business increased 4.7% to HK$8,189 million as we continued to make investments to support the city's energy transition.

Two of the most important new projects being developed are the second combined-cycle gas turbine unit at Black Point Power Station and the new offshore LNG terminal. Both will facilitate the higher use of natural gas – an important bridging fuel – and play key roles in delivering the Hong Kong Government's long-term decarbonisation strategy outlined in its Climate Action Plan 2050. In spite of the global supply chain disruptions brought by the pandemic, good progress was made with the construction of these projects during the year.

Our focus on promoting local renewable and zero-carbon energy continued, including supporting customers and businesses to improve their energy efficiency even further. We are also pressing ahead with a feasibility study on building an offshore wind farm in Hong Kong's waters. In September, we reached a Memorandum of Understanding with GE to develop a decarbonisation roadmap to use hydrogen in CLP's gas-fired power generation facilities in Hong Kong.

We continued our digitisation journey including the further roll-out of smart meters and enhancing customer experience with greater digital interactions. The growing digitalisation of the overall economy – including, for example, the increased use of data centres – offers a significant opportunity for growth. In response to new electricity requirements from our customers, the Hong Kong Government in November approved an additional capital expenditure of more than HK$3 billion under the Development Plan for 2018-2023 for us to reinforce our network to meet the expected increase in demand.

CLP's Key Climate Targets and Commitments

BY 2030

Meet science-based GHG emissions intensity targets

BY 2040

Phase out coal-based assets

BY 2050

Achieve net-zero GHG emissions across CLP's value chain

GHG emissions intensity of electricity sold

0.3kg CO_2e/kWh
↓52% from 2019

0.1kg CO_2e/kWh
↓84% from 2019

The electrification of transportation is a trend we watch closely. CLP welcomes the Hong Kong Government's announcement in 2021 of a roadmap to promote the adoption of electric vehicles (EVs). We continued to support this policy direction by providing free EV charging facilities and offering support to private residential buildings interested in applying for government funding to install charging infrastructure.

As one of the city's two electricity providers, CLP operates within a regulatory framework which in turn provides stability and visibility to strategically plan investments, which are often made for decades. We will continue to invest for the long term to support the Hong Kong Government's climate targets and the city's digitalisation pathway, and act as an orchestrator to facilitate our customers to decarbonise, electrify or improve their energy efficiency.

Mainland China

We maintained output during the challenging time to support the Chinese economy. While our non-carbon portfolio continued to perform reliably, the coal-based assets were impacted negatively by notably higher fuel prices. Although coal assets are only a small part of our generation portfolio, they saw a loss in 2021 due to high fuel prices and sustained periods of use. This weighed on Mainland China's operating earnings, which decreased 25.7% from a year ago to HK$1,660 million. As coal prices continued to stabilise, we do not expect this particular issue to repeat in 2022.

Besides the higher contributions from our nuclear portfolio, there were steady operations from our wind and solar energy assets, including the new Laiwu III wind farm in Shandong province. We also saw the completion of our first grid-parity wind project which does not rely on government subsidies – Qian'an III in Jilin province – with an accompanying battery storage.

In a good example of innovative business model we expect to see thrive in the Greater Bay Area (GBA), we have signed our first contract to invest in and operate a centralised cooling system at a shopping centre in Guangzhou, a city near Hong Kong. We are exploring other emerging smart energy opportunities including more work with data centres and energy management systems. Retail energy also remains an area of potential interest especially as the industry continues to reform, opening up more opportunities for private investment.

The adoption rate for EVs in China is one of the highest in the world. We will continue to analyse the scale and nature of the opportunity for us to participate in this sector, and invest in the right way at the right time.

2022 will see us maintain our focus on restoring the financial performance of our coal-fired assets and pursuing new grid-parity renewable energy projects, as well as continuing to explore smart energy opportunities and strengthen collaboration across the GBA, aligned with the Government's 14th Five-Year Plan.

Australia

During the year we continued to look after our customers and maintained our focus on the ongoing energy transition commencing major decarbonisation projects.

There was significant progress on EnergyAustralia's future clean energy portfolio with the support of Federal and State Governments, all of which have in place net zero by 2050 as a policy and this is helping to create a clearer energy policy environment, something that is most welcome. In a highlight of EnergyAustralia's own efforts, the company updated its Climate Change Statement with enhanced commitments mirroring those in the Group's Climate Vision 2050.

As part of our commitment to phase out coal, we collaborated with the Victorian Government to advance the retirement of Yallourn Power Station to 2028. We have progressed our investments in the Wooreen battery storage project which is expected to support the Victorian electricity system's reliable supply. EnergyAustralia also secured a market operational agreement related to Kidston pumped hydro energy storage project which will commence once that facility is commissioned in 2024.

We announced an expansion of Tallawarra Power Station located in New South Wales which will be capable of running with 5% hydrogen in its fuel mix from day one. This will be the first net-zero emissions hydrogen and gas capable power plant in Australia, with direct carbon emissions from the project offset over its operational life.

To support Australia's energy transition, significant capital will be needed for major infrastructure projects. We will consider tapping into available funding in the market in order to deliver on lower- and zero-carbon investments.

Financially, 2021 was a challenging year where operating loss was at HK$83 million due to the unfavourable factors of higher gas costs, low wholesale electricity prices, adverse fair value movements as well as accelerated depreciation and lower generation at Yallourn Power Station. Furthermore, total earnings were impacted by the one-off settlement of the Iona gas plant disposal litigation and the expenses related to the extreme rainfall event in June, which damaged the Morwell River Diversion at the Yallourn mine and led to a temporary suspension of mine production, resulting in the aforementioned lower generation.

As the pace of the energy transition in Australia increases, the industry as a whole will face volatile and uncertain operating conditions including an increasingly competitive landscape. Against that backdrop, EnergyAustralia may continue to be affected by challenging market conditions during 2022 including the continuation of low realised wholesale electricity prices, higher gas costs and intense competition in retail energy markets.

India

Our partnership with CDPQ, which has a 40% stake in our business in India, continued to function well and deliver stable business performance during the year. Our focus operationally was on protecting the health of employees amid a severe second wave of COVID-19 in India in the second quarter of the year. We continued to make contributions to relief efforts at both the Group and national levels. The recovery in overall electricity demand in India reflected a gradual easing of the pandemic towards the end of 2021.

We continued to work with the Indian Government to seek clarifications of the new foreign investment laws and were pleased to receive requisite regulatory approvals to acquire a 49% shareholding in Kohima-Mariani Transmission Limited (KMTL), the beneficial owner of an interstate transmission project in northeastern India, as well as a registration which enables Apraava Energy to participate in new greenfield bidding opportunities.

Professor Paul Lam Kwan-sing
President, Hong Kong Metropolitan University

Q&A

Richard Lancaster
Chief Executive Officer

Decarbonisation is going to bring lots of changes to society and CLP. How can CLP remain competitive? And who will benefit from these changes?

Climate change is real and happening. You can look at it and say this is going to impact what I currently do and it's going to take away some value from what I've already invested in, but that's a very negative way of looking at it. If CLP can decarbonise electricity as quickly as possible, more people will want to use electricity, which is actually a positive story for CLP and for the economy.

And for many businesses, if you accept that climate change is happening, if you accept that this is something that you have to prepare yourself for, you owe it to yourself to look for the opportunities offered by the energy transition. These opportunities may come in the form of smart technologies. For example, we have much more sophisticated control systems now and we make much greater use of data analytics. Hydrogen is another example. So there are new technologies that we're adopting here. And if Hong Kong is looking at developing itself as an innovation and technology hub, then there may well be great opportunities for Hong Kong businesses here.

If you look at climate change as a massive transition with new infrastructure, and lots and lots of changes in all of that, there will be opportunities. And for those that are quick to act and quick to deploy their skills or adjust their businesses, they will be the ones that benefit most from this.

In 2021, wind generation increased, helped by higher monsoon wind and there was increased solar generation from the addition of new projects. The Jhajjar coal-fired station continued to demonstrate robust operations despite growing coal costs, although contributions were slightly lower due to a reset in tariff. Overall, Apraava Energy's operating earnings were 26.3% higher at HK$221 million.

The rebranding from CLP India to Apraava Energy – a name inspired by the combination of four Sanskrit words – Agni (Fire), Prithvi (Earth), Ambu (Water) and Vayu (Wind), is symbolically significant as it represents the growth potential that will come from renewable energy. India is on an ambitious drive to be one of the world's leading centres of clean energy and Apraava Energy is well placed to be an important contributor to that new energy future. With a strategic focus on clean energy and customer-focused energy businesses, we aim to see Apraava Energy double the size of its portfolio in the next two to three years.

A New Era of Changes and Opportunities

Although the impacts of climate change have no regard for borders, we do not expect all our markets to be the same on their energy transition. In a world where energy transitions will move at different paces, our strategy will see us flexing what we do in each territory to deliver solutions adapted to each localised context.

Our core markets of Hong Kong and Mainland China will continue to see growth in our asset base. The energy transition continues to present new business opportunities in the GBA, not least as we see more regional integrations across the energy industry. Our Hong Kong business is naturally well placed to extend, given our expertise and capabilities across retail, generation, nuclear and smart energy services.

This new growth cycle is reflective of the whole energy market being in transition. The world's biggest challenge – decarbonising electricity – is also our biggest opportunity. The more successful we are at decarbonising electricity, the stronger our markets and our business will be.

Companies like CLP that are at the forefront of the energy transition must themselves transition and transform to embrace these challenges and opportunities while keeping the best interest of the customers in mind. We will adapt the way we operate and organise ourselves as appropriate to ensure we deliver against our strategy at the right pace. We will also instil new ways of working among our people, emphasising on agility and the capability to leverage cutting edge technologies.

I am delighted by the ongoing partnerships we are seeing in 2021 – from national, local and regional governments to private sector partnerships that will power our transition forward. We look forward to working even more closely with the public and private sectors as well as the broader finance industry on this journey. Our investors are our key partners and we welcome their ongoing, positive engagement with our transition.

CLP brings energy expertise and continual evolution stretching back more than 120 years. In the face of crises like COVID-19 and climate change, our long-term thinking and resilience will become ever more critical. In the coming years, we will strengthen our capability, agility and adaptability to identify and provide the energy solutions suitable for each of our markets and create most value from one generation to the next.

Richard Lancaster
Hong Kong, 28 February 2022

Sustainability as Our Business Strategy

Sustainability sits at the heart of CLP's business strategy. With a proud history of more than 120 years, CLP is committed to creating long-term value for stakeholders.

The longevity of CLP is grounded in a clear sense of purpose. We exist to provide sustainable energy solutions that create value for shareholders, customers, employees, business partners and the communities in which we operate. This sense of purpose has guided us through the decades, and will remain our mainstay in the decades to come.

Long-term success requires a flexible strategy capable of evolving with time and taking into consideration broadening sustainability challenges. Recognising this, we regularly review our strategic priorities against environmental, social and governance (ESG) risks and opportunities to ensure they remain fit-for-purpose.

The COVID-19 pandemic has created significant social and economic disruption, presented myriad challenges and opportunities, and accelerated pre-existing trends. In an environment of acute uncertainty, companies have been forced to re-evaluate their strategic priorities and face intense scrutiny from shareholders and other key stakeholders over their adaptability and resilience. CLP is no exception.

We conducted our first double materiality assessment in late 2021. This revised approach to materiality – based on best practice from global reporting standard setters – allows us to better reflect ESG risks and opportunities in our business strategy from both a financial and an impact perspective:

- **Financially material topics**, which potentially create or erode enterprise value, are covered in this Annual Report. The key audience is providers of financial capital.
- **Impact material topics**, which reflect significant positive or negative impacts on people, the environment and the economy, are covered in the Sustainability Report. They address the concerns of a diverse range of stakeholders wanting to understand CLP's positive and negative contributions to sustainable development.

The assessment began with an extensive analysis to identify nine megatrends relevant to CLP:

- Technology as enabler and disrupter
- Accelerating energy transition
- Evolving energy business models
- Deglobalisation
- Electrification
- Trust and fairness
- Climate change adaptation
- Future of work
- Data privacy and security

The advantage of first conducting a detailed examination of megatrends, rather than moving directly into an analysis of material topics, is that the research and engagement involved increases understanding of how changes in the environment, society, governance and technology impact CLP's strategy and operations. This makes it easier to identify and prioritise the topics we should be managing and reporting on.

All members of the CLP Senior Management team were involved in identifying these megatrends, with each offering expert insights into how each trend was shaping our external environment. A key outcome of the process was the prioritisation of four financially material topics and three impact material topics. The four financially material topics that the CLP Sustainability Executive Committee considered most likely to create or erode enterprise value are:

1 **Shaping and executing the transition to net zero**

Policies in most markets are moving towards economy decarbonisation. CLP must respond accordingly to remain competitive. Our focus is on reducing stranded asset risk for fossil fuel-powered assets and supporting our reputation as a responsible energy provider. Investments in non-carbon assets and transition enablers are drawing increasing interest from a broad spectrum of investors who share our Climate Vision 2050 objectives, creating the environment for CLP to attract capital and gain support from the insurance market. Also enhanced is CLP's attractiveness as a commercial partner for private sector and government joint ventures.

2 **Pursuing growth opportunities in Hong Kong and the Greater Bay Area**

Electricity demand is expected to increase as specific market segments electrify, presenting opportunities for CLP to access new markets, establish partnerships in high-growth segments and diversify earnings streams. We operate in different geographies, allowing us to attract capital, technology and talent globally. The energy transition presents new opportunities to CLP through customer-facing solutions and expansion into high-growth market segments by providing different energy services, such as district cooling.

3 **Building an agile and innovative workforce**

Fostering an agile, innovative and safe work environment increases the quality and productivity of CLP's workforce. Enhancing physical and digital skills within the business is necessary to capture growth opportunities in China and supports the uptake of new business models. Gender and ethnic diversity also increase the likelihood of financial outperformance.

4 **Reinforcing resilience in a changing operating environment**

Business resilience is an important component of sustainable value creation and helps protect CLP's assets and cash flows. Negative risks associated with damage to physical assets and operations caused by global warming and cybercrime require careful management. As countries begin to plan for a post-pandemic future, we have a role to play in rejuvenating the economy.

In the Capitals chapter on page 64, discussion will focus on how we utilise our various capitals to address these four financially material topics that impact on enterprise value. For details on material topics that impact people, the environment and the economy, please refer to CLP's 2021 Sustainability Report. SR

The four financially material topics have informed the latest iteration of CLP's strategy in line with best practice. This helps ensure we can stay on top of external risks and challenges, and are well placed to capture opportunities and maximise investment returns in our continual endeavour to be a sustainable business.

Financial Review

Our transformation strategy guides our investments to grow the business sustainably and create value for our stakeholders.

CLP Group's Financial Results and Position at a Glance

Strategy for Becoming a Utility of the Future

Our transformation into a Utility of the Future continued during 2021 by growing our business in a sustainable manner, investing in the decarbonisation of our portfolio, leveraging new technologies and digitising our operations and customer services. As stated in our updated Climate Vision 2050, we are accelerating our plans to phase out coal-based assets by 2040, a decade earlier than previously pledged, while investing in other streams of business, including power transmission, distribution and retail, renewable and other non-carbon emitting energy, as well as energy and infrastructure services. At the same time, we have maintained our focus in ensuring a reliable and affordable supply of energy in the region, creating long-term value for our shareholders.

Progress on the Execution of Our Strategy

In 2021, CLP's transition to low-carbon energy focused on investments to decarbonise the electricity supply in Hong Kong. Construction of the second CCGT and the offshore LNG terminal progressed well. In addition, more than 1.2 million smart meters have been installed and 265MW of capacity has been approved or connected to the grid under the Renewable Energy Feed-in Tariff scheme by the end of 2021.

In Australia, we also progressed on our decarbonisation journey with earlier closure of Yallourn in 2028 and the earlier exit of Mount Piper in 2040. Additionally, we approved and commenced the preparation works of Australia's first net zero emissions power plant, Tallawarra B. In Mainland China, we completed the construction of Qian'an III Wind Farm, CLP's first grid-parity project, and in India, we acquired our second transmission project in late December and progressed the construction of Sidhpur Wind Farm, amid restrictions posed by COVID-19.

Adequate Resources to Support Our Strategy

Free cash flow represents the cash that can be used by a company after taking care of its operations. It can be used to remunerate equity and debt holders and to grow the business.

While a dependable operating inflow from the SoC business remained the key source of funds for our capital investment programme and dividend in 2021, our free cash flow outside Hong Kong was adversely impacted by challenging market conditions. Sustainable financing for our decarbonisation projects, such as the second CCGT and installation of smart meters, have been arranged under the Climate Action Finance Framework and through emission-reduction linked bank facilities.

Where We Stand

- Grow our business sustainably with capital investments in cleaner power and energy infrastructure
- Development of new business initiatives in the Greater Bay Area including the joint design and development of Hong Kong's largest battery energy storage system and operation of a centralised cooling system at a shopping centre in Guangzhou
- Expansion of our non-carbon emitting generation portfolio, now accounting for one quarter of our generation (including long-term capacity and energy purchase arrangements) with earnings increased to HK$2,417 million
- Solid investment grade credit ratings maintained and emission-reduction linked facilities arranged for the first time

Earnings and Dividends

CLP's Dividends Policy aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth.

The Group's financial performance and ultimately, the Group's operating earnings are of paramount importance in CLP's ability to adhere to the Group's Dividends Policy. Despite earnings reduction in 2021, dividend was maintained at the same level backed by a solid financial position and adequate financial resources.

More analysis on the value we created for our shareholders can be found on pages 36 and 37.

Last Year's Statement of Financial Position

	2020 HK$M
Working capital	
Trade and other receivables	12,864
Trade payables and other liabilities	(18,141)
Bank balances, cash and other liquid funds	
Cash and cash equivalents	10,158
Short-term deposits and restricted cash	1,550
	11,708
Others	(298)
	6,133
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	156,515
Goodwill and other intangible assets	20,559
Interests in joint ventures and associates	20,198
	197,272
Others	3,568
	200,840
Debts and other non-current liabilities	
Bank loans and other borrowings *	(54,348)
Others	(26,653)
	(81,001)
Net assets	125,972
Equity	
Shareholders' funds	
Share capital and other reserves	24,987
Retained profits	91,747
Translation reserve	(4,534)
	112,200
Non-controlling interests (NCI) and perpetual capital securities (PCS)	13,772
	125,972

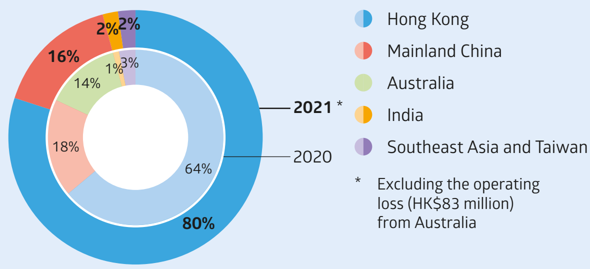
* Including current and non-current portions

	2020	2021	Change
Closing exchange rate			
A$ / HK$	5.9503	**5.6601**	↓ 4.9%
INR / HK$	0.1060	**0.1048**	↓ 1.1%
RMB / HK$	1.1921	**1.2234**	↑ 2.6%
Average exchange rate			
A$ / HK$	5.3799	**5.8286**	↑ 8.3%
INR / HK$	0.1047	**0.1053**	↑ 0.6%
RMB / HK$	1.1237	**1.2057**	↑ 7.3%

Statement of Profit or Loss

	2020 HK$M	2021 HK$M
Revenue	79,590	**83,959**
Operating expenses	(56,858)	**(61,943)**
Other charge	–	**(1,110)**
EBITDAF of the Group	22,732	**20,906**
Share of results of joint ventures and associates, net of tax	2,522	**1,974**
Consolidated EBITDAF	25,254	**22,880**
Depreciation and amortisation	(8,476)	**(9,308)**
Fair value adjustments	460	**(497)**
Net finance costs	(1,737)	**(1,636)**
Income tax expense	(2,993)	**(1,965)**
Profit for the year	12,508	**9,474**
Attributable to NCI and PCS holders	(1,052)	**(983)**
Earnings attributable to shareholders	11,456	**8,491**
Excluding: Items affecting comparability	121	**1,026**
Operating earnings	11,577	**9,517**

Operating Earnings (Before Group Expenses) by Region



* Excluding the operating loss (HK$83 million) from Australia

Statement of Changes in Equity

	Attributable to Shareholders HK$M	Attributable to NCI and PCS holders HK$M
Balance at 1 January 2021	112,200	13,772
Total comprehensive income		
Profit for the year	8,491	983
Exchange differences on translation	(838)	(41)
Other comprehensive income and others	1,013	(7)
	8,666	935
Dividends and distributions paid	(7,832)	(1,032)
Balance at 31 December 2021	**113,034**	**13,675**

Statement of Cash Flows

	2021 HK$M
EBITDAF of the Group	20,906
SoC related movements	75
Working capital movements	101
Non-cash items	(587)
Funds from operations	20,495
Interest received	104
Tax paid	(2,521)
Cash inflow from operating activities	**18,078**
Capital investments	
Capital expenditure	(12,431)
Additions of other intangible assets	(512)
Investments in and loans to joint ventures	(219)
Acquisitions of subsidiaries / assets	(1,036)
	(14,198)
Dividends from joint ventures and associates	2,556
Capitalised finance costs paid and others	(180)
Cash outflow from investing activities	**(11,822)**
Net proceeds from borrowings	2,781
Interest and other finance costs paid ^	(1,713)
Dividends paid to shareholders	(7,832)
Dividends to NCI and others	(1,720)
Cash outflow from financing activities	**(8,484)**
Net decrease in cash and cash equivalents	(2,228)
Cash and cash equivalents at 1 January	10,158
Effect of exchange rate changes	(30)
Cash and cash equivalents at 31 December	**7,900**

Free Cash Flow

Funds from operations	20,495
Less: tax paid	(2,521)
Less: net finance costs paid ^	(1,961)
Less: maintenance capital expenditure (capex)	(1,504)
Add: dividends from joint ventures and associates	2,556
	17,065

^ Including distributions paid to PCS holders

Capital Investments

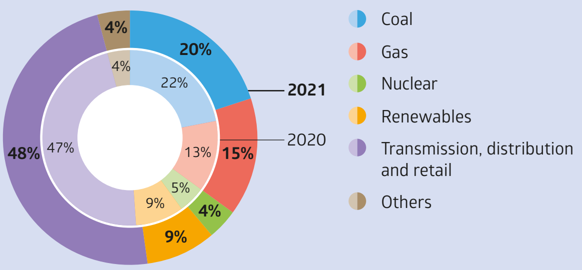
SoC capex	10,347
Growth capex	1,044
Maintenance capex	1,504
Other capex	267
Acquisitions of business / asset	1,036
	14,198

This Year's Statement of Financial Position

	2021 HK$M
Working capital	
Trade and other receivables	15,404
Trade payables and other liabilities	(18,381)
Bank balances, cash and other liquid funds	
Cash and cash equivalents	7,900
Short-term deposits and restricted cash	360
	8,260
Others	1,319
	6,602
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	162,154
Goodwill and other intangible assets	19,710
Interests in joint ventures and associates	19,371
	201,235
Others	4,686
	205,921
Debts and other non-current liabilities	
Bank loans and other borrowings *	(58,215)
Others	(27,599)
	(85,814)
Net assets	**126,709**
Equity	
Shareholders' funds	
Share capital and other reserves	25,893
Retained profits	92,513
Translation reserve	(5,372)
	113,034
NCI and PCS	13,675
	126,709

* Including current and non-current portions

Capital Assets by Asset Type



Analysis on Financial Results

Revenue (2021: HK$83,959 million; 2020: HK$79,590 million; ⬆ 5.5%)

	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**44,994**	41,893	3,101	7.4
Australia	**32,271**	32,357	(86)	(0.3)
India	**4,866**	3,616	1,250	34.6
Mainland China and others	**1,828**	1,724	104	6.0
	83,959	79,590	4,369	5.5

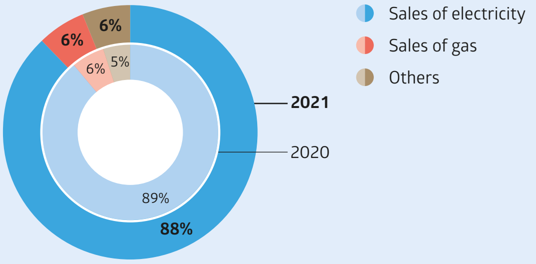
◈ Hong Kong: Higher SoC revenue mainly due to higher units sold as a result of improvement in demand in all sectors with the progressive recovery of the city's economy and favourable weather conditions as well as recovery of higher fuel costs incurred

	2021	2020
Electricity sales (GWh)	**35,355**	33,963
Average net tariff (HK cents per unit)	**121.8**	121.8

◈ India: Higher wind resource and higher generation from Jhajjar Power Station as a result of the rebound of economic activity and increased demand, partially offset by reduced capacity tariff effective April

◈ Mainland China: Increased revenue mainly reflected the impact of Renminbi's appreciation and the contribution brought by Laiwu III Wind Farm since its commissioning in September 2020, which were largely offset by the lower revenue from hydro projects mostly due to lower water flow

Revenues by Nature



◈ Australia

Excluding the impact from higher Australian dollar average exchange rate of HK$2.7 billion:

- Customer: Retail revenue reduced by 11% mainly due to lower usage from both mass market and business customers as the Australian economy continued to be hampered by ongoing COVID-19 restrictions

	2021	2020
Electricity sales (TWh)		
Mass Market	**9.1**	9.7
Commercial and Industrial	**7.0**	7.9
Gas sales (PJ)		
Mass Market	**33.0**	32.2
Commercial and Industrial	**4.2**	9.8

- Energy: Stable generation revenue attributable to higher generation from Mount Piper with higher availability, largely offset by lower generation at Yallourn due to a mine suspension event following exceptional heavy rain in June and a major outage during the last quarter of 2021

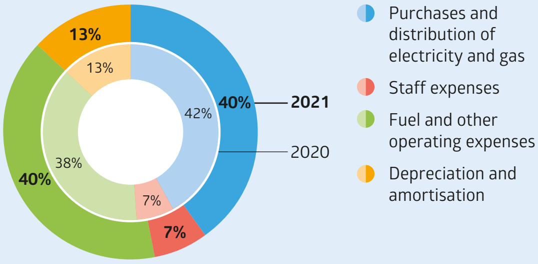
	2021	2020
Yallourn		
Generation (GWh)	**7,969**	8,378
Average pool price in Victoria (A$ / MWh) *	**44.9**	51.8
Mount Piper		
Generation (GWh)	**6,737**	6,346
Average pool price in New South Wales (A$ / MWh) *	**72.4**	59.8

* Represented the 12-month average pool prices in relevant states published by Australian Energy Market Operator (AEMO)

Operating Expenses (2021: HK$61,943 million; 2020: HK$56,858 million; ⬆ 8.9%)
Depreciation and Amortisation (2021: HK$9,308 million; 2020: HK$8,476 million; ⬆ 9.8%)

◈ Hong Kong: Higher fuel cost on higher units sold and rising fuel prices; higher depreciation on continuous capital investments

Expenses by Nature



◈ Mainland China: Remained at a similar level as last year

◈ Australia: Mainly reflected the exchange rate impact, higher gas purchase costs and Morwell River Diversion (MRD) solution costs offset by lower credit loss provision (as one-off provision made in 2020 in view of the pandemic); accelerated depreciation resulting from the advanced retirement of Yallourn

◈ India: Higher coal costs from higher generation, higher operation and maintenance expenses from major planned maintenance and impairment provision for Jhajjar

Consolidated EBITDAF* (2021: HK$24,499 million; 2020: HK$25,375 million; ⬇ 3.5%)

	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	%
Hong Kong *	**17,485**	16,390	1,095	6.7
Mainland China	**3,339**	3,808	(469)	(12.3)
Australia *	**2,792**	4,041	(1,249)	(30.9)
India *	**1,519**	1,481	38	2.6
Southeast Asia and Taiwan *	**183**	386	(203)	(52.6)
Corporate	**(819)**	(731)	(88)	(12.0)
	24,499	25,375	(876)	(3.5)

* Excluding items affecting comparability

- Hong Kong: Permitted rate of return applied to higher average net fixed assets led to an increase in the permitted return (before depreciation and tax), and fair value gains (2020: loss) on innovation funds due to the evolution of the underlying investments

- Mainland China: Substantial loss (2020: profit) incurred by coal-fired projects due to rising coal prices partly compensated by increased tariff, effective from last quarter of 2021, in response to the higher coal prices; lower renewable profit due to lower resource for hydro projects and loss from divestment of two minority-owned wind projects despite full year contribution from Laiwu III since September 2020 and better performance from solar projects; record high generation at Yangjiang Nuclear Power Station mostly due to demand increase, while Daya Bay Power Plant operated stably

- Australia: Significantly lower contribution from the Energy business in 2021 attributable to lower realised contract prices, higher gas supply costs and lower generation from Yallourn, mostly due to a temporary mine suspension in June; slightly higher contribution from the Customer business mainly driven by reduced provision for bad and doubtful debts

- India: Higher wind generation from higher resource and availability, and full year profit in 2021 from the two solar projects acquired in March and April 2020, largely offset by lower capacity tariff and higher operation and maintenance expenses at Jhajjar

Items Affecting Comparability

	2021 Before Tax HK$M	2021 After Tax & NCI HK$M	2020 Before and After Tax HK$M
Hong Kong	**(34)**	**(34)**	(121)
Australia	**(1,562)**	**(1,093)**	–
India	**(330)**	**(148)**	–
Southeast Asia and Taiwan	**307**	**249**	–
	(1,619)	**(1,026)**	(121)

- Hong Kong: Revaluation loss on the retail portion of the Laguna Mall in line with the property market trend
- Australia:
  - In March, the litigation arising from the disposal of Iona Gas Plant was resolved and a settlement was paid and recognised as "other charge" in the profit or loss (Note 4 to the Financial Statements)
  - After extremely heavy rain in June, cracks were discovered in the structures of the MRD. Costs in respect of examination of the extent of the damage along with potential rectification options were recognised in 2021 (Note 5(e) to the Financial Statements)
- India: Due to the change in the long-term outlook for coal generation in India, an impairment assessment of Jhajjar Power Station has been performed and a write down was recognised in 2021
- Southeast Asia and Taiwan: Remaining consideration received from the sale of our entire interest in a Vietnam project upon its financial close in 2021

- Southeast Asia and Taiwan: Substantial decrease in Ho-Ping's results due to higher coal prices, particularly in the second half of the year, and lower energy tariff (reflecting the lagging effect of prior year's lower coal prices); Lopburi solar farm operated steadily with stable solar resource

Fair Value Adjustments (2021: Loss of HK$497 million; 2020: Gain of HK$460 million)

- Mostly related to the fair value changes of energy derivative contracts (e.g. swaps and options) used to hedge the volatility of energy prices in Australia which do not qualify for hedge accounting

- Higher forward electricity prices in 2021 resulted in unfavourable fair value adjustments on sold energy derivative contracts, compared to the favourable impact of falling forward prices in 2020

Net Finance Costs (2021: HK$1,636 million; 2020: HK$1,737 million; ⬇ 5.8%)

	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**868**	996	(128)	(12.9)
Mainland China	**239**	237	2	0.8
Australia	**126**	88	38	43.2
India	**394**	440	(46)	(10.5)
Corporate	**9**	(24)	33	N/A
	1,636	1,737	(101)	(5.8)

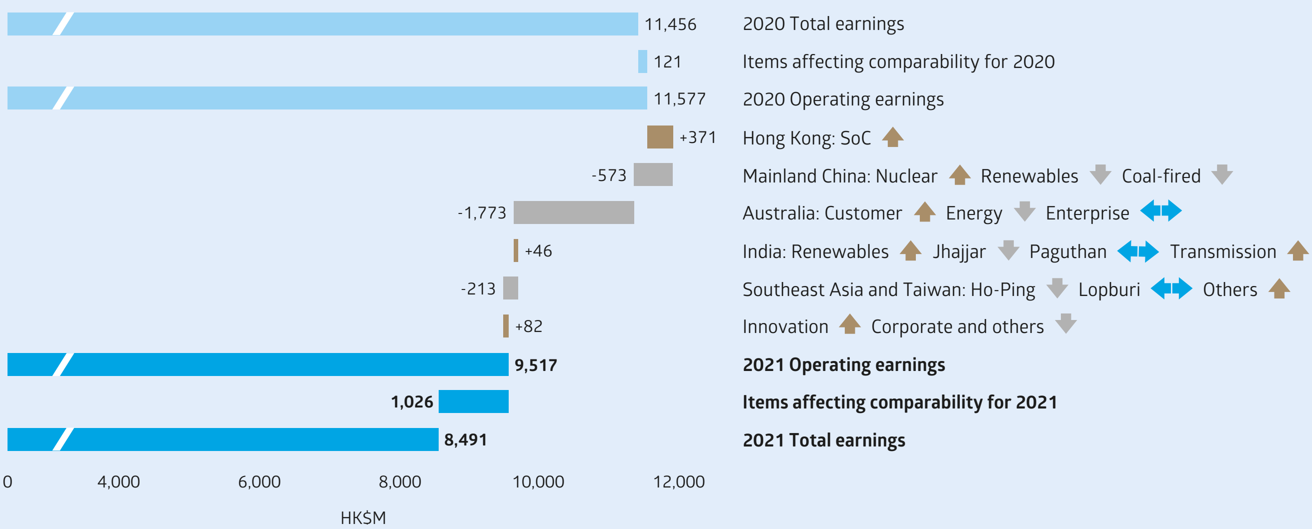
- Hong Kong: Lower interest expenses on lower average interest rates
- Australia: No borrowings in both years, higher finance costs in 2021 as it was the first full year with unwinding interest of lease obligations for the right-of-use assets which commenced in mid-2020 (mainly Mount Piper's water treatment plant and the new Melbourne office leases)
- India: Lower interest on reduced borrowings with continuous repayments made during the year
- Corporate: Significantly lower finance income due to lower average deposit rates

Income Tax Expense (2021: HK$1,965 million; 2020: HK$2,993 million; ⬇ 34.3%)

	2021 HK$M	2020 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**2,040**	1,870	170	9.1
Mainland China	**329**	314	15	4.8
Australia	**(524)**	703	(1,227)	N/A
India	**52**	106	(54)	(50.9)
Southeast Asia and Taiwan	**68**	–	68	N/A
	1,965	2,993	(1,028)	(34.3)

- Hong Kong: In line with higher profits
- Mainland China: Higher withholding tax for undistributed profits from nuclear associates largely offset by lower income tax on lower profits from renewable subsidiaries and lower withholding tax on undistributed profits of coal-fired joint ventures
- Australia: Tax credit of HK$524 million (2020: expense of HK$703 million) in line with the operating loss (including the MRD solution costs) and the tax refund related to the litigation settlement received
- India: Lower financial performance (after including the impairment provision for Jhajjar) accounted for the lower tax expense despite higher tax expense on higher renewable profits
- Southeast Asia and Taiwan: Represented the capital gain tax on the remaining consideration received from the sale of the Vietnam project

Total Earnings (2021: HK$8,491 million; 2020: HK$11,456 million; ⬇ 25.9%)
Operating Earnings (2021: HK$9,517 million; 2020: HK$11,577 million; ⬇ 17.8%)



The performance of individual business is analysed on "Business Performance and Outlook" on pages 38 to 63.

Analysis on Financial Position

Fixed Assets, Right-of-Use Assets and Investment Property (2021: HK$162,154 million; 2020: HK$156,515 million; ⬆ 3.6%)
Goodwill and Other Intangible Assets (2021: HK$19,710 million; 2020: HK$20,559 million; ⬇ 4.1%)

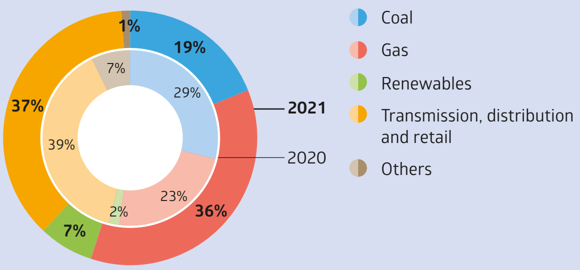
	Fixed Assets, Right-of-Use Assets and Investment Property HK$M	Goodwill and Other Intangible Assets HK$M	Total HK$M	Breakdown SoC Assets HK$M	Breakdown Non-SoC Assets HK$M
Balance at 1 January 2021	156,515	20,559	177,074	119,873	57,201
Acquisition of a subsidiary #	1,914	–	1,914	–	1,914
Additions	13,644	512	14,156	10,398	3,758
Depreciation and amortisation	(8,485)	(823)	(9,308)	(5,434)	(3,874)
Translation differences and others *	(1,434)	(538)	(1,972)	(484)	(1,488)
Balance at 31 December 2021	**162,154**	**19,710**	**181,864**	**124,353**	**57,511**

Related to the acquisition of a transmission project in India

* Mainly depreciation of Australian dollar, impairment charge for Jhajjar and disposal of fixed assets

- SoC: Addition of HK$10.4 billion mainly related to the progress of the second CCGT unit and the laying of subsea gas pipeline at the offshore LNG terminal, and continuous enhancement of the transmission and distribution networks (e.g. substations for data centres) and customer service facilities (e.g. installation of smart meters)
- Mainland China: Completed the construction of Qian'an III wind project in 2021
- Australia: HK$2.7 billion additions mainly related to the commencement of work for building a net-zero emissions power plant in Tallawarra ("Tallawarra B"), turbine upgrade at Mount Piper, continuous improvement works on existing generation fleet (mainly Yallourn) and customer service related systems
- India: Continued construction of Sidhpur wind farm

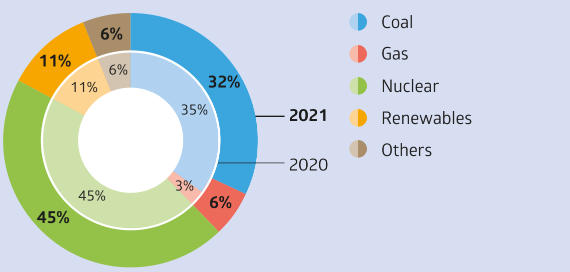
Capital Additions by Asset Type



Interests in Joint Ventures and Associates (2021: HK$19,371 million; 2020: HK$20,198 million; ⬇ 4.1%)

- Hong Kong: Shareholder's loan of HK$464 million made to HKLTL (LNG Terminal joint venture) in 2021 to progress the jetty construction
- Mainland China: Losses incurred by the coal-fired projects, divestment of two minority-owned wind projects and the scheduled repayment of ShenGang Pipeline's shareholder loan partly offset by translation gains (around HK$0.4 billion) on our investments due to Renminbi appreciation
- Southeast Asia and Taiwan: Mainly dividend from OneEnergy Taiwan (which holds our interest in Ho-Ping Power Station) received in 2021

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments
Assets: 2021: HK$3,482 million; 2020: HK$3,513 million; ⬇ 0.9%
Liabilities: 2021: HK$2,666 million; 2020: HK$3,301 million; ⬇ 19.2%

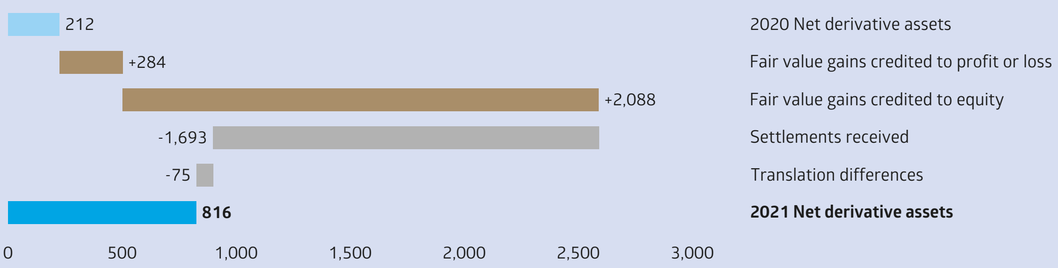
Derivative financial instruments are primarily used to hedge foreign exchange, interest rate and energy price risks. As at 31 December 2021, the fair value of these derivative instruments was a net surplus of HK$816 million, representing the net amount receivable if these contracts were closed out at year end. However, the changes in fair value of derivatives have no impact on cash flows until settlement.

- Interest rate swaps and cross currency interest rate swaps: Higher derivative liabilities for cross currency interest rate swaps mainly due to higher HKD market interest rates as CLP Power Hong Kong and CAPCO receive USD fixed rates and pay HKD floating rates under these swaps
- Energy contracts: Fair value gains on oil-price-linked gas purchase derivative contracts due to increase in forward oil prices, partially offset by fair value losses on derivative contracts selling electricity due to rising forward electricity prices

	Notional Amount		Derivative Assets / (Liabilities)	
	2021 HK$M	2020 HK$M	**2021 HK$M**	2020 HK$M
Forward foreign exchange contracts and foreign exchange options	**28,973**	22,093	**(30)**	(39)
Interest rate swaps and cross currency interest rate swaps	**35,295**	35,392	**(934)**	(819)
Energy contracts #	**N/A**	N/A	**1,780**	1,070
			816	212

The aggregate notional volumes of the outstanding energy derivatives at 31 December 2021 were 311,808GWh (2020: 212,089GWh) and 7 million barrels (2020: 10 million barrels) and 4,382TJ (2020: 2,240TJ) for electricity, oil and gas respectively.

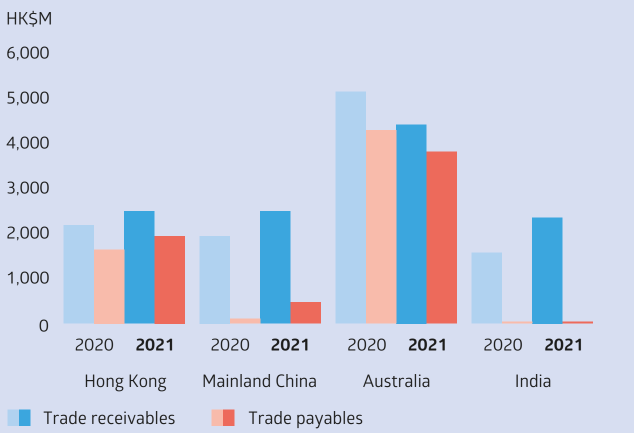
Movements in Derivative Financial Instruments (HK$M)



Trade and Other Receivables (2021: HK$15,404 million; 2020: HK$12,864 million; ⬆ 19.7%)
Trade Payables and Other Liabilities (2021: HK$18,381 million; 2020: HK$18,141 million; ⬆ 1.3%)

- Hong Kong: Trade debtors' evolution in line with higher sales; trade payables impacted by higher capex and higher fuel prices
- Mainland China: Higher accrued national subsidies for renewable projects due to continuous delay in settlement, and dividend receivable from Daya Bay associate at year end (2020: nil)
- Australia: Increased receivables from futures margin accounts as more deposits were paid to meet contract settlement requirements (unfavourable futures contract position at year end) partially offset by lower debtors from lower sales; payable balances decreased mainly reflecting the impact of lower Australian dollar closing rate
- India: Higher debtor balances in line with increase in generation from Jhajjar and wind projects, and debtor balance of the new KMTL transmission project

Trade Receivables / Payables by Region



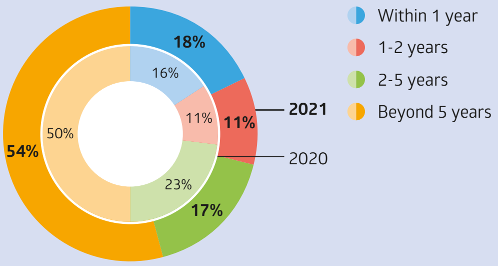
Analysis on Financial Position (continued)

Bank Loans and Other Borrowings (2021: HK$58,215 million; 2020: HK$54,348 million; ↑ 7.1%)

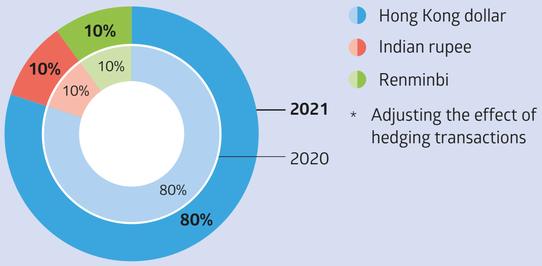
- Major changes in financing during the year included:
  - Hong Kong: New issuance including US$300 million (HK$2.3 billion) Energy Transition Bond for the construction of the second CCGT unit, US$100 million (HK$777 million) New Energy Bond for continued rollout of smart meters and US$300 million (HK$2.3 billion) for the refinancing of Medium Term Notes matured in 2021 and other purposes
  - Mainland China: RMB587 million (HK$705 million) project loan facility arranged, with part of it drawn for payment of Qian'an III wind farm's construction costs
  - India: Repayments by existing projects as scheduled and inclusion of HK$1.0 billion borrowings following the acquisition of the transmission project
  - Australia: No debt position maintained
- Net debt to total capital ratio increased from 25.1% to 28.1% driven by increased net debt to finance capital investment for sustainable growth and decarbonisation
- In May and June, Standard & Poor's (S&P) and Moody's affirmed all the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1) with stable outlooks; S&P affirmed the credit rating of EnergyAustralia (BBB+) but changed the rating outlook to negative in October

More details of financing activities and credit ratings can be found on "Financial Capital" on page 67.

Loan Balances by Maturity



Loan Balances by Currencies *



* Adjusting the effect of hedging transactions

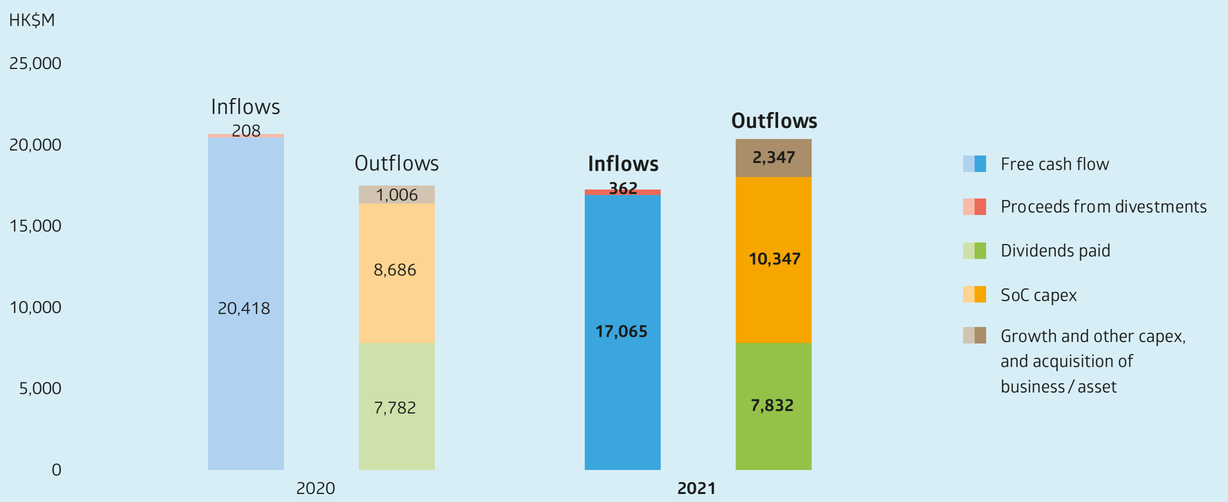
Analysis of Financial Obligations

The consolidated financial statements only show the financial obligations of CLP Holdings and its subsidiaries (category 1). In order to have a full picture of the financial risks of the Group associated with unconsolidated financial obligations, the borrowings of equity accounted entities (category 2) and off-balance sheet contingent liabilities (category 3) are also included. The full financial obligations of the Group are presented below:

	Category		2021	2020	
CLP	1 Consolidated	Debts and Borrowings of CLP Holdings and Subsidiaries	HK$58,215 million	HK$54,348 million	Borrowings of subsidiaries are non-recourse to CLP Holdings.
+					
CLP	2 Equity Accounted	Share of Debts of Joint Ventures and Associates	HK$15,168 million	HK$16,363 million	These debts are non-recourse to CLP Holdings and its subsidiaries. The share of debts is calculated by reference to the Group's shareholdings in the relevant joint ventures and associates.
+					
CLP	3 Off-balance Sheet	Contingent Liabilities	Nil	HK$8,622 million	Details of the contingent liabilities are set out in Note 33 to the Financial Statements.

Analysis of Cash Flow

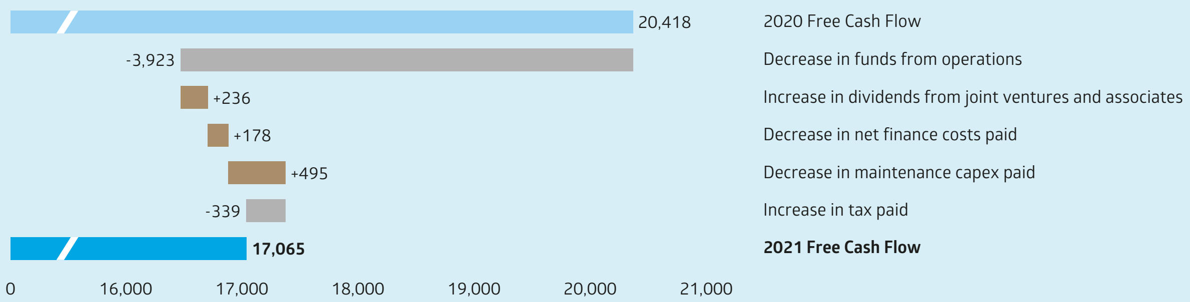
Analysis of Inflows and Outflows



Free Cash Flow (2021: HK$17,065 million; 2020: HK$20,418 million; ⬇ 16.4%)

- Free cash flow decreased by HK$3,353 million because of:
  - Hong Kong: Increase in fuel costs under-recovered from customers and higher tax paid mainly due to timing of payment
  - Mainland China: Lower dividend from joint ventures as cash flows were adversely impacted by rising coal prices while dividend from nuclear associates remains strong
  - Australia: Significant reduction in operating cash inflows in line with challenging market conditions and unfavourable working capital movements (in particular net payment (2020: receipt) for energy derivative contracts after including the futures margin deposits paid due to unfavourable (2020: favourable) derivative position at year end) offset by lower maintenance capex for our coal assets
  - Southeast Asia and Taiwan: Dividend of HK$501 million from OneEnergy Taiwan received in 2021 (2020: HK$9 million)
- Capital investments include:
  - HK$10.3 billion of SoC capex for construction of cleaner energy infrastructure and enhancement of transmission and distribution networks and customer-centric facilities
  - HK$1.0 billion of growth capex related to our wind projects in Mainland China and India, and development of Tallawarra B and Mount Piper's turbine upgrade in Australia
  - Acquisition of business/asset and other capex mainly related to the acquisition of the KMTL transmission project (2020: two solar projects) in India, deposits paid for the new head office at Kai Tak and continuous improvement in customer service systems in Australia

Movements in Free Cash Flow (HK$M)



Broader Perspective

	2021	2020	2019	2018	2017
Performance Indicators					
EBITDAF [1] (HK$M)	**22,880**	25,254	18,656	28,571	27,662
ACOI [2] (HK$M)	**15,191**	16,899	17,002	20,998	19,925
Operating earnings (HK$M)	**9,517**	11,577	11,121	13,982	13,307
Total earnings (HK$M)	**8,491**	11,456	4,657	13,550	14,249
Return on equity (%)	**7.5**	10.5	4.3	12.4	13.8
Operating return on equity [3] (%)	**8.5**	10.6	10.4	12.8	12.9
Financial Health Indicators					
Undrawn facilities (HK$M)	**28,076**	25,737	18,854	24,059	25,924
Total borrowings (HK$M)	**58,215**	54,348	52,349	55,298	57,341
Fixed rate borrowings to total borrowings (%)	**61**	63	54	53	52
FFO interest cover (times)	**12.5**	13.2	11.9	13.4	14.6
FFO to debt [4] (%)	**36.4**	45.8	43.7	47.2	48.6
Net debt to total capital (%)	**28.1**	25.1	26.7	25.5	27.8
Debt / Capitalisation [5] (%)	**29.3**	30.0	25.3	24.7	28.4
Shareholders' Return Indicators					
Dividend per share (HK$)	**3.10**	3.10	3.08	3.02	2.91
Dividend yield (%)	**3.9**	4.3	3.8	3.4	3.6
Dividend payout [6] (%)	**82.3**	67.7	70.0	54.6	55.2
Total return to shareholders [7] (%)	**5.8**	5.2	8.7	9.6	8.4
Price / operating earnings [8] (times)	**20.9**	15.7	18.6	16.0	15.2
Cash Flows and Capital Investments					
FFO (HK$M)	**20,495**	24,418	23,502	26,584	26,506
Free cash flow [9] (HK$M)	**17,065**	20,418	20,027	21,766	22,867
Capital investments (HK$M)	**14,198**	11,691	11,861	12,045	15,270
Capital expenditure	**12,431**	10,586	10,448	10,327	9,538
Investments in joint ventures and associates, and additions to intangible assets	**731**	909	1,197	515	5,732
Acquisitions of subsidiaries / assets	**1,036**	196	216	1,203	–

Notes:

1 EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on non-debt related derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges

2 ACOI (Adjusted Current Operating Income) representing operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and fair value adjustments

3 Operating return on equity = Operating earnings / Average shareholders' funds

4 FFO to debt = FFO / Average debt; debt = bank loans and other borrowings

5 Capitalisation = Closing share price on the last trading day of the year x number of issued shares at the end of the year

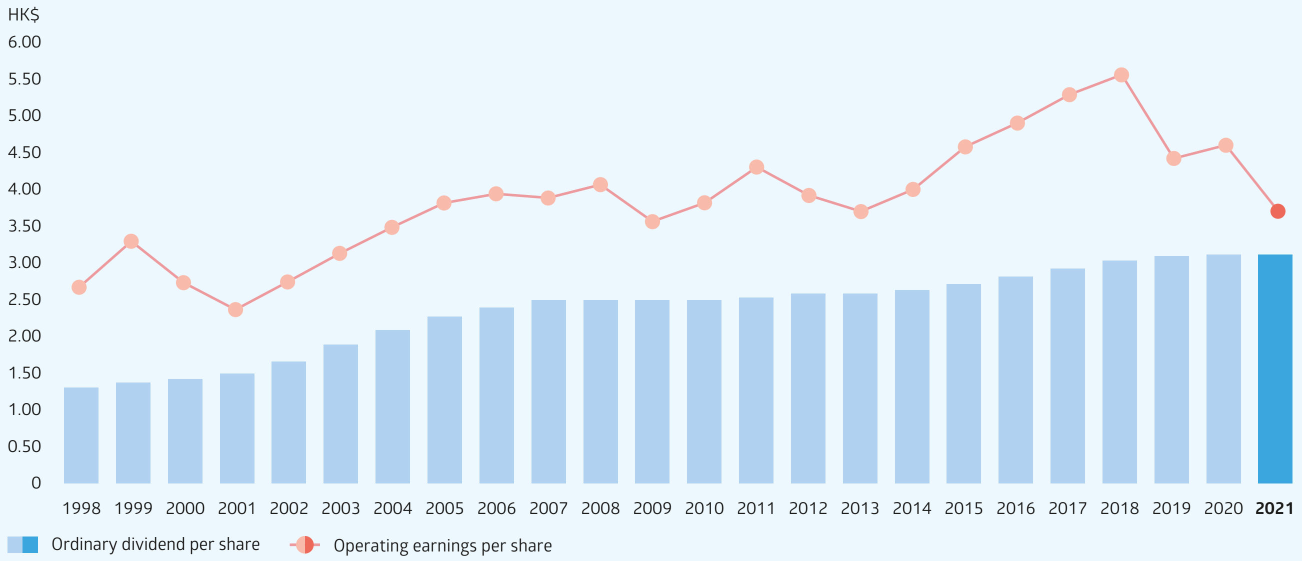
6 Dividend payout = Dividend per share / Operating earnings per share

7 Total return to shareholders representing the 10-year annualised rate of return from the combination of share price appreciation and dividend payments

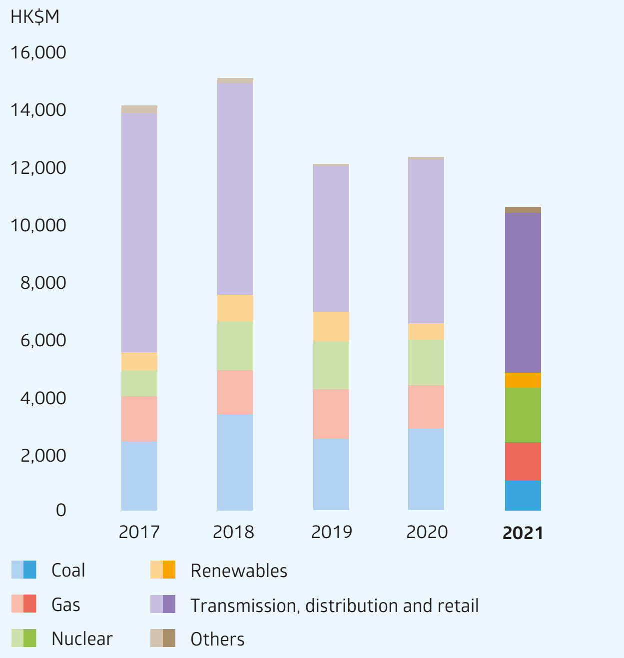
8 Price / operating earnings = Closing share price on the last trading day of the year / Operating earnings per share

9 Free cash flow = FFO – income tax paid + interest received – interest and other finance costs paid – maintenance capital expenditure paid + dividends received from joint ventures and associates

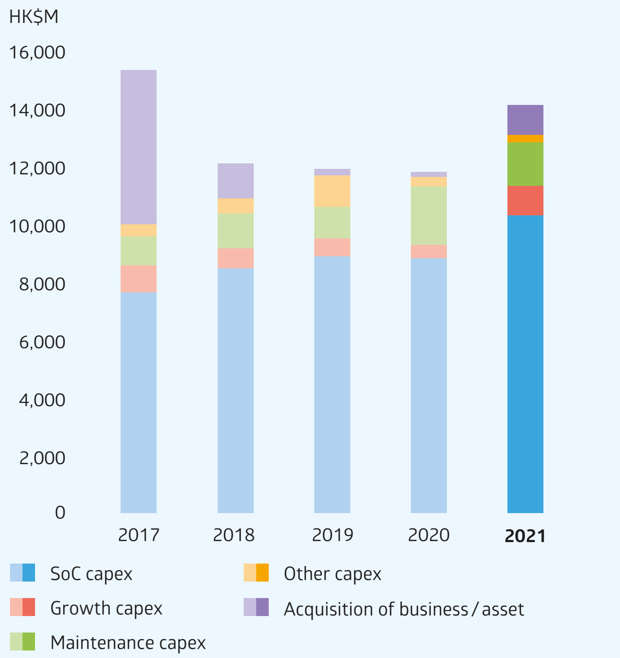
Operating Earnings and Dividend per Share



Operating Earnings (Before Unallocated Expenses) by Asset Type



Capital Investments



Business Performance and Outlook

We aim to strengthen our capability, agility and adaptability to identify and provide the energy solutions suitable for each of our markets.

Hong Kong

Decarbonising our generation portfolio to support Hong Kong's carbon neutral target and improving energy efficiency for customers.

Opening ceremony for a new gas-fired generation unit at Black Point Power Station

Hong Kong

Overview

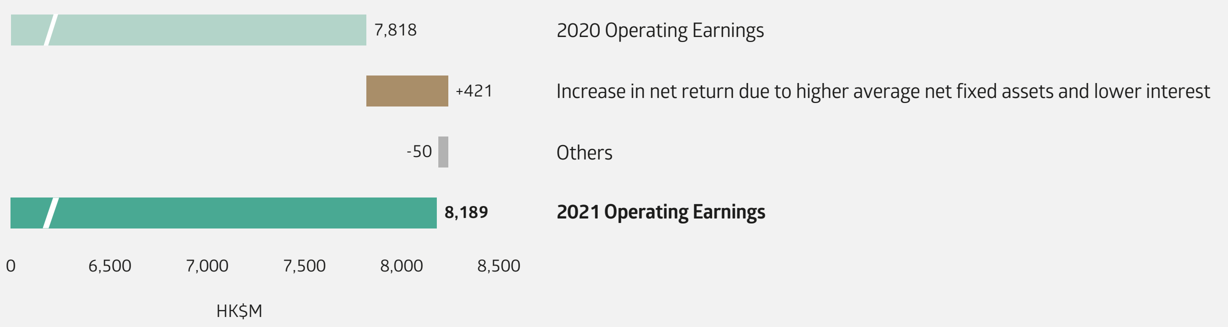
Hong Kong's economy continued to recover from the impact of COVID-19 in 2021 due to rising vaccination rates, falling case number and the Government's stimulus measures that gradually opened up the economy. However, the spread of new variants across the globe and lingering international travel restrictions have made the timeline for full recovery uncertain, with some sectors particularly badly hit. Meanwhile, volatile international fuel prices and supply chain issues led to surging electricity tariffs and even the collapse of some overseas energy companies. Against this challenging backdrop, CLP took decisive and timely steps to ensure the impact of international fuel market volatility could be minimised while its customers continued to receive a stable, safe electricity supply with a world-class 99.999% reliability rate.

Electricity sales in Hong Kong rose 4.1% to 35,355 gigawatt hours (GWh) as easing social restrictions and increased consumer spending spurred economic activity, lifting demand in all sectors. The infrastructure, public services and commercial sectors saw the biggest increases in demand as schools, social activities and government services gradually resumed normal after disruptions caused by the pandemic since 2020. Restaurants, shops and hotels saw increased activity from a low base at the beginning of 2021 as the COVID-19 situation eased. Record temperatures in March, May and September also contributed to higher electricity sales.

In 2021, the number of customer accounts rose to 2.71 million, compared with 2.67 million in 2020.

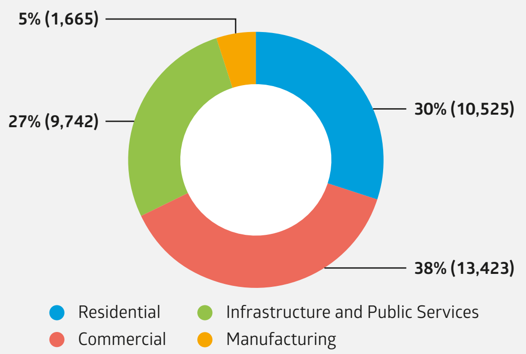
Operating earnings of Hong Kong electricity business increased 4.7% to HK$8,189 million from a year earlier on the back of higher investment. The performance of the business is summarised below:

Operating Earnings of Hong Kong Electricity Business



Hong Kong Electricity Sales in 2021

Local Sales by Sector
% (GWh)



Sales Growth by Sector

	Increase %
Residential	2.2
Commercial	4.2
Infrastructure and Public Services	6.2
Manufacturing	3.0

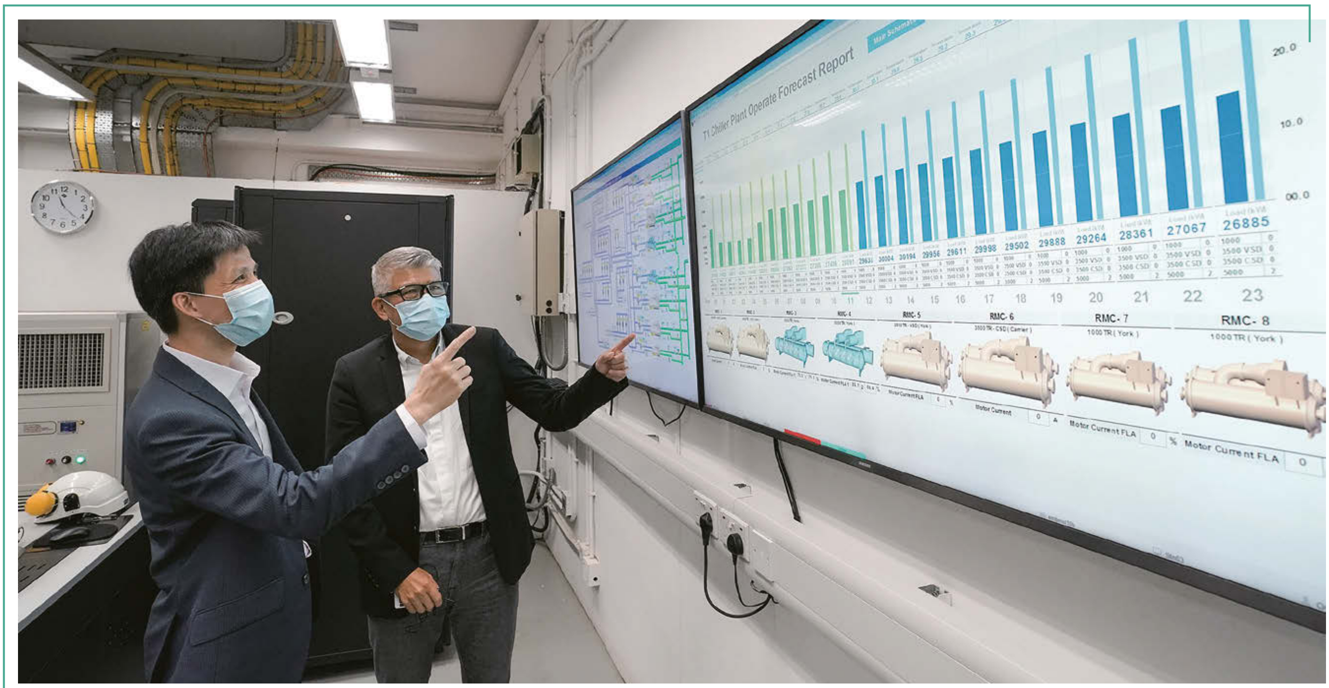
A steep rise in international fuel prices and the increased use of gas in line with environmental targets set by the Government drove up fuel costs, leading to an increase in electricity tariffs for 2022. To ease the financial burden on customers, a total of around HK$2.5 billion was drawn from the Tariff Stabilisation Fund, the Fuel Clause Recovery Account and the CLP Community Energy Saving Fund, combined with a Rent and Rates Special Rebate. These measures resulted in a freeze in the Basic Tariff, while the deployment of two special rebates reduced the increase in the Average Net Tariff from 10.5 HK cents (8.6%), to 7.1 HK cents (5.8%). CLP also announced a HK$220 million package of community support programmes for 2022 to encourage energy saving, help people in need and accelerate Hong Kong's economic recovery.

Laying Foundations for Growth

CLP continued to benefit from increased demand created by new projects such as data centres and government infrastructure projects. To meet new growth, CLP expanded investment aimed at ensuring the demand could be met with high levels of safety and reliability, while moving Hong Kong towards a lower-carbon, smart city consistent with the Government's policy objectives.

As part of its ongoing review of CLP's capital expenditure programmes, the Government approved additional projects to meet evolving electricity demand requirements from customers. This will raise the total capital expenditure for the 2018 Development Plan, covering the period of October 2018 to the end of 2023 from HK$52.9 billion to HK$56.1 billion.

The Government also announced a number of long-term large-scale infrastructure projects, including the Northern Metropolis Development Strategy and the Lantau Tomorrow Vision, which are expected to create additional growth momentum. CLP will provide the energy infrastructure needed to support these developments as they take shape.



CLP has teamed up with the Airport Authority Hong Kong to design and develop the city's largest battery energy storage system combined with a predictive control system for air conditioning.

Cultivating a Greener Future

At home and overseas, 2021 saw landmark moments in the battle against climate change. Internationally, the 26th United Nations Climate Change Conference of the Parties (COP26) was attended by thousands of world leaders, policymakers, business executives, negotiators, scientists and activists. In Hong Kong, the Government published its Climate Action Plan 2050, setting out a clear roadmap to achieve carbon neutrality by 2050.

CLP gave its wholehearted support to Hong Kong's long-term decarbonisation strategy, following the Group's earlier announcement of the updated Climate Vision 2050 with targets to achieve net-zero greenhouse gas emissions across the energy value chain by 2050 and phase out coal in all operations by 2040. CLP will work closely with the Hong Kong Government and its customers to find the best ways to introduce new zero-carbon energy sources, reduce the carbon intensity of the power supply and speed up electrification to reduce carbon emissions from transport and other sectors.

In October, CLP held an official launch ceremony for D1, a combined-cycle gas turbine (CCGT) unit at Black Point Power Station using new generation technology. Unit D1 has been in operation since mid-2020 and lifted the ratio of natural gas in CLP's fuel mix from below 30% in 2019 to around 50% in 2020. D2, a second CCGT unit on an adjacent site due to go into service in 2023, will further add to CLP's gas generation capacity. Construction of unit D2 progressed on schedule in 2021, with CLP deploying mitigation strategies to minimise pandemic-related supply chain disruptions.

CLP meanwhile moved forward with the construction of an offshore LNG terminal in the south-western waters of Hong Kong, which will allow for increased reliability, diversity and competitiveness of our gas supply arrangements. Considerable progress was made with the jacket structures on the jetty site, and subsea pipelaying works were completed. The LNG terminal is expected to go into service in 2022.

Coal-fired generation facilities will be retired in stages as the use of natural gas increases. CLP plans to gradually phase out units at Castle Peak A Power Station in the coming years as it reaches the end of its commercial life. It will stop using coal for day-to-day electricity generation at Castle Peak B Power Station by 2035.

At the same time, CLP is promoting the development of renewable energy. Pre-development studies continued into the feasibility of an offshore wind farm in the south-eastern waters of Hong Kong. Early findings indicate improvements in turbine technology and costs will make offshore wind farms an increasingly viable option in the medium term.

At the end of 2021, 265MW of capacity had been approved or connected to the grid under the Renewable Energy Feed-in Tariff scheme, up from 175MW a year earlier. Renewable Energy Certificates received an increasingly positive response with sales growing 185% as more customers committed to larger and longer-term purchases. The biggest buyer, Hang Seng Bank, committed to purchase nearly 154GWh of renewable energy over a 10-year period from 2021, equivalent to a reduction of over 60,000 tonnes of carbon emissions from electricity use.

CLP's waste-to-energy generation station at the West New Territories (WENT) landfill site – Hong Kong's biggest facility using landfill gas for electricity generation which began operations in 2020 – provided 38GWh of clean energy to the grid. Construction meanwhile progressed on Hong Kong's first integrated waste management facility, which will burn municipal waste to produce energy. The facility on an offshore island will be connected to CLP's grid by a subsea cable.

CLP continued to work with the Government to explore ways to enhance regional cooperation on zero-carbon energy and to identify sources of carbon-free energy from neighbouring regions, including joint investment and development opportunities as well as zero-carbon energy projects near Hong Kong. The company will continue to explore emerging technologies and is looking at opportunities to convert its gas generation infrastructure to support the use of green fuels such as zero-carbon hydrogen. Towards this end, the CLP Group signed a Memorandum of Understanding with GE, a multinational company, to jointly develop a decarbonisation roadmap for CLP's gas-fired generation facilities at Black Point Power Station and to explore new technologies for the use of low-carbon fuels such as hydrogen.

Enhancing Customer Experience and Empowerment

The journey to a net-zero future involves not only decarbonising the electricity supply but also encouraging customers to embrace low-carbon lifestyles leveraging the power of digital technologies. CLP promotes energy efficiency to reduce overall electricity demand and is rolling out smart meters across its supply area to allow customers to better manage their electricity use. Smart meters give customers access to detailed consumption data and allow them to participate in demand response programmes. Despite a shortfall in the supply of new meters resulting from a global chip shortage, CLP had connected more than 1.2 million smart meters by the end of 2021. Its goal of replacing conventional electricity meters with smart meters for all customers by 2025 remains on track.

An illustration of the benefits of energy saving by customers came on 27 July when electricity demand reached a new peak of 7,477MW. CLP managed its system load by incentivising more than 30,000 of its commercial, industrial and residential customers to take part in a demand response programme and reduce their energy use in the most critical hours. Without the demand response programme, peak power demand would have been over 70MW higher.

Other smart solutions were deployed to help larger businesses become more energy efficient. CLP teamed up with the Airport Authority Hong Kong to jointly design and develop the city's largest battery energy storage system (BESS) combined with a predictive control system for air conditioning in one of the airport's terminals. With a maximum power output of 4MW, the BESS serves as an emergency back-up power supply system, storing electricity produced by the existing generators during routine testing. The BESS operates without fuel and is more environmentally friendly than existing back-up generators.

The predictive control system, meanwhile, uses big data analytics tools to anticipate the cooling needs of the terminal building 24 hours in advance, then automatically adjusts the air conditioning system to provide the right amount of cooling and eliminate unnecessary energy consumption. The system, co-developed by CLP, the Airport Authority Hong Kong, and the Hong Kong Observatory, was named Energy Project of the Year for the Asia-Pacific Rim region by the US-based Association of Energy Engineers.

CLP launched an Electrical Equipment Upgrade Scheme in 2018 to provide subsidies for commercial and industrial customers to replace or upgrade lighting systems, air conditioners and other electrical equipment with more energy-efficient models. Increased awareness of the programme led to a rise of applications and a total energy saving of 33GWh in 2021.

Meanwhile, a new CLP website was successfully launched in October, upgrading the website from legacy technology to a modern, secure, and scalable cloud-based platform that offers better browsing experience and a new level of digital customer service. Customers are empowered to carry out more self-service in a shorter time thanks to a new help and support centre, personalised content based on their online behaviour, friendly chatbot assistance and a faster loading website. Responses have been positive with increases recorded in new visitors, unique sessions and time spent browsing pages. Feedback on web content and potential improvements will be constantly monitored to keep pace with customer expectations.

CLP continued to support the use of electric vehicles in Hong Kong by providing free charging facilities. In 2020, the company launched a programme called Eco Charge 2.0 to provide one-stop technical and customer support to owners and managers of private residential buildings interested in applying for government funding to install charging infrastructure in car parks. By the end of 2021, CLP had completed preliminary assessments for around 94% of the 451 applications received so far, covering proposals for around 119,000 parking bays.

Outlook

Power generation currently accounts for about two-thirds of Hong Kong's carbon emissions. As the city's largest electricity supplier, CLP has a key role to play in supporting Hong Kong's journey to a carbon-free future. CLP will continue to focus on the construction and realisation of a number of major decarbonisation infrastructure projects, including the offshore LNG Terminal, the D2 unit at Black Point Power Station, the enhancement of the Clean Energy Transmission System connecting the CLP grid to Guangdong and the possibility of an offshore wind farm.

The commissioning of the offshore LNG Terminal planned for 2022 will mark a significant step forward in the procurement of natural gas, and CLP is determined to work towards the project's successful completion and smooth operation. The company will also explore opportunities in zero-carbon hydrogen and other technologies to further reduce carbon emissions from electricity generation.

As it takes the next steps on the journey to net zero, CLP will continue to encourage customers and the community to be more energy efficient and accelerate the installation of smart meters. CLP is also committed to exploring new technologies to further enhance its digital capabilities, operational reliability and customer service, while promoting energy education and caring for people in need through a broadening range of community initiatives.

Q&A

Mr Raymond Tong
CEO and Executive Director,
SUNeVision Holdings Ltd.

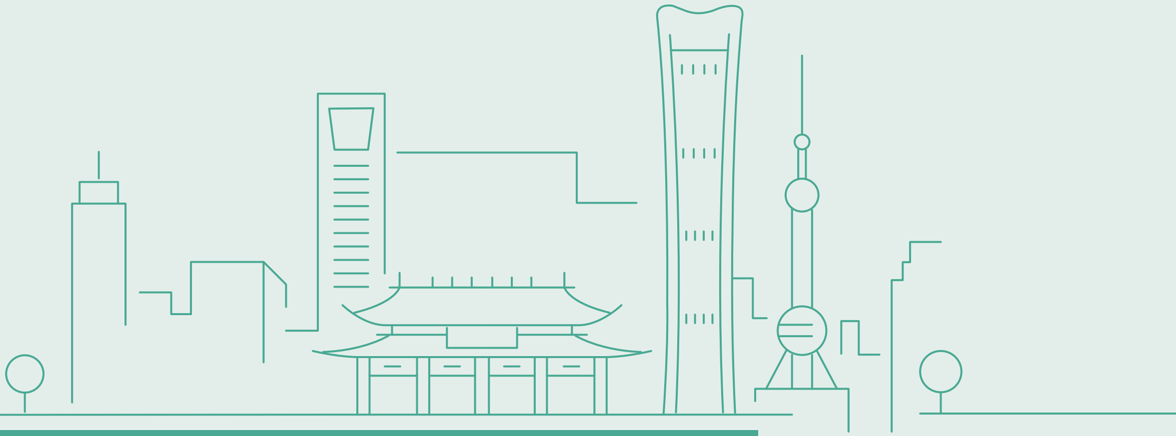
TK Chiang
Managing Director,
CLP Power Hong Kong

Data centres are a very important part of a smart city such as Hong Kong. With environmental sustainability being increasingly crucial, how can CLP help us decarbonise and become more climate-friendly? And how can CLP ensure a reliable power supply to support our 24/7 mission-critical operations?

A sufficient and reliable power supply is essential for uninterrupted data centre operations. To help reduce carbon footprint, CLP has a key role to play from the power supply side. Currently, over 80% of the electricity we provide in Hong Kong comes from low- or zero-carbon fuel sources, including natural gas and nuclear energy. And we have committed to achieving net-zero emissions by 2050, in line with the Hong Kong Government's decarbonisation target. Unit D1 at Black Point Power Station, commissioned in 2020, helps cut 1 million tonnes of carbon emissions annually already. With the commissioning of unit D2 at Black Point in 2023 and our plans to use more renewable energy, we will continue to improve our emissions performance.

If our data centre customers like SUNeVision want to accelerate decarbonisation, we also have a range of solutions. You could make use of our Renewable Energy Certificates programme to support clean energy generation in a simple and flexible way. CLP works with innovators from around the globe to bring in the best technologies that assist you to conduct building asset health monitoring, optimise energy usage, automate system operations and enhance building management – many of which through artificial intelligence software platforms powered by big data analytics. In addition, we launched the Retro-commissioning (RCx) Charter Programme in 2021 to encourage customers to optimise your buildings' operational performance without the need to replace equipment. Eligible customers can apply for subsidies from the CLP Eco Building Fund to carry out retro-commissioning works at their properties. As of the end of 2021, we have received 130 applications from businesses and organisations from various sectors and have trained 270 of their representatives to help them design suitable RCx solutions for their properties. For data centres, our solutions include intelligent air flow control to optimise cooling efficiency and equipment settings modification to improve energy efficiency.

Data centres are a vital 24/7 business, and it is down to us to provide a secure, reliable power supply as we continue to decarbonise. To do that, we are committed to continued investments to make our services more robust and resilient, including strategies to mitigate the potential impact of extreme weather events as they become more frequent and severe.



Mainland China

Growing a diversified portfolio of low-carbon generation assets while exploring investment opportunities in the Greater Bay Area.

Qian'an III Wind Farm

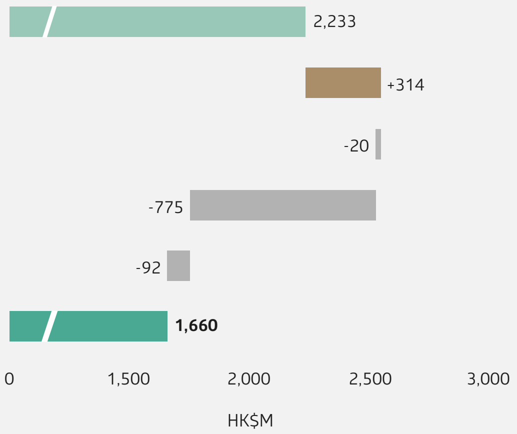
Mainland China

Overview

China's economy rebounded strongly in 2021 from the early impact of the pandemic, growing 8.1% year on year and driving a 10.3% increase in electricity consumption to meet rising industrial demand, albeit from a low base. However, higher fuel prices put heavy pressure on the margins of CLP's coal operations. Although the performance of the company's non-carbon portfolio was satisfactory, operating earnings in Mainland China decreased 25.7% to HK$1,660 million because of a loss in the thermal energy segment.

The performance of the business is summarised below:

Operating Earnings	**2021 HK$M**	2020 HK$M	Change %
Nuclear Energy	**1,908**	1,594	19.7
Renewable Energy	**545**	565	(3.5)
Thermal Energy	**(572)**	203	N/A
Operating and Development Expenditure	**(221)**	(129)	71.3
Total	**1,660**	2,233	(25.7)



Nuclear Energy Brings Stable Contributions

Nuclear power is a clean energy source that plays a key role in reducing carbon emissions, and its contribution accounted for the bulk of CLP's operating earnings in Mainland China in 2021. Yangjiang Nuclear Power Station reported record generation as users switched to nuclear energy for electricity at a stable cost in times of volatile fuel prices.

The output from Daya Bay Nuclear Power Station remained stable and utilisation was high. The operation of both nuclear plants in Guangdong province remained safe.

Green Energy Gathers Momentum

CLP's renewable energy projects in Mainland China saw stable operations and benefited from the addition of a new wind project. The Laiwu III wind farm in Shandong province, which began commercial operations in September 2020, ran smoothly and provided impetus for additional earnings. The performance of solar projects was sound due to good resources, particularly in Yunnan and Jiangsu provinces.

Hydro projects suffered from decreased water flow, however, and their reduced contributions – combined with CLP's decision to withdraw from two ageing minority-owned wind projects in Liaoning province – contributed to a slight decline in operating earnings from renewable energy projects.

CLP continued to expand its renewable energy portfolio in support of China's decarbonisation strategy. In a milestone for the company, Qian'an III wind farm in Jilin province (100MW) was connected to the grid five months ahead of schedule in December, despite COVID-19 restrictions, torrential rainfall and record-breaking snowfall. The three-phase project, with a combined capacity of 199MW, is the biggest wind farm in the company's Mainland China portfolio and the first CLP project of its kind equipped with a battery energy storage system. Qian'an III is also the company's first grid-parity renewable energy project in the country which does not rely on national subsidy payments. In addition, CLP committed to invest in two more grid-parity wind farms – the 50MW Xundian II farm in Yunnan province and the 150MW

Bobai farm in the Guangxi Zhuang Autonomous Region. Construction is expected to begin in 2022.

By the end of 2021, delayed national subsidy payments for CLP's renewable energy projects amounted to HK$2,302 million, compared with HK$1,774 million at the end of 2020. CLP has been receiving continuous settlements over the years.

Coal Costs Weigh Heavily on Thermal Projects

Coal-fired projects in Mainland China had a challenging 2021 with volatile coal costs – which hit a record high during the year – resulting in both majority-owned and minority-owned projects reporting a loss for the year.

Fangchenggang Power Station in Guangxi recorded stable operations, although output was lower than in 2020 because of limited coal supplies. The power station completed the retrofitting of two units to allow it to provide steam to industry users nearby as it transforms itself into an integrated energy provider. When a pipeline to the plant is completed, the power station will be able to sell steam as well as electricity.

Mainland China launched the world's largest carbon market in July to contribute to its decarbonisation objectives. All coal-fired projects are required to participate, and are assigned specific allowances based on the types and capacities of their generation units. Fangchenggang Power Station conducted a number of transactions in the market to familiarise itself with the process, ensure it has a robust internal process in place and equip employees with the necessary knowledge. While the power station has a slight surplus allowance because of its advanced technology, it is studying ways to raise efficiency levels as the Government is likely to continue to tighten emission control measures.

Greater Bay Area Opportunities

CLP has set out a strategy to establish a greater presence and pursue opportunities in the Greater Bay Area (GBA). In line with that strategy, CLP signed a contract to invest in and operate a centralised cooling system at Po Park Shopping Plaza in central Guangzhou until 2036. CLP took over the operation of the chilling plant at the 20-year-old complex in November and began modernising it, with retrofitting work expected to be completed in the first quarter of 2022. The project offers a steady income stream and represents the first step into a field with high business potential.

CLP's investment to provide electricity supply services to customers in the Fangchenggang Hi-Tech Zone, which began operations in January 2020, meanwhile continued to attract new users.

CLP's renewable energy portfolio in Mainland China saw stable operations in 2021 as good resources contributed to sound performance of solar projects.

The table below shows the performance of CLP's renewable energy and thermal energy projects in Mainland China:

Renewable Projects	Installed Capacity Equity MW	Electricity Sent Out Equity GWh 2021	Electricity Sent Out Equity GWh 2020	Availability % 2021	Availability % 2020	Utilisation % 2021	Utilisation % 2020
Wind	1,010.3	**1,893**	1,885	**99.3**	99.0	**24.3**	24.1
Wholly-owned	643.5	**1,184**	1,168	**99.3**	98.8	**25.7**	26.3
Qian'an I & II & III [1]	199	**214**	257	**99.3**	99.4	**26.0**	30.6
Penglai I	48	**99**	89	**99.5**	99.4	**24.1**	21.6
Laiwu I, II & III	149	**270**	171	**99.7**	99.7	**21.3**	17.7
Xundian I	49.5	**129**	151	**99.5**	99.6	**30.5**	35.4
Sandu	99	**217**	279	**98.4**	95.7	**25.6**	32.9
CLP Laizhou I & II	99	**255**	222	**99.2**	99.0	**30.1**	26.2
Minority-owned [2]	366.8	**709**	717	**99.4**	99.4	**21.8**	21.0
Solar [3]	328.3	**603**	590	**99.9**	99.9	**21.2**	20.6
Jinchang	85	**181**	181	**99.9**	100	**24.5**	24.5
Sihong	93.4	**147**	137	**100**	100	**18.2**	16.7
Xicun	84	**168**	167	**100**	100	**22.9**	22.8
Huai'an	12.8	**20**	19	**99.9**	100	**18.1**	17.3
Lingyuan	17	**31**	34	**100**	99.8	**22.0**	23.7
Meizhou	36.1	**56**	52	**99.8**	100	**17.7**	16.3
Hydro	489.3	**1,668**	1,879	**93.2**	94.2	**40.4**	44.2
Dali Yang_er	49.8	**145**	147	**90.8**	92.5	**45.3**	33.9
Huaiji	109.5	**237**	284	**94.0**	92.4	**25.5**	31.0
Jiangbian	330	**1,285**	1,448	**93.3**	95.0	**44.6**	50.1

Thermal Projects	Installed Capacity Equity MW	Electricity Sent Out Equity GWh 2021	Electricity Sent Out Equity GWh 2020	Availability % 2021	Availability % 2020	Utilisation % 2021	Utilisation % 2020
Majority-owned							
Fangchenggang I & II	1,806	**7,085**	7,947	**85.3**	89.2	**47.1**	52.7
Minority-owned	2,147	**9,468**	8,459	**91.8**	93.6	**54.2**	48.3
Shiheng I & II [4]	370.4	**1,345**	813	**89.7**	93.8	**45.0**	27.3
Heze II	176.4	**865**	852	**91.4**	92.0	**60.4**	59.1
Liaocheng I	352.8	**1,445**	1,487	**87.5**	98.5	**50.6**	51.5
Panshan	206.7	**997**	871	**93.5**	92.1	**58.7**	51.3
Sanhe I & II	219.5	**993**	923	**89.6**	95.7	**55.2**	51.2
Suizhong I & II	564	**2,379**	2,185	**94.8**	89.8	**51.3**	47.1
Zhungeer II & III	257.4	**1,443**	1,329	**94.7**	95.1	**70.4**	64.8

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 Qian'an III (100MW) was connected to the grid in December 2021.

2 CLP divested its 24.5% stakes in the Mazongshan and Qujiagou wind farms in Liaoning province in March 2021.

3 Alternate Current (AC) capacity is used to align with the calculation method for other power plants in the CLP portfolio.

4 Ceased owning the projects from 1 January 2022.

Outlook

China aims to peak carbon emissions before 2030 and to achieve carbon neutrality by 2060, favouring non-carbon projects using renewable and nuclear energy. In the coming years, CLP will focus on expanding its renewable energy portfolio by adding more grid-parity wind and solar projects, including the Xundian II and Bobai wind farms.

To help meet China's climate targets, the use of CLP's nuclear energy projects is likely to remain at a very high level. However, Yangjiang Nuclear Power Station will be exposed to higher market risk as the plant is going to offer more of its output through market sales.

Coal supply shortages combined with strong industrial demand resulted in a severe power crunch in China in 2021. CLP is working closely with the Guangxi Government to support the community and meet demand for electricity. Fangchenggang Power Station will endeavour to maintain stable operations to fulfil its sales commitments, and utilise its jetty to import coal and lower fuel costs. As coal prices stabilise in 2022, the performance of CLP's coal portfolio in Mainland China is expected to improve. However, to meet CLP's own target to phase out all coal-fired assets by 2040, CLP will start planning ahead for the next step for Fangchenggang Power Station and other minority-owned coal projects.

In the GBA, CLP will explore investment opportunities in two main business models – Energy-as-a-Service (EaaS), and energy infrastructure. The recent investment in Po Park Shopping Plaza highlights a growing potential for centralised cooling systems. Other EaaS solutions under consideration include charging facilities for electric vehicles and energy management systems. CLP is also looking to invest in energy infrastructure projects for industrial parks and commercial sites, including district and multi-building cooling systems as well as data centres. These efforts will be supported by CLP's investment in the CSG Energy Innovation Equity Investment Fund set up by China Southern Power Grid in 2020 which is expected to bring new smart energy and innovation-related opportunities.

Mr Ronnie Kong
CLP Shareholder

Q&A

SH Chan
Managing Director – China

How can CLP develop stronger partnerships in China and the Greater Bay Area in particular to bring more returns to shareholders in the long-term?

CLP entered the Mainland Chinese market in 1979, and our success has been built on the many partnerships we have forged over the years to meet the country's growing energy needs. One of our earliest projects back in the 1980s was our collaboration with China General Nuclear Power Group (CGN) to develop Daya Bay Nuclear Power Station in Guangdong province, which continues to contribute strongly to our non-carbon portfolio.

The Chinese Government has committed to reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060, and we will continue to work closely with our partners to support the country's decarbonisation efforts and focus on innovative ways to meet energy needs.

We will seek to deepen our partnerships with leading energy companies, including CGN and China Southern Power Grid (CSG). Meanwhile, we are investing in the CSG Energy Innovation Equity Investment Fund and forming new partnerships such as TUS-CLP Smart Energy Technology Co. Ltd. – a joint venture with an affiliate of Tsinghua University – to make full use of the latest energy technologies and develop new products, services, and business models to capture growing demand for smart, sustainable energy solutions.

Our recent investment in a centralised cooling project for Po Park Shopping Plaza in Guangzhou is typical of the new opportunities available to us. We are also keen to be more active in market segments such as electric transport, data centres and energy management, particularly in the Greater Bay Area.

Australia

Focusing on supporting our customers while investing in the energy transition.

Tallawarra Gas-fired Power Station

Australia

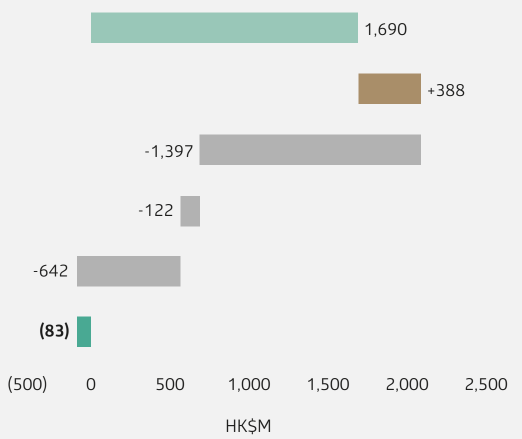
Overview

EnergyAustralia maintained its support for customers as the national economy continued to be impacted by COVID-19. Despite the pandemic, the company remained focused on developing a portfolio of new projects to provide clean, flexible generation in support of the country's energy transition.

The Customer business improved as levels of bad and doubtful debts related to COVID-19 fell. However, earnings in the Energy business were adversely affected by reduced wholesale electricity prices, accelerated depreciation costs resulting from the advanced retirement plans for Yallourn Power Station, and the replacement of expiring gas purchasing arrangements at higher prices. In addition, roughly one third of the decline in EnergyAustralia's earnings was related to non-cash changes in the fair value of energy hedging contracts. As a result, EnergyAustralia reported an operating loss of HK$83 million in 2021.

EnergyAustralia's underlying operating performance in 2021 is summarised below:

Operating Earnings



2020 Operating Earnings

Customer: Stabilisation of gross margin, lower bad debt, cost efficiency improvements and lower depreciation

Energy: Generation margin declined due to lower realised contract prices at Yallourn and Mount Piper, Yallourn mine suspension, higher gas supply costs and accelerated depreciation following Yallourn early closure announcement

Enterprise and others

Unfavourable fair value movement on sold energy contracts

2021 Operating Losses

Supporting and Retaining Customers

EnergyAustralia continued to provide extensive support for customers struggling with the financial pressures of the pandemic. More than 50,000 new payment plans were set up and more than 200,000 payment extensions arranged for residential customers and small businesses under the "EnergyAssist" and "Rapid Business Assist" programmes.

The company continued to record improvements on Net Promoter Score as an increased proportion of its retail customers said they were willing to recommend EnergyAustralia to others. Although overall market churn increased year on year, EnergyAustralia improved its customer churn performance, widening the gap between its own churn rate and the rest of the market to a favourable 2.6%. EnergyAustralia's focus on continuous improvement in customer service led to a record low number of customer complaints, contributing to the overall improved performance. However, total customer accounts fell marginally to 2.44 million in the face of ongoing and intense competition.

Ensuring High Reliability

Major planned maintenance works were carried out at Yallourn Power Station in Victoria between September and December, ahead of the summer peak demand period, to help ensure supply reliability. The critical and complex works were significantly adjusted to ensure the health and safety of the workforce and community in view of the COVID-19 situation.

Earlier in the year, exceptionally heavy rainfall resulted in heightened water flows through the Morwell River Diversion which runs through the mine at Yallourn. The plant was run at restricted capacity for around two weeks as the near-term impact on the Morwell River Diversion was assessed. A comprehensive damage assessment was launched to determine what long-term repairs are required at a cost of A$78 million (HK$452 million). Water diversions were constructed to enable inspection and repairs of the Morwell River Diversion structure over the 2021/22 summer. Despite the disruption, the power station's output was only 4.9% lower than in the previous year.

The Victorian Environmental Protection Authority (EPA) informed EnergyAustralia in February 2022 that it considered a dust complaint against the Yallourn mine in October 2021 to be a licence non-compliance. EnergyAustralia is of the view that it has met relevant obligations as the incident took place on an extremely windy and dry day while all of its operational control measures were in use at the time to minimise fugitive dust emissions. EnergyAustralia is currently liaising with the EPA for a review of the case.

Major planned works at Mount Piper Power Station in New South Wales were deferred to 2022 to ensure the safety of employees, contractors and the community from the escalating COVID-19 situation in the state at the time. Output from the power station increased year on year and works were undertaken to ensure sufficient coal supply to enable uninterrupted running in 2022 and beyond. During the year there were two environmental licence limit exceedances at the plant, relating to total particulates emissions and surface water turbidity respectively. The EPA was notified, and corrective actions have been taken to prevent a repeat of these incidents. There were also two licence non-compliances. One was related to the loss of environmental data associated with continuous air emissions monitoring for five days following an equipment malfunction. The other case was related to a localised damage to the liner of a brine pond. The damage was detected in an adjacent monitoring bore that is used to ensure integrity of the pond liner. Given the liner is a core element to prevent water pollution, the EPA was notified as a precautionary approach and there has been no further action.

EnergyAustralia's gas-fired power facilities in New South Wales, Victoria and South Australia operated with a high degree of reliability, supporting the company's generation portfolio through a period of fluctuating market conditions. The company has dispatch rights to two grid-scale batteries which helped ensure stability in the National Electricity Market during periods of high volatility.

Forward wholesale electricity prices in Victoria and South Australia remain well below historic levels primarily because of increases in renewable energy generation. In Queensland and New South Wales, prices have recently returned to historic levels, reflecting the higher fuel costs and transmission constraints to deliver excess energy from the south.

The table below shows the performance of EnergyAustralia's renewable energy and thermal energy generation assets:

	Installed Capacity Equity MW	Electricity Sent Out Equity GWh		Availability %		Utilisation %	
		2021	2020	**2021**	2020	**2021**	2020
Wind							
Cathedral Rocks	32	**64**	73	**98.8**	79.3	**23.5**	26.7
Gas	1,595	**1,035**	1,268	**81.8**	91.1	**7.7**	9.4
Newport	500	**256**	310	**75.2**	93.1	**6.3**	7.8
Jeeralang	440	**99**	75	**89.7**	90.7	**2.6**	2.0
Hallett [1]	235	**45**	27	**76.0**	85.8	**2.2**	1.4
Tallawarra	420	**636**	856	**84.8**	92.1	**17.7**	23.7
Coal	2,910	**14,705**	14,725	**80.7**	71.7	**62.6**	63.2
Mount Piper [2]	1,430	**6,737**	6,346	**87.8**	71.4	**57.4**	55.2
Yallourn	1,480	**7,969**	8,378	**73.8**	72.0	**67.7**	70.8

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 The plant's capacity increased by 32MW in early 2020 following successful commissioning of a new additional gas turbine.

2 The plant's capacity increased by 30MW in Jan 2021 following successful upgrade works.

Supporting Australia's Energy Transition

EnergyAustralia reached an agreement with the Victorian Government in March to bring forward the retirement of Yallourn Power Station to mid-2028, four years before the end of the plant's technical life. The retirement of the power station will reduce EnergyAustralia's direct carbon dioxide emissions by about 60% compared with current levels. To help ensure stability of energy supply in the state and allow for the use of more renewable energy, EnergyAustralia is developing the Wooreen Energy Storage System, which will be the first four-hour utility-scale battery with a 350MW capacity – larger than any battery system operating in Australia today. The Wooreen system is scheduled to go into operation by the end of 2026, ahead of the closure of Yallourn Power Station.

The transition to low-carbon energy inevitably affects lives and has a profound impact on power station employees and communities. EnergyAustralia is committed to providing support for employees and communities throughout the transition. EnergyAustralia will provide a comprehensive package of transitional services at Yallourn including training and skills development, career planning, assistance for redeployment and financial counselling.

EnergyAustralia began preparation works on Tallawarra B, a power plant designed to be net-zero by offsetting its direct carbon emissions over its operational life, and to use a blend of green hydrogen and natural gas. With a generation capacity of more than 300MW, Tallawarra B is scheduled to enter service in time for the 2023/24 Australian summer, helping provide reliable, affordable and cleaner electricity as coal-fired generation is phased out.

In Queensland, construction began on a 250MW pumped hydro energy storage project on the site of a disused gold mine in Kidston. EnergyAustralia is underpinning the project through a long-term energy dispatch agreement with the developer. The plant is expected to be completed in 2024.

EnergyAustralia continued to assess potential investments in flexible generation and storage projects to accelerate the integration of solar and wind power into the National Electricity Market. One such opportunity is a potential pumped hydro energy storage facility at Lake Lyell, which currently supplies water to Mount Piper Power Station. Early estimates suggest the facility would be capable of producing 350MW of electricity with around eight hours of storage.

In addition, EnergyAustralia has in place power purchase agreements representing a total of more than 870MW of large-scale wind and solar projects in the National Electricity Market. The performance of renewable energy projects for which EnergyAustralia is an offtaker is set out in the table below:

	Offtake for EnergyAustralia MW	Electricity Sent Out GWh 2021	Electricity Sent Out GWh 2020
Wind			
Boco Rock	113	**335** [1]	379 [1]
Bodangora	68	**201** [1]	212 [1]
Gullen Range	165.5	**480** [1]	463 [1]
Mortons Lane	19.5	**62** [1]	63 [1]
Taralga	107	**292** [1]	284 [1]
Waterloo [2]	111	**281**	158 [3]
Solar			
Coleambally	105	**218**	219
Gannawarra	50	**107**	87
Manildra	46	**69**	96
Ross River	93	**208**	223

Notes:

1 Publicly available data from the Australian Energy Market Operator.

2 EnergyAustralia has been taking 100% output from the plant since Nov 2020.

3 Reinstated to denote increase in offtake.

Broadening Business Opportunities from Innovation

In an initiative to promote sustainable living, EnergyAustralia has become a partner in a residential microgrid project under which 32 townhouses in a new Melbourne real estate development are fitted with solar panels connected to a microgrid. Energy not consumed within each home is stored at a centralised battery and controlled by an intelligent microgrid platform that manages energy flow across the estate. Any energy generated within the microgrid but not consumed is fed back into the national grid.

EnergyAustralia launched a new product through its "On by EnergyAustralia" platform in September called "Stack On" – a bundled offer that allows customers to pick, mix, and save by choosing from electricity, broadband internet, mobile data, mobile voice and data, and car and home insurance products. The products are all available through one online self-service portal and the more products customers choose, the more they can save.

"On by EnergyAustralia" is also offering eligible homeowners in New South Wales a new integrated solar-plus battery system with no upfront costs called "Solar Home Bundle". This follows a successful trial of the new proposition in 2020. EnergyAustralia uses smart software to balance customers' electricity supply from the grid, solar and battery. The battery setup will form part of EnergyAustralia's Virtual Power Plant – a network of batteries helping to support the grid and meet customer energy needs.

EnergyAustralia's "Go Neutral" remains the leading carbon offsetting programme offered by any energy retailer or generator in Australia and one of the largest certified carbon offset products in the country. About 134,000 residential and small business customers were added to "Go Neutral" in 2021, taking the total to 444,000 since the programme started in 2016. Building on this success, "Business Carbon Neutral" was launched in September 2021, offering the opportunity for commercial customers to offset their carbon emissions.

EnergyAustralia's partnership with the Startupbootcamp programme which fast-tracks new energy-related start-up businesses, continued into its fourth year and its second year online. A total of nine start-ups chosen from an initial pool of 82 shortlisted applicants pitched their concepts from home in a live-streamed demo day in December. EnergyAustralia has been in further discussions with three of those candidates to explore collaboration opportunities.

Ensuring a Safe Working Environment

WorkSafe Victoria, the Victorian health and safety regulator, in December charged EnergyAustralia with three breaches of the Occupational Health and Safety Act in relation to a fatal incident in 2018.

Graeme Edwards's loss is deeply felt by his friends at Yallourn and by everyone who knew him.

EnergyAustralia offers eligible homeowners a smart solar and battery system with no upfront costs, making access to solar and batteries easy and affordable.

EnergyAustralia subsequently conducted a thorough review of the incident and introduced new equipment to eliminate the hazards identified.

EnergyAustralia will continue to find and implement improvements across all sites to ensure a safe workplace for its employees.

Outlook

Looking ahead, while wholesale forward prices have strengthened, it will take some time for EnergyAustralia to improve its gross margins given its progressive hedging. Intense retail competition, meanwhile, is likely to continue from both existing participants and new market entrants, maintaining pressure on margins.

On the energy policy front, policymakers in Australia have continued to recognise the need for greater levels of investment in low-carbon, reliable power generation.

The Energy Security Board released a study in April proposing four reform pathways to address Australia's energy transition needs beyond 2025. The document, to which EnergyAustralia contributed, is part of a broad proposal advocating the timely entry of new generation capacity and steps to ensure existing facilities remain until they are no longer required to support system stability. The Federal Budget in May also included initiatives to support investment in new and emerging low-emission technologies prioritised under the Government's Technology Investment Roadmap.

EnergyAustralia will continue to invest in the energy transition. Deployment of customer solutions like the Solar Home Bundle will provide customers with the opportunity to see the transition come to life in their home. EnergyAustralia's large projects including the Tallawarra B power plant, Wooreen Energy Storage System and the Kidston pumped hydro energy storage facility will support the broader grid. The company will also continue to assess the potential of the Lake Lyell pumped hydro energy storage facility, and carefully manage the retirement of Yallourn Power Station.

In addition, EnergyAustralia is exploring potential synergies from working with the CLP Group on technologies including hydrogen, microgrids, batteries and energy storage, further strengthening its capability to help build a cleaner energy future for Australia underpinned by renewable energy.

Ms Gayle McAllister
Operations Leader,
Yallourn Power Station

Q&A

Mark Collette
Managing Director,
EnergyAustralia

I understand Yallourn Power Station will be retired in mid-2028. What support will EnergyAustralia give to the power station's employees and the community of the Latrobe Valley?

While it is still six years away, it is important to recognise that the retirement of Yallourn will mean different things to different people, and we will work to ensure our approach is a respectful and collaborative one that addresses individual needs.

For our people, we will be supporting them through a multi-million dollar package, which will include training and skills development, career planning, assistance for redeployment and financial counselling. Our trainee and apprenticeship programmes will also continue through to the power station's retirement, and we will maintain our focus on the safety, health and wellbeing of our people.

For the wider community, we will ensure our approach over the next six years delivers on the high standards the community expects of us. We will hold forums and smaller face-to-face sessions so that people within the community and interest groups are clear about our plans, and so that we can manage the impact of the closure sensitively. In addition, we will continue to invest in the Latrobe Valley with the construction and ongoing operation of a utility-scale battery storage facility alongside Jeeralang Power Station.

India

With a strategic focus on clean energy and non-generation businesses, Apraava Energy is well placed to be an important contributor to India's new energy future.

Tejuva Wind Farm

India

Overview

A resurgence of COVID-19 in the second and third quarters took a heavy toll on India, straining healthcare systems in some states and putting the brakes on a previously fast-growing national economy. With increased precautions and comprehensive protection for employees, CLP's rebranded business in India, Apraava Energy, was able to maintain stable operations, although the construction and approval of new projects were affected by strict lockdown measures.

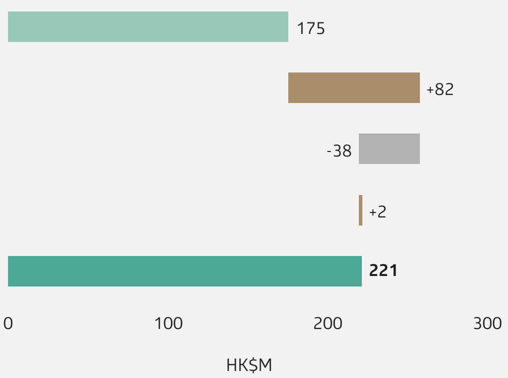
The economy rebounded sharply in the final quarter as the pandemic situation stabilised. However, the resumption of economic activities – combined with coal production and dispatch issues resulting from heavy monsoon rainfall – led to a severe power crunch and rolling blackouts in some areas.

As one of India's top 10 private power producers, Apraava Energy worked hard to ensure it could meet surging demand, although its performance was limited by coal shortages. The earnings of Jhajjar Power Station were affected by lower capacity tariff, the level of which was reduced by about 10% from April 2020 under its long-term power purchase agreements. However, thanks to better efficiency at Jhajjar and a higher level of output from renewable projects, CLP's operating earnings in India increased 26.3% to HK$221 million. The performance of the business is summarised below:

Operating Earnings [1]	**2021 HK$M**	2020 HK$M	Change %
Renewable Energy	**186**	104	78.8
Thermal Energy	**28**	66	(57.6)
Transmission	**7**	5	40.0
Total	**221**	175	26.3

Note:

1 Net of the 40% share held by Caisse de dépôt et placement du Québec (CDPQ).



2020 Operating Earnings

Renewables: Higher wind generation and full-year contribution from two solar projects

Thermal: Lower capacity tariff and higher operation and maintenance costs at Jhajjar due to major planned maintenance

Transmission: Acquisition of KMTL project in December 2021

2021 Operating Earnings

Wind and Solar Projects Flourish

Output from Apraava Energy's renewable energy portfolio rose, with both wind and solar projects performing well. Wind projects benefited from good resources in all states and higher availability. Upgrading works to wind farms in Tejuva, Chandgarh and Harapanahalli also boosted productivity.

Construction of a wind power plant in Sidhpur in Gujarat state moved forward, although some work was held up by the pandemic. The project is expected to go into operation in the second half of 2022 after the Government agreed to extend its commissioning deadline.

The addition of two new plants in Telangana state in 2020, meanwhile, contributed to increased solar power generation. Output from other plants was lower, partly because of land disputes affecting the Tornado and Gale projects in Maharashtra state which are now nearing resolution.

Apraava Energy continued to receive payments from local distribution companies for the purchase of renewable energy. However, the level of outstanding receivables rose 14.5% to HK$883 million, largely because of disruption caused by the pandemic.

The table below shows the performance of CLP's renewable energy projects in India:

	Installed Capacity Equity MW	Electricity Sent Out Equity GWh		Availability %		Utilisation %	
		2021	2020	**2021**	2020	**2021**	2020
Wind	554.5	**1,002**	927	**96.6**	95.6	**21.2**	19.6
Andhra Lake	63.8	**113**	103	**95.8**	93.8	**20.9**	18.9
Bhakrani	61.4	**97**	84	**96.3**	93.9	**18.2**	15.6
Chandgarh	55.2	**104**	96	**97.8**	98.5	**22.7**	21.1
Harapanahalli	23.8	**49**	48	**97.4**	96.5	**24.1**	23.9
Jath	36	**60**	58	**97.4**	97.5	**19.9**	19.3
Khandke	30.2	**54**	50	**96.3**	93.5	**20.7**	19.4
Mahidad	30.2	**55**	46	**97.3**	87.1	**21.2**	17.8
Samana I	30.2	**50**	45	**96.0**	93.9	**19.6**	17.6
Samana II	30.2	**55**	51	**96.2**	94.7	**21.5**	19.7
Saundatti	43.2	**70**	71	**98.3**	98.6	**18.8**	19.1
Sipla	30.2	**54**	50	**95.2**	96.9	**20.6**	18.8
Tejuva	60.5	**132**	118	**97.3**	98.1	**25.0**	22.4
Theni I	29.7	**59**	54	**95.2**	96.4	**23.1**	21.2
Theni II	29.7	**51**	53	**94.6**	96.9	**20.2**	20.8
Solar [1]	150	**278**	267	**95.0**	96.4	**21.2**	21.9
CREPL [2]	18	**31**	23	**99.7**	99.5	**19.3**	19.2
DSPL [3]	30	**55**	38	**100**	99.4	**20.7**	20.4
Gale	30	**51**	57	**82.8**	86.8	**19.5**	21.5
Tornado	12	**20**	25	**82.4**	93.7	**19.5**	22.7
Veltoor	60	**122**	123	**99.8**	99.2	**23.2**	23.4

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 Alternate Current (AC) capacity is used to align with the calculation method for other power plants in the CLP portfolio.

2 Project transferred to Apraava Energy in March 2020.

3 Project transferred to Apraava Energy in April 2020.

Venturing into Transmission Sector

In December, Apraava Energy was successful in receiving regulatory approvals under the new foreign investment rules for it to complete the acquisition of a 49% stake in Kohima-Mariani Transmission Limited (KMTL), owner of an interstate transmission project which began operations in northeast India in 2020. Under the terms of the agreement, Apraava Energy will acquire the remaining stake in two tranches by December 2025.

The company first entered the power transmission sector in November 2019 by taking a 100% stake in Satpura Transco Private Limited (STPL), which owns an intrastate project in Madhya Pradesh state. The operational performances of both the KMTL and STPL projects have been in line with forecasts, with close to 100% availability.

Power Station Sets New Standards

Apraava Energy's only coal-fired project in India – Jhajjar Power Station in Haryana state – recorded its highest utilisation rate to date following the successful completion of a major planned outage on one of the generation units in the first quarter. Despite low coal supplies because of a national shortage, the power station managed to increase output in response to rising electricity demand. Jhajjar Power Station is one of the few plants with flue gas desulphurisation equipment installed in the northern National Capital Region, which enabled the plant to meet the new and more stringent sulphur dioxide (SO_2) emission limit introduced in February 2019. It had four minor licence limit exceedances for SO_2 during the year due to equipment failure or malfunction. However, the units remained operational as requested by local authorities because of high electricity demand. The issues were rectified at the earliest opportunity and none of the exceedances resulted in any action by local authorities.

The power station's operator Jhajjar Power Limited received the Apex India HSE Gold Award and the RoSPA Silver Award for its health and safety performance, as well as recognition from the Confederation of Indian Industry's ITC Sustainability Award and Business Excellence Maturity Assessment programmes.

As Jhajjar's current power purchase agreements are not expected to be renewed once they expire in 2037, an impairment of HK$330 million was booked.

Apraava Energy continued to explore uses for the Paguthan plant in Gujarat, which ceased operations in 2018, but progress has been hampered by the pandemic.

The table below shows the performance of Jhajjar Power Station:

	Installed Capacity Equity MW	Electricity Sent Out Equity GWh		Availability %		Utilisation %	
		2021	2020	**2021**	2020	**2021**	2020
Coal							
Jhajjar	792	**4,419**	2,629	**88.0** [1]	97.8 [1]	**68.2**	40.6

Note:

1 Technical availability. Jhajjar's commercial availability was 83.9% in 2021 and 97.3% in 2020.

Output from Apraava Energy's renewable energy portfolio was higher in 2021 with both wind and solar projects performing well.

Outlook

CLP India was renamed Apraava Energy in 2021, signifying the company's ambition to accelerate growth under a new corporate identity and its commitment to support the development of a green India. The rebranded company aims to double the size of its energy portfolio over the next two to three years, driven by greenfield renewable energy investments and acquisitions. As a strong support to reach this goal, in December Apraava Energy received its registration under India's new foreign investment rules, which enables it to participate in all public auctions in the fields of generation, transmission and distribution in the years ahead.

Apraava Energy will continue to expand its non-generation business such as transmission amid the ongoing privatisation of India's power sector, explore diversification into power distribution and other customer-focused business and encourage greater participation from local shareholders.

Mr Joe Phelan
Director, WBCSD India

Q&A

Rajiv Mishra
Managing Director, Apraava Energy

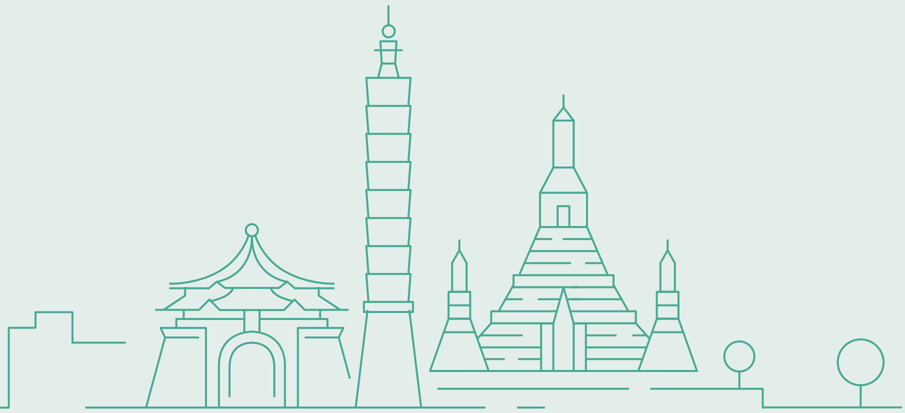
How will Apraava Energy help India meet its people's growing energy needs and its net-zero commitments?

A 2020 research by the International Energy Agency shows that India's population is continuing to grow, and its economic development is accelerating. As a result, energy demand is expected to double by 2040. On the other hand, according to information published by the Ministry of Power of the Government of India, the country's energy mix is dominated by fossil fuels which had an installed capacity of about 235GW in December 2021, or about 60% of the total. The installed capacity of renewables, meanwhile, stood at about 151GW. Currently, solar and wind contribute just 10% of India's electricity generation, while coal accounts for about 70%. This energy mix is undergoing a rapid transition driven by government policy including a target to install 500GW of renewables by 2030.

Keeping pace with this transition and the climate strategy of our investors, the CLP Group and CDPQ, we at Apraava Energy have been steadily decarbonising our energy portfolio for more than a decade with the current balance at 37% wind, 10% solar and 53% coal. Our rebranding in 2021 also heralded a new strategy under which we plan to double our existing business by 2024 through the addition of only low-carbon activities. Marching down this path of low carbon growth, we have committed to a business ambition which supports the well-below 2°C climate change scenario. We are developing an emissions reduction target aiming towards net zero that will be validated by the Science Based Targets initiative (SBTi).

Along with the shift to a low-carbon portfolio, we are taking additional small steps to reduce our carbon footprint. For example, during COP26, we signed the WBCSD's India's Electric Vehicle Ambition Statement, which aims to enable the energy transition in mobility. In this direction, we have added two electric cars to our office fleet, and I am currently driving an electric vehicle myself.

Apraava Energy is a budding, clean energy company that aims to produce more clean and affordable energy and has a vision of a low-carbon business. We aim to play a part not only in meeting India's growing energy demand but also in contributing to the country's net zero commitment.



Southeast Asia and Taiwan

Managing investments in the region to deliver reliable and safe operations.

Lopburi Solar Farm

Southeast Asia and Taiwan

Overview

Ho-Ping Power Station in Taiwan operated reliably and safely during the year. But the plant's contributions to the Group were impacted by high fuel costs which were most acute in the later part of the year. A major overhaul of one of the generating units commenced in the fourth quarter to enhance reliability and reduce emissions.

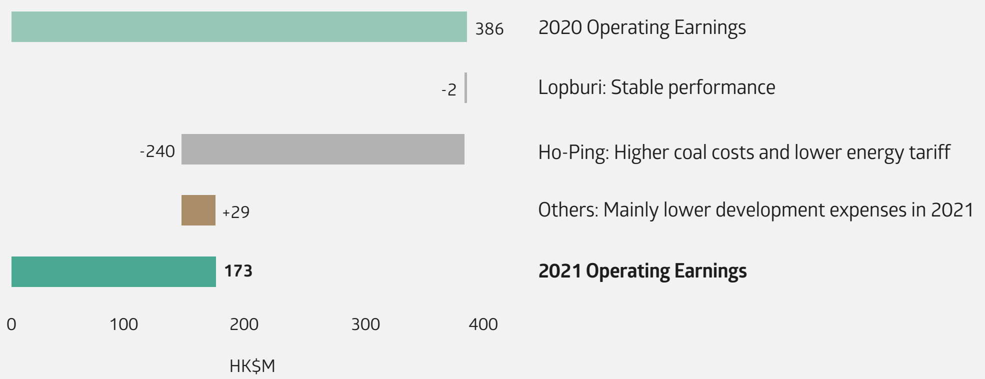
Lopburi Solar Farm in Thailand also performed steadily.

During the year, operating earnings in Southeast Asia and Taiwan decreased 55.2% to HK$173 million. CLP's performance in the market is summarised below:

Operating Earnings	**2021 HK$M**	2020 HK$M	Change %
Renewable Energy [1]	**61**	63	(3.2)
Thermal Energy	**126**	366	(65.6)
Others [1]	**(14)**	(43)	67.4
Total	**173**	386	(55.2)

Note:

1 Comparative figures for the impairment provision at Lopburi have been reclassified to conform with current year's presentation.



Outlook

CLP will continue to manage its investments in Ho-Ping and Lopburi for them to deliver reliable and safe operations.

Capitals

We are committed to creating long-term, sustainable value for stakeholders through a range of Capitals, our most critical resources and relationships.

Overview

CLP is committed to creating long-term, sustainable value for its diverse stakeholders through a range of resources collectively known as Capitals. In the 2021 Annual Report, the Capitals chapter focuses on CLP's strategies to address four financially material topics that affect enterprise value:

1. Shaping and executing the transition to net zero
2. Pursuing growth opportunities in Hong Kong and the Greater Bay Area
3. Building an agile and innovative workforce
4. Reinforcing resilience in a changing operating environment

The topics were identified and confirmed through a comprehensive materiality assessment involving research into megatrends affecting CLP's operating environment and in-depth interviews with senior management and important stakeholders. The table below will help readers navigate to the relevant topics:

Financially material topics	Where to go for more information
1. Shaping and executing the transition to net zero	
Investing in clean energy infrastructure	Financial Capital (page 67) Manufactured Capital (page 74) Natural Capital (page 92)
Responding to evolving regulatory landscapes	Social and Relationship Capital (page 88) Natural Capital (page 92)
Acting as a trusted partner in the clean energy transition	Social and Relationship Capital (page 88)
Managing the social impact of decarbonisation	Social and Relationship Capital (page 88)
2. Pursuing growth opportunities in Hong Kong and the Greater Bay Area	
Developing Energy-as-a-Service business models	Intellectual Capital (page 77)
Creating new earnings streams as other sectors electrify	Intellectual Capital (page 77)
Deploying customer-facing energy solutions	Intellectual Capital (page 77)
Deepening CLP's value proposition with the right partners	Intellectual Capital (page 77)
3. Building an agile and innovative workforce	
Attracting and retaining future talent	Human Capital (page 80)
Enhancing technical and digital capabilities	Human Capital (page 80)
Promoting workplace safety and wellbeing	Human Capital (page 80)
4. Reinforcing resilience in a changing operating environment	
Building resilience in a changing climate	Manufactured Capital (page 74) Social and Relationship Capital (page 88)
Reinforcing cyber resilience and data protection	Manufactured Capital (page 74)

Please see the Sustainability as Our Business Strategy chapter (page 22) for further information on the materiality process, while detailed coverage of material topics impacting people, the environment and the economy – known as impact material topics – are available in CLP's Sustainability Report. SR

Material Topic

Shaping and executing the transition to net zero

CLP moved forward with significant investments to reduce the carbon footprint of its businesses across Asia Pacific in 2021, supported by the Group's strong financial position. Sustainable, diversified and cost-effective financing is vital to support **investments in clean, reliable energy infrastructure**. CLP further broadened its sources of debt funding through innovative green financing instruments under its Climate Action Finance Framework (CAFF). The Group also remained committed to prudent financial management amid the ongoing global pandemic and high financial market volatility. The continued financial strength and flexibility provided strong foundations to CLP's ongoing transition towards a net-zero emissions future. Finance-related highlights of 2021 included:

- Capital investments of HK$14,198 million – including decarbonisation projects in Hong Kong, Mainland China, Australia and India – compared with HK$11,691 million in 2020.
- Sustainable financing arranged at very favourable commercial terms, before the rise in inflation and interest rates later in 2021.
- Successful issuance of CLP Power Hong Kong's US$300 million 10-year public bond for general corporate purpose in July at commercially-attractive pricing.
- Strong liquidity maintained with undrawn bank facilities of more than HK$28 billion and bank balances of more than HK$8 billion for the Group as of 31 December 2021.
- Solid credit ratings well within investment grade for CLP's major entities by S&P and Moody's.

Green Financing Empowering Climate Actions

As one of the largest sources of global greenhouse gas emissions, the electricity sector has a critical role in efforts to combat climate change. Power companies such as CLP need to increase investment in low- or zero-carbon emitting electricity infrastructure and help customers reduce their carbon footprint.

The International Energy Agency forecasts that annual clean energy investment will need to accelerate to around US$4 trillion by 2030 to support the transition to a net-zero global economy by 2050. As capital providers increasingly recognise the benefits of environmental, social and governance (ESG) investments, there is growing alignment between the financial industry and the power sector in concerted efforts to accelerate the pace of energy transition. Clean energy infrastructure must be built and integrated into the electricity market to enable the phase-out of coal-based power generation in an orderly manner. Meanwhile, the economics of clean energy are becoming more favourable because of the fall in the costs of renewable power.

CLP committed in 2021 to achieve net-zero greenhouse gas emissions across its value chain by 2050. Supported by a sound financial position, CLP worked closely with investors and financial institutions to ensure strong fund flow and adequate liquidity for its operations and growth, while maintaining sufficient reserves for contingencies. The establishment of CAFF in 2017 was testament to CLP's pioneering green financing with demanding standards of corporate governance. The Group remained focused on improving the sustainability, diversification and cost efficiency of debt financing to support investments in low-carbon energy and associated infrastructure in the energy transition.

In financial markets, 2021 was marked by unpredictability and challenges as the ongoing pandemic and the emergence of coronavirus variants led to an uneven recovery in the global economy. Massive monetary easing and subsequent inflationary pressures triggered debates over the need for quantitative tapering. With continuing uncertainties over the direction of central bank policies, yields of benchmark 10-year US Treasury Notes surged from 0.91% in January 2021 to 1.74% in March, before softening to 1.19% in July. The yields then rebounded to 1.52% in December and were above 1.96% at the beginning of February 2022, at a time of increased market concerns over inflation and the COVID-19 variants. Such volatilities highlighted the need for continuing vigilance, meticulous planning, effective risk management and timely implementation of financing initiatives, as an uncertain economic environment became the "new normal".

A Framework for Financial Sustainability

Sustainable financing requires the collective efforts of businesses, the financial industry and the broader community. CLP is committed to working with key stakeholders, including capital providers and financial services companies, on the development of clear frameworks and practices for ESG financing following the successful introduction of CAFF more than four years ago. The framework was updated in 2020 to incorporate a broader range of sustainable financial instruments, diversifying from bonds to loan facilities.

There are two types of climate action finance transactions under CAFF: New Energy Finance Transactions, which are green bonds or loans for renewable energy and energy-savings projects, and Energy Transition Finance Transactions, which are bonds or loans to fund projects that deliver significant emission reductions.

In February 2021, CAPCO successfully issued a US$300 million (HK$2.3 billion) 10-year, 2.125% Energy Transition Bond to partially fund the construction of D2, a new combined-cycle gas turbine (CCGT) generation unit at Black Point Power Station. The bond carried a 0.875% spread over 10-year US Treasury Notes, the narrowest of all 10-year bonds previously offered by CLP and reportedly the tightest among all non-public sector debt offerings by corporations in Hong Kong at the time of issuance. The bond, under CAPCO's Medium Term Note (MTN) programme, was more than 4.6 times oversubscribed, attracting more than US$1.4 billion in orders from investors globally. In addition, CAPCO arranged a total of HK$3.7 billion of three-year energy transition revolving loan facilities, in addition to a HK$1.6 billion 15-year energy transition loan facility covered by export credit agency Euler Hermes, to complete the financing for D2's project cost at competitive rates.

In July, CLP Power Hong Kong issued a US$100 million (HK$777 million) New Energy Bond under CAFF to support the continued rollout of smart meters in Hong Kong. More than 1.2 million smart meters have been connected at the end of 2021, offering customers the ability to improve energy efficiency with greater accessibility to data. Issued under the MTN programme, the bond carried a 2.25% coupon rate and was competitively priced at a 0.9% spread over 10-year US Treasury Notes.

CAFF helps attract socially-responsible, sustainable financing to support CLP's decarbonisation investments, and the Group is committed to the highest standards of governance on its implementation. Governance of CAFF aligns with the Green Bond Principles, a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the international green bond market. CAFF also covers Energy Transition Financing for funding of government-supported investments that can achieve significant environmental benefits. Such financing is not included in the list of project categories under the Green Bond Principles.

All eligible CAFF projects undergo a rigorous review and approval process within a transparent framework and clear guidelines. All transaction proceeds must clearly deliver environmental benefits through investments in qualified projects identified by an unequivocal screening process. A committee chaired by the Chief Financial Officer and comprising senior management from departments including Treasury, Sustainability and Legal, is responsible for CAFF's governance, including approval of Climate Action Finance Transaction and determination of the proposed use of proceeds. Independent consultant DNV, a leading provider of sustainable finance assessments, has been commissioned by CLP to provide second-party opinion.

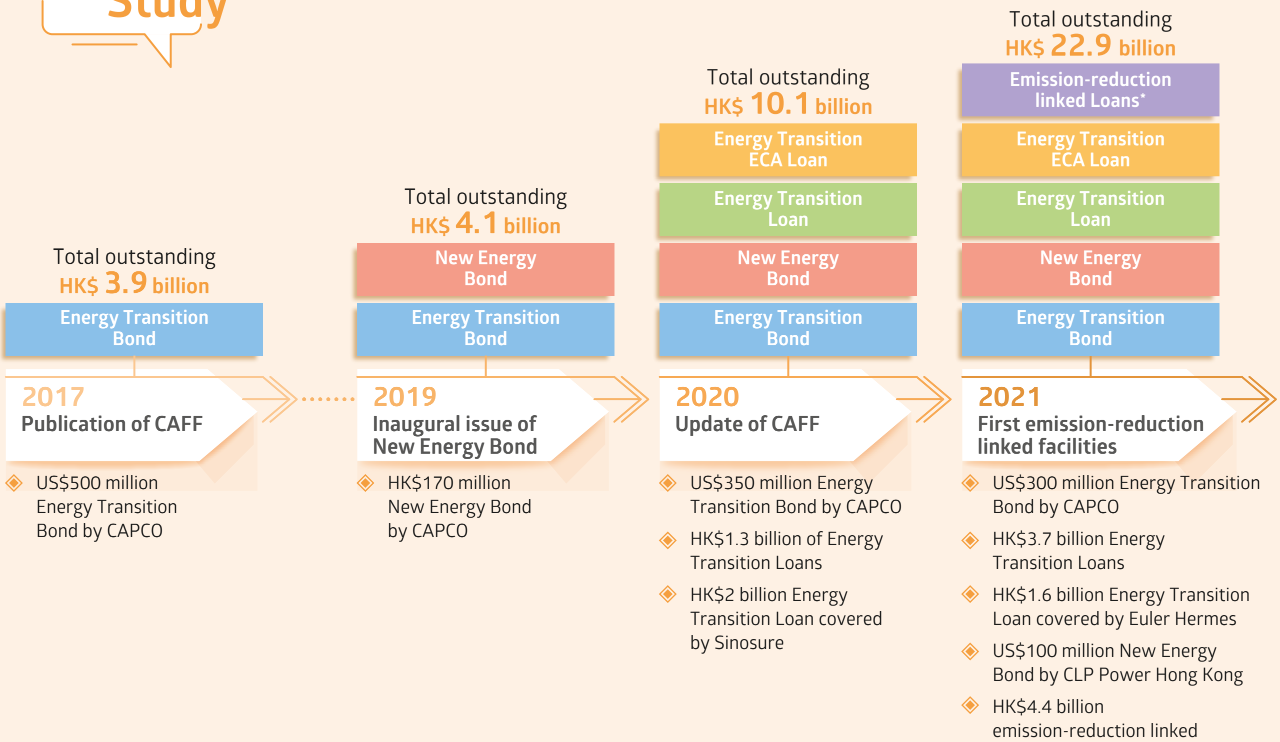
Information and post-issuance reports on CLP's Energy Transition Bonds and New Energy Bonds are available on the Hong Kong Stock Exchange's (HKSE) Sustainable and Green Exchange (STAGE) platform for assessment by investors and analysts. CLP joined STAGE when the platform was launched in 2020 to provide a repository of information for sustainability, green and social bonds listed on the HKSE.

See CLP Climate Action Finance Report 2021.

More information about CLP Climate Action Finance Framework can be found on our website.

Case Study

Sustainable Financing Enabling Hong Kong's Energy Transition



* Except emission-reduction linked loans, all other transactions are CAFF transactions

Growing interest in ESG financing from investors and banks is helping to support the energy transition in Hong Kong. As CLP continues to decarbonise under its Scheme of Control (SoC) Agreement with the Government, the increasing ESG capital flow is being channelled into clean energy projects through the Group's Climate Action Finance Framework (CAFF), as well as new sustainable finance instruments on the market.

In 2021, 58% of the financing needs of CLP's SoC businesses in Hong Kong were met by sustainable sources of funding, increasing from 22% in 2017 when the establishment of CAFF enabled Castle Peak Power Company Limited (CAPCO) to issue a US$500 million Energy Transition Bond. The bond was the first transaction under CAFF, and helped finance D1, a more efficient combined-cycle gas turbine (CCGT) unit at Black Point Power Station, to reduce the carbon intensity of electricity generation. Since then, CLP has made rapid progress on its sustainable finance journey.

CAFF was updated in 2020 to support a broader range of sustainable finance transactions beyond bond issuances, allowing CAPCO to arrange a HK$2 billion long-term Energy Transition Loan Facility covered by China Export & Credit Insurance Corporation (Sinosure). This was the first loan facility under CAFF covered by an export credit agency (ECA). In 2021, CAPCO arranged another ECA-covered loan – a HK$1.6 billion 15-year facility with Euler Hermes.

Sustainability elements were included in almost all newly-arranged financing facilities by CLP's SoC businesses in 2021, with the exception of short-term money market line facilities. CLP Power Hong Kong and CAPCO together arranged HK$4.4 billion of emission reduction-linked facilities with eight banks. The terms of the facilities included performance targets linked to levels of air emissions, including sulphur dioxide, nitrogen oxides and respirable suspended particulates, within a reducing annual maximum output level. Sustainable financing by CLP's SoC businesses in 2021 also included the US$300 million Energy Transition Bond issued by CAPCO in February, with 50% of the issuance allocated to ESG-focused investors globally. In July, the US$100 million New Energy Bond issued by CLP Power Hong Kong also received strong support from green bond investors, with 70% of the issuance allocated to ESG-focused capital providers. Financings in 2021 were arranged at very conducive transaction windows which offered very favourable commercial terms as CLP took timely action in the market and well ahead of the surging inflation and interest rates in the latter part of the year.

CLP works closely with banks in due diligence and financing initiatives in alignment with the Equator Principles, which provide a common baseline and risk management framework to identify, assess and manage environmental and social risks.

Maintaining a Strong Financial Position

CLP's stable operations continued to provide solid support to the Group's investments in the energy transition. Capital investments increased 21.4% to HK$14,198 million, with CLP focused on progressing decarbonisation projects in Hong Kong, Mainland China, Australia and India. Investments in coal-based assets were limited to their maintenance, safety and emissions management. Despite a drop in operating cashflow to HK$18,078 million due primarily to reduced contributions from EnergyAustralia, strong financing capabilities allowed CLP to continue to maintain adequate financial resources to support its investments.

The largest proportion of CLP's operating earnings was generated by the transmission, distribution and retail of electricity in 2021. Coal assets contributed 10% of operating earnings before unallocated expenses, reduced from 23% in 2020. Under Climate Vision 2050, CLP is committed to expanding operations in lower-carbon segments, with a pledge to phase out coal-fired assets by 2040. This transition will help CLP manage the risks of climate change, and allow the Group to capitalise on opportunities in the net-zero transition.

Ensuring a high degree of financial integrity is vital for CLP to meet its business and climate objectives. CLP strives to maintain a strong balance sheet with robust financial structure, supported by adequate cash flow with good investment grade credit ratings, providing the Group and its subsidiaries with access to global capital markets and bank funding.

CLP Power Hong Kong and CAPCO have well-established MTN programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2.0 billion respectively may be issued. As of 31 December, notes with an aggregate nominal value of around HK$29 billion and HK$9.1 billion respectively were issued by the two companies.

In July, CLP Power Hong Kong successfully issued a US$300 million (HK$2.3 billion) 10-year public bond for general corporate purposes at a 2.25% coupon rate. It was competitively priced at a 0.9% credit spread over 10-year US Treasury Notes. The proceeds of all foreign currency bonds were swapped into Hong Kong dollars at favourable fixed rates to fully mitigate foreign exchange and interest rate risks. In May, CLP Power Hong Kong also issued A$24 million (HK$144 million) 15-year private bond at a 2.99% coupon rate for general corporate purposes. Both bonds were issued under the MTN programme.

EnergyAustralia extended the maturity date of a A$300 million (HK$1.7 billion) working capital facility by three years to June 2024, and a A$500 million (HK$2.8 billion) bank guarantee and reimbursement facility by three years to March 2024, both at competitive terms. EnergyAustralia aims to diversify its debt portfolio through green and energy transition financing to meet the needs of clean energy projects, including battery storage and green hydrogen.

In Mainland China, CLP executed a RMB300 million (HK$360 million) two-year offshore revolving bank loan facility and a RMB587 million (HK$705 million) 15-year onshore project loan facility at competitive terms, as its renewable assets portfolio in the country grows.

In India, Apraava Energy arranged a total of Rs31.9 billion (HK$3.3 billion) of bank facilities as the business continued to expand its investments in clean energy, including wind and solar energy, as well as power transmission.

Debt Profile as of 31 December 2021	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Availability Facility [1]	8,200	34,273	26,740	17,078	86,291
Bank Loans and Other Borrowings	–	29,219	17,132	11,864	58,215
Undrawn Facility	8,200	5,054	9,608	5,214	28,076

Note:

1 For the Medium Term Note (MTN) programmes, only the amounts of the bonds issued as at 31 December 2021 were included in the total amount of Available Facility. The Availability Facility in EnergyAustralia excluded a facility set aside for guarantees.

Effective Risk Management for Decarbonisation

CLP continues to exercise prudence in its regular review of liquidity position, identify risk exposures, maintain accessibility to cost-effective, diversified funding and adopt effective measures to enhance risk mitigation. CLP will continue to take pre-emptive, timely actions to arrange major financing activities with sustainability or ESG elements, to the extent appropriate, in line with the Group's decarbonisation strategy.

The Group maintained a high level of interest rate and foreign currency hedging at commercially-acceptable terms to cover committed and highly probable financial obligations, enabling it to withstand financial market volatility and pursue its business objectives. This included the use of natural hedge and approved financial derivative instruments with straightforward, easy-to-understand features that can qualify for effective accounting hedge with no adverse profit-and-loss impact to manage obligations and risks. For counterparty exposure, CLP transacts only with credible financial institutions and financially sound business counterparts with strong credit ratings. These measures help ensure CLP's businesses do not face undue residual financial or credit risks and provide confidence to stakeholders, including governments, customers, shareholders, financial institutions, bond investors and business partners. This risk management approach is well established and has been continually enhanced, benefitting the Group in the volatile market environment in 2021. CLP's robust financial position provides with reasonable degree of predictability for future planning and equips the Group with the necessary resources to finance capital investments, creating value in the low-carbon transition and increasing business resilience.

CLP is committed to strengthening its reporting in line with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). To provide transparent, reliable and consistent information to stakeholders, the Group continued to focus on enhancing its climate-related risk assessment and developing bespoke climate scenarios for its markets. Further information is in CLP's 2021 Climate-related Disclosures Report.

Maintaining Solid Credit Ratings

Solid investment grade credit ratings are crucial for CLP to source financing with optimal terms (amount, pricing, tenor and diversity) and maintain high credibility when negotiating commercial contracts. In May and June 2021, Standard & Poor's (S&P) and Moody's affirmed the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1) with stable outlooks. In October 2021, S&P revised the rating outlook of EnergyAustralia to negative from stable and affirmed the BBB+ credit rating. The rating agency expressed the view that EnergyAustralia would be affected by a challenging market and weak operating conditions, including ageing coal-based generation assets and depressed wholesale electricity prices.

Moody's and S&P published ESG credit scores for the utility and power generation sectors in 2021 to provide more transparency on how key sustainability drivers will be factored into their credit analysis. CLP Holdings was assigned E-3, S-2 and G-1 by S&P, and E-3, S-3 and G-2 by Moody's, on a scale of 1 (highest score) to 5 (lowest score). Both agencies recognised CLP's credible commitment to taking action on climate change and the capital spending for energy transition to meet its net-zero emission targets. The S-2 and G-1 scores are among the highest assigned by S&P to power companies in the region, reflecting the Group's transparent disclosure, robust governance and risk management.

	S&P	**Moody's**
CLP Holdings CLP Power Hong Kong CAPCO EnergyAustralia	A / Stable A+ / Stable AA- / Stable BBB+ / Negative	A2 / Stable A1 / Stable A1 / Stable Not applicable
Positives	◈ The Group has accelerated energy transition to achieve its decarbonisation goal. ◈ Highly visible and stable operating cash flows of SoC business. ◈ EnergyAustralia is a vertically-integrated utility and the third-largest integrated energy retailer in Australia.	◈ The Group has strong and adequate financial metrics despite moderation. ◈ Well-managed debt maturities and sound liquidity profile. ◈ Scheme of Control business has a transparent tariff system and provides for pass-through of fuel costs.
Negatives	◈ CLP Holdings' continuing high capital expenditures over the next two years will constrain its cash leverage ratios. ◈ EnergyAustralia faces challenging market condition from depressed wholesale electricity prices and operating risks with ageing assets.	◈ Business exposures outside Hong Kong are generally riskier and therefore increase the business risk. ◈ Increasing capital spending in the Scheme of Control business with a lower regulatory rate of return than before.

More information of our credit ratings can be found on our website.

More information about major financing activities in 2021 and our debt profile can be found on pages 34 and 35 of the CLP Holdings 2021 Annual Results Presentation.

Analyses of loan balance by types and bond funding by currencies can be found on "Financial Capital" page in the Investor Presentation Introductory Pack of CLP Holdings.

In 2021, CLP continued to accelerate investments to reduce the carbon footprint of its business across Asia Pacific, supported by the Group's strong financial position and financing capabilities. CLP's robust governance, risk management and financing strategies helped to strengthen its financial capital resources to support the Group's ongoing decarbonisation journey amid high financial market volatility. Despite continuing uncertainties resulting from the COVID-19 pandemic and geopolitical tensions, CLP remained financially strong, without undue financial risk exposures.

Objectives & Strategies	Measures	Key Results in 2021
Well-balanced, strong financial position Healthy capital structure Sustainable, diversified and cost-effective financing	• Liquidity of HK$36.4 billion including undrawn bank loan facilities plus bank balances • Free cash flow of HK$17,065 million, and dividend received of HK$2,556 million from joint ventures and associates • Maintaining long-term business relationships with 38 financial institutions in different locations (Australia 11%, Mainland China 18%, UK and Europe 21%, India 18%, Japan 11%, US 8%, others 13%) • Spreading out loan maturities (beyond 5 years 54%, 2-5 years 17%, 1-2 years 11%, within 1 year 18%) • Diversity of debt instruments and markets (bonds 66%, term loans 25%, money market lines 7%, export credit loan 2%) • Multiple bond denomination currencies (USD 69%, HKD 20%, JPY 6%, INR 3%, AUD 2%) • Solid investment grade credit ratings • CAPCO issued US$300 million (HK$2.3 billion) 10-year, 2.125% Energy Transition Bond, a HK$1.6 billion Energy Transition Loan covered by Euler Hermes, and HK$3.7 billion Energy Transition revolving loans to finance the D2 Unit at Black Point Power Station • CLP Power Hong Kong issued two tranches of 10-year bond, in an amount of US$300 million (HK$2.3 billion) public bond for general corporate purposes and US$100 million (HK$777 million) private Green Bond under CAFF to fund smart meters • An aggregate of HK$4.4 billion of emission-reduction linked medium-term bank facilities arranged by CLP Power Hong Kong and CAPCO	**Growing decarbonation investments backed by robust financial position and financing capabilities** Key Results in 2021 • Capital investments increased 21.4% to HK$14,198 million • Timely action to secure sustainable financing before rise in inflation and interest rates
Foreign exchange risk mitigation	• Transaction risk – CLP hedges a high portion of committed and highly probable exposure. Residual risk is low and within tolerable levels • Translation risk – This carries no profit or loss nor cash flow effect. CLP does not hedge for regional equity investment but match funding with local currency debt	**A resilient, diligent risk management to support sustainability** Key Results in 2021 • No undue financial impact despite extreme turbulence in financial markets • Pro-active assessment and regular evaluation of liquidity position
Counterparty exposure risk mitigation	• Transact with trustworthy and capable parties	
Interest rate risk mitigation	• As of the end of 2021, the Group's fixed rate debt as a proportion of total debt was 61% (64% if including perpetual capital securities)	
Dependable dividend	• Dividend – 2021: HK$7,832 million; 2020: HK$7,832 million	**Strong governance with focus on value creation for shareholders** Key Results in 2021 • Dividend remained the same despite the adverse market environment • Full treasury compliance
Timely reporting	• Timely and accurate financial reports and compliance checks	
Effective policies and principles	• Comprehensive set of policies, principles and guidelines with regular reviews	

Material Topics

Shaping and executing the transition to net zero

Reinforcing resilience in a changing operating environment

CLP continued **to invest in clean energy infrastructure** in 2021 to decarbonise its portfolio of assets, which spans every segment of the electricity value chain. Amid the accelerating energy transition, the Group remained focused on maintaining its world-class level of supply reliability and **building resilience in a changing climate**. CLP also continued to **reinforce cyber resilience and data protection** at a time when cybersecurity is an increasing global concern. Highlights in 2021 included:

- Full implementation of a data analytics platform to monitor performance of wind and solar energy assets across Mainland China and India.
- Resilience studies conducted across the Group's operations.
- Planning for a new cyber monitoring centre in Shenzhen to support CLP's expansion in the Greater Bay Area.

Managing the Energy Transition

Energy disruption affected millions of households and businesses as electricity providers across Asia Pacific, Europe and the Americas struggled to maintain stable supplies in a year of global fuel shortages and extreme weather events.

Decarbonising the electricity sector is central to international efforts to tackle climate change. As investment in renewable energy continues to grow, solutions such as battery energy storage systems (BESS) are essential to manage the intermittent nature of wind and solar energy and strengthen the reliability of electricity supplies.

Energy companies also need to invest in reinforcing the resilience of their supply infrastructure against the escalating risk of extreme weather events linked to climate change, and improve their protection against online attacks.

Investing in Clean, Reliable Energy

CLP is determined to make the energy transition reliable and affordable to customers as it decarbonises its electricity supply. In Hong Kong, CLP is currently building a second new combined-cycle gas turbine (CCGT) unit at Black Point Power Station. This follows the commissioning of the first 550 megawatt (MW) CCGT unit in 2020. The new units, D1 and D2, will play a significant role in reducing the carbon intensity of Hong Kong's power supply, while maintaining reliability as CLP prepares to phase out its remaining coal-fired capacity at Castle Peak A Power Station.

The advanced CCGT technology of unit D1 gives it an efficiency rate of around 60%, far higher than the other eight gas-fired units currently in operation at Black Point Power Station. It has cut carbon emissions by about one million tonnes a year, equivalent to the planting of more than 42 million trees, as compared to coal-fired generation. As zero-carbon hydrogen becomes available in the future, CLP expects to be able to use this to fuel D1 and D2 units and further reduce carbon emissions.

EnergyAustralia's planned Tallawarra B generator in New South Wales, scheduled to go into operation in time for the 2023/24 Australia summer, will also use technology supporting the use of a blend of green hydrogen and natural gas for cleaner power generation.

Raising Performance Levels

CLP continued to upgrade its generation assets in Asia Pacific to optimise their performance and raise reliability levels, despite the challenges of the pandemic. Electricity sent out for the Group increased 6.1% to 91,183 gigawatt hours (GWh) in 2021 on an equity plus long-term capacity and energy purchase basis.

The performance of all CLP wind and solar energy assets in Mainland China and India are now monitored continuously by an advanced analytics platform. The system incorporates digital technologies, including big data and artificial intelligence, and gives CLP real-time data to help it monitor and manage almost 2 gigawatts (GW) of renewable energy assets.

In India, Apraava Energy launched programmes to upgrade wind farms in Tejuva in Rajasthan state, Harapanahalli in Karnataka state, and Chandgarh in northern India. The upgrades involve the installation of generators with larger capacity, improvements to the aerodynamic performance of turbine blades, and new software to help maintain generation in high wind periods. The wind farms recorded significantly improved energy output and plant availability.

Major maintenance programmes were carried out at EnergyAustralia's Yallourn Power Station to enhance its reliability and performance. Works are also planned at Mount Piper Power Station to reduce the minimum stable load at which it can operate. This will make the plant more responsive to demand and more cost-effective in a market in which increasing renewable energy penetration is driving down wholesale electricity prices.

Case Study

Battery Storage Systems Lead Charge to a Greener Future

A 5 megawatt (MW) battery energy storage system (BESS) at CLP's new 100MW Qian'an III wind farm in the northeastern Chinese province of Jilin enables it to capture excess energy, and release stored energy to the network when the need arises, such as when wind speeds are low.

The installation of the BESS, with one hour of storage capacity, strengthens the supply reliability of the wind farm and contributes to grid stability with its load and frequency support capabilities. This increases the commercial viability of CLP's first grid-parity project – a renewable energy project not reliant on Government subsidies.

Connected to the grid in December 2021, Qian'an III is adjacent to the existing Qian'an I and II projects. Together, the three wind farms constitute the largest single-site operational wind energy asset in CLP's portfolio with a combined capacity of 199MW.

In its planning for Qian'an III, CLP drew on the experience of EnergyAustralia, which has agreements to operate and dispatch two BESS projects in the state of Victoria – the 30MW Ballarat project and the 25MW Gannawarra project.

EnergyAustralia has now committed to developing the much larger 350MW Wooreen battery project, co-located with its Jeeralang Gas-fired Power Station. It is scheduled to go into service by 2026 and will bolster supply reliability in Victoria in the run-up to the planned retirement of Yallourn Power Station in 2028.

In Hong Kong, meanwhile, CLP and the city's Airport Authority jointly designed and developed a 4MW BESS system which went into service in June 2021 at the Hong Kong International Airport.

Globally, energy storage installations will increase to a cumulative 358 gigawatts (GW) by 2030, more than 20 times the 17GW of projects online at the end of 2020, according to forecasts by strategic research provider BloombergNEF.

Qian'an III Wind Farm in Mainland China is the first CLP project of its kind equipped with a battery energy storage system.

Sheltering from Storms

CLP continues to build resilience into its operations to minimise risks to its assets from extreme weather events and other potential disruption.

Resilience studies drawing on the latest climate data have been conducted across the Group's operations. These included comprehensive assessments of extreme weather events, including floods and landslides, for CLP's renewable energy assets in Mainland China. Similar climate resilience studies were carried out for assets in Hong Kong, with a specific focus on the integrity of power transmission and distribution assets in severe weather events such as Typhoon Mangkhut in 2018. In India, Apraava Energy assessed the risk of heat stress and drought at Jhajjar Power Station. These studies will help inform investment decisions to protect assets against future climate events.

CLP also developed a climate risk due diligence tool to assist in risk assessment of new energy infrastructure projects. The tool enables the screening of climate-related incidents that might disrupt project progress or operations, helping project teams develop measures to minimise the assessed impact. Further details on how CLP manages climate risks are available in CLP's 2021 Climate-related Disclosures Report.

With more than 5,600 suppliers under its management in 2021, CLP has continued to develop the Group's procurement capabilities to strengthen the resilience of its operations. This has included a raised focus on upstream supply chains to manage risks and issues associated with external factors such as the COVID-19 pandemic, rising commodity prices, deglobalisation, physical climate risk, trade sanctions and sovereign risk.

Strengthening Cybersecurity

CLP further strengthened protection of its operations against potential cybersecurity risks. As part of a holistic and coordinated strategy, CLP deployed new technologies including improved software to detect cyber threats and automated technology to isolate devices when threats are detected. The Group also broadened its range of firewalls and threat-scanning technologies.

A cyber monitoring centre is planned in Shenzhen to support CLP's push to capture growing business opportunities in the Greater Bay Area. The centre will improve liaison with CLP's businesses in Mainland China and establish protocols for localised cybersecurity products and practices, particularly as the need for compliance with new cyber regulations increases.

CLP also continued to raise the awareness of employees, providing training to develop their ability to recognise and respond to online threats. Detailed reviews were conducted in partnership with external consultants to explore ways to further improve awareness of cybersecurity and incident response capability.

CLP is committed to protecting the data of its customers at all times. In 2021, a notifiable data breach associated with an email containing private information sent incorrectly to an EnergyAustralia customer's old email account was reported to the Office of the Australian Information Commissioner. The breach did not result in any penalty or sanction and EnergyAustralia has been working with the customer on a solution to the matter. In Hong Kong, no customer data loss case was reported in CLP's operations in 2021.

Material Topic

Pursuing growth opportunities in Hong Kong and the Greater Bay Area

CLP continued to harness the latest technologies in 2021 to drive innovation in energy services and improve its operations across Asia Pacific. Through its increasing technological capabilities, the Group stepped up efforts to **develop Energy-as-a-Service (EaaS) business models** and **deploy customer-facing energy solutions**, while strengthening its focus on the core markets of Hong Kong and the Greater Bay Area (GBA) to **create new earnings streams**. CLP is committed to **deepening its value proposition with partners** to capture new opportunities in the energy market. Highlights in 2021 included:

- A 92% year-on-year increase in sales of digital energy solutions offered by CLP's Smart Energy Connect (SEC) platform.
- New centralised cooling project in Guangzhou opens up new business model in the GBA.
- Largest solar energy system in Hong Kong's retail sector under CLP's Feed-in Tariff (FiT) scheme, part of a comprehensive solution delivered by CLP*e* Solutions for a supermarket operator.

Innovating for Sustainability

Businesses and organisations around the world are stepping up efforts to make their operations more sustainable, with energy consumption a key focus of their environmental, social, and governance (ESG) efforts. To meet increasing demand from customers for low-carbon, sustainable energy services, electricity utility companies must continue to accelerate innovation and develop new business models.

Buildings account for around 90% of electricity used in Hong Kong, according to Government data. Smart energy solutions powered by digital technologies, including artificial intelligence (AI) and data analytics, improve the energy efficiency of offices and buildings and have a pivotal role to play in the city's goal of achieving carbon neutrality by 2050.

Sustainable energy solutions will also support the low-carbon development of the GBA, comprising Hong Kong, Macau and nine southern Chinese cities including Guangzhou and Shenzhen. The Chinese Government's 14th Five-Year Plan announced in March 2021 highlighted the GBA's position as an international innovation and technology centre with a strategic role to spearhead the green transformation of the national economy. The gross domestic product of the GBA was RMB11.4 trillion in 2020, representing more than 10% of the Chinese economy, according to data from management consultancy Deloitte.

CLP continued to accelerate the development of a diverse range of innovative, technology-enabled services and business models to help customers decarbonise under its EaaS strategy. In support of Climate Vision 2050, the EaaS strategy helps CLP to meet growing demand in Hong Kong and the GBA for more flexible, environmentally-sustainable solutions, including cooling systems, electric vehicle (EV) charging, microgrids and power systems for data centres.

Delivering Smart, Sustainable Energy Solutions

CLP expanded its range of smart technologies and helped more businesses achieve energy efficiency improvements through the SEC digital platform, where sales of smart energy technologies increased by 92% year-on-year, enabling more businesses and organisations to achieve impressive energy efficiency improvements.

CLP*e* Solutions, the Group's subsidiary focused on energy and infrastructure solutions, provided heating, ventilation and air conditioning (HVAC) control technology from SEC's platform to Island Resort, a retail complex of property developer Sino Group in Hong Kong. This followed a similar project by CLP*e* Solutions at Sino Group's Olympian City 3 shopping mall in 2020. CLP*e* Solutions also deployed SEC's technologies at a statutory body in Hong Kong, where AI was used to analyse power consumption data and identify potential equipment malfunctions. A smart office system combining energy management and ambience controls was deployed for a regional beverage company in Hong Kong.

With CLP's firm belief of digitalisation being one of the key enablers of decarbonisation, CLP*e* Solutions supported businesses to adopt smart technology solutions to meet their sustainability goals. Examples included the deployment of SEC's energy monitoring system for property developer Nan Fung Group to provide visibility into energy use in more than 70 buildings, with support for further energy management capabilities in the future.

There was strong demand for energy and ambience control solutions in the education sector. Air quality improvement systems were installed in more than 10 Hong Kong schools, which also benefited from support on science, technology, engineering and mathematics (STEM) teaching. The solutions use real-time environmental and ambience data collected by advanced Internet of Things (IoT) sensors, giving teachers digital tools to deliver engaging courses to students about environmental conservation and technology.

Case Study

Unlocking Growth Opportunities in the Greater Bay Area

Demand for sustainable energy solutions is likely to grow rapidly in the Greater Bay Area (GBA) as the decarbonisation policies of the Chinese Government drive green investment in the region. To take advantage of the exciting opportunities this demand offers, energy companies must accelerate innovation in technologies and new business models.

CLP began a comprehensive upgrade of the centralised cooling system at Po Park Shopping Plaza in central Guangzhou in 2021, and will operate cooling services at the busy retail complex until 2036. The project represents a new and highly promising business model for CLP in the GBA, with a steady income stream.

The upgrade uses advanced artificial intelligence technology from CLP's Smart Energy Connect digital platform to improve the performance and energy efficiency of the cooling system. The proprietary technology analyses real-time operational data of the chiller equipment and automatically adjusts settings to enable the system to perform at optimal efficiency.

The chiller control technology has already been installed by other CLP*e* Solutions customers in Hong Kong. It also allowed TUS-CLP Smart Technology Co. Ltd. – the joint venture between CLP and TUS-Clean Energy – to secure a cooling system upgrade contract at the Chengzhong Hui retail complex in Chengdu, Sichuan province.

CLP began a comprehensive upgrade of the centralised cooling system at Po Park Shopping Plaza in Guangzhou in 2021 and will operate the retail complex's cooling services until 2036.

The SEC digital platform won the Outstanding AI in Chiller Plant Automation System Award in the property technology category of the Smart Living Partnership Awards 2021, which are co-organised by ET Net and Cyberport to recognise achievements in the application of digital technology in Hong Kong.

Growing Demand for Clean Energy Solutions

The Chinese Government has set new targets to increase energy efficiency and reduce levels of carbon intensity under its 14th Five-Year Plan covering the period from 2021 to 2025. In the longer term, the Chinese Government has committed to goals of reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060. As the Chinese economy decarbonises, CLP aims to meet growing demand for sustainable energy solutions with an emphasis on the GBA. CLP will also seek out opportunities in fields such as centralised cooling systems and energy solutions for data centres.

To help meet demand for smarter, cleaner energy, CLP continued its partnership with CYZone – a leading provider of event and information services supporting the growth of technology innovators in Mainland China. The partnership enables CLP to identify the most promising innovators for potential partnerships, with a focus on technologies such as electric transport and clean energy.

CLP also has access to the latest Chinese energy technologies through its investment in the CSG Energy Innovation Equity Investment Fund, set up by China Southern Power Grid. CLP meanwhile strengthened partnerships with innovators around the world by participating in the Free Electrons global energy accelerator programme, and continued to benefit from its strategic investments in leading global innovation hubs, including Mainland China, the US, and Israel.

Helping Customers Decarbonise

CLP is committed to offering a comprehensive range of solutions to help customers decarbonise under its EaaS strategy. In addition to products and services for customers to improve their energy efficiency, CLP is working towards providing a low-carbon energy supply, supporting electrification and giving customers the chance to offset difficult-to-avoid emissions.

By the end of 2021, 265 megawatts (MW) of capacity had been approved or connected to the grid under CLP's Renewable Energy FiT scheme. CLP*e* Solutions announced a partnership with DFI Retail Group to develop, install, operate and finance a solar energy system at the Wellcome Fresh Food Centre in Hong Kong, capable of generating over 1 million kWh annually – the biggest solar energy system in Hong Kong's retail sector under the scheme so far. CLP*e* Solutions has also installed a total of over 1,400 solar panels with a generation capacity of approximately 455kW across eight English Schools Foundation campuses in Hong Kong.

With its strong capabilities in renewable energy development, the CLP Group continued to explore opportunities in the market for corporate power purchase agreements to meet demand for clean energy from large, multinational businesses in Asia Pacific.

CLP continued to provide free EV charging services at more than 50 locations to encourage the expansion of green motoring in Hong Kong. CLP's Eco Charge 2.0 EV support service offers one-stop technical support for owners of private buildings and estate managers interested in applying for Government funding to install EV charging infrastructure.

Smart Charge (HK) Limited, a joint venture between CLP and telecommunications company HKT Limited, has designed, installed and currently manages EV charging infrastructure in residential car parks in Hong Kong that cover a combined total of almost 10,000 car spaces.

A growing number of businesses are benefiting from emissions offsets through SEC's CLP Carbon Credits Programme. Shipping company Pacific Basin teamed up with CLP in a programme to offset the emissions of cargo shipping, using carbon credits generated by CLP's wind farms and solar farms.

Harnessing the Power of Data

CLP reached an agreement with The Weather Company (TWC), a subsidiary of US technology company IBM, for access to comprehensive global weather forecast data, including solar irradiation and wind and sea conditions. The data will support CLP in operations, including energy consumption forecasting and the management of renewable energy assets.

CLP's smart meter programme continued to expand, providing more customers with the ability to access consumption data and to improve their energy efficiency. By the end of 2021, more than 1.2 million smart meters had been installed in Hong Kong, while over 900,000 EnergyAustralia customers now have smart meters installed. EnergyAustralia meanwhile continued to invest in cloud-based data systems, providing more real-time insights to support its operations and customers.

Material Topic

Building an agile and innovative workforce

A Utility of the Future requires a workforce capable of rising to the challenges of tomorrow. This section discusses CLP's strategies to develop its organisational capability to prepare the way for business growth and transformation. With keeping everyone safe and **promoting workplace safety and health** as the foundation, CLP continued to strengthen efforts to resource for the energy transition and growth, **attracting and retaining future talent** to support the Group's business needs, in addition to **enhancing the technical and digital capabilities** of the workforce, amid accelerating changes in the industry. CLP focused on evolving ways of working to respond more quickly to the changing needs of customers and employees and new business models, as rapid changes in the operating environment demanded building organisational agility. As the energy transition unfolds, CLP is committed to supporting its people to thrive in change, including providing comprehensive support for employees whose jobs are affected by the energy transition, and promoting wellbeing and resilience. Key initiatives for the workforce and performance highlights in 2021 included:

- Improvement in safety performance, with lower total recordable injury rate (TRIR) and lost time injury rate (LTIR), despite increased project activity.
- Capability development in line with business priorities including accelerated youth development and recruitment efforts in Hong Kong and Mainland China.
- Further transitioning to hybrid working and strengthening employees' skills to innovate.
- Announcing an extensive support package for employees affected by the advanced retirement of Yallourn Power Station in Australia in mid-2028.
- Launching a comprehensive suite of initiatives and tools to strengthen employee wellbeing and resilience.

Building a Workforce for the Future

CLP is building a workforce for a future shaped by structural shifts including energy transition, demographic changes and evolving regional market priorities. The pandemic, meanwhile, continues to require special work arrangements to ensure the wellbeing of employees and maintain business resilience. Meeting these challenges requires systematic organisation development and execution of a comprehensive plan to develop necessary capabilities.

In the coming years, significant value will be underpinned by having the talent to execute a pipeline of clean energy projects. In addition, the resourcing needs of new energy solutions businesses and digitalised operating models will increase. At the same time, an ageing workforce, increased competition for people qualified in science, technology, engineering and mathematics (STEM), and disruptions in the talent landscape in CLP's markets, are creating both opportunities and challenges. Within the next five years, millennials will account for two-thirds of CLP's workforce. This digital-native generation has different expectations of work and the way in which employers engage and support them. Strengthening organisational capability to capture growth opportunities in Hong Kong and the Greater Bay Area (GBA), nurturing young talent and supporting youth development, and enhancing policies and benefits to attract and support a diverse, multi-generational workforce are key priorities in 2022.

Energy transition, digital evolution, and increasing social and political uncertainties as well as expectations in CLP's markets are driving the need for greater organisational agility - the ability to adapt and succeed in a rapidly changing environment. This need has accelerated during the COVID-19 pandemic, with a shift to hybrid working across all of CLP's operations. Upskilling and empowering employees to respond rapidly to changing customer needs and drive breakthrough improvements, providing physical and virtual work environments that facilitate collaboration, and equipping employees to leverage new technologies remain priorities in 2022, together with efforts to embed flexible working and speed up decision-making. CLP is also striving to instil a workplace culture that encourages creativity, experimentation and taking personal responsibility.

As the energy transition unfolds, CLP is committed to supporting its people to thrive in change. This means providing comprehensive support and reskilling for employees whose jobs are affected by the transition to net zero or other business restructuring, helping employees to embrace change, strengthening their wellbeing and resilience, and developing more inclusive workplaces. Continuing investments in resilience and in equipping senior leaders to lead the Company's business transformation under increasingly complex social and political influences are priorities in 2022.

Key Performance Summary

At the end of 2021, CLP had 8,116 full-time and part-time employees, compared with 8,060 a year earlier. A total of 3,938 employees was engaged in the Hong Kong regulated electricity operations, 415 in Hong Kong non-regulated electricity-related businesses, 627 in Mainland China, 2,718 by the businesses in Australia, India, Southeast Asia and Taiwan, with 418 employed by CLP Holdings. Total remuneration for the year ended 31 December 2021 was HK$6,684 million compared with HK$6,368 million in 2020, including retirement benefit costs of HK$652 million compared with HK$606 million in 2020.

	2021	2020
Total workforce [1]	**17,949**	17,621
Total employees [2]	**8,116**	8,060
Workforce fatalities	**0**	0
Lost time injury rate [3] (workforce)	**0.07**	0.11
Gender diversity		
– Group Executive Committee [4,5]	**69% / 31%**	64% / 36%
– Employees [2,4]	**74% / 26%**	74% / 26%
– Women in leadership positions [6]	**30.5%**	27.3%
– Women in engineering [7]	**12.3%**	11.5%
Voluntary turnover [8]	**8.1%**	4.4%
New hires	**1,029**	711
Percentage of employees on permanent contract	**87%**	88%
Percentage of labour supply [9] and service contractors [10] in workforce	**55%**	55%
Percentage of employees who received training	**98.5%**	97%
Average training hours per employee	**51.6**	42.5

Notes:

1 Includes full-time and part-time employees, labour supply and estimated service contractors on a full-time equivalent (FTE) basis. FTE calculations are based on the number of man-hours incurred and country-specific average working hours.

2 Full-time and part-time employees.

3 See note 1 under Total Recordable Injury Rate at Group and Regional Level.

4 Male / female ratio. The data of other gender identities is tracked but is statistically insignificant and is therefore not separately disclosed.

5 Includes Executive Director (Chief Executive Officer).

6 Leadership positions are defined as positions at Hay Reference Level 19 and above.

7 Employees with a bachelors' degree or higher qualification in engineering.

8 Includes permanent employees only, except for Mainland China which includes both permanent and fixed-term contract employees due to local employment legislation.

9 Labour supply refers to manpower supplied by contractor companies under labour supply agreements. Reporting is based on quarterly averages.

10 Estimated service contractors FTE are calculated based on the number of man-hours incurred and country-specific average weekly working hours.

Keeping People Safe and Well

During the ongoing COVID-19 pandemic, CLP maintained comprehensive measures to safeguard the wellbeing of employees and contractors and ensure business continuity, including special work arrangements, site access controls, health education and support for employees to get vaccinated. CLP joined the Hong Kong Government's vaccination programme, arranging for more than 1,200 employees and their family members to receive vaccinations on Company premises. Similar programmes helped employees in Mainland China and India to get vaccinated.

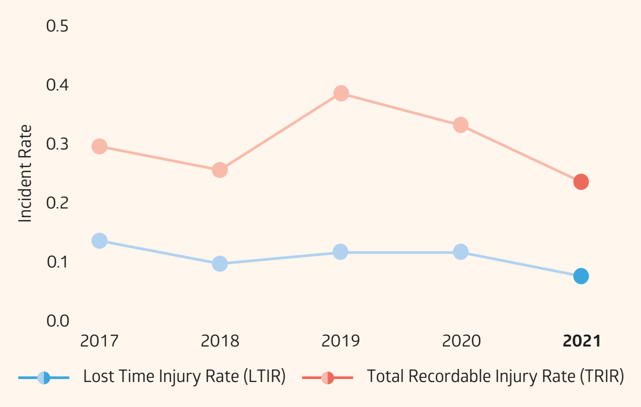
Against a backdrop of increased project activity, operational health and safety performance improved. There were reductions in both TRIR and LTIR as CLP continued to improve health and safety outcomes for employees and contractors. A primary focus was on addressing risks associated with high-consequence events. Through targeted employee engagement and worker insights, CLP developed more comprehensive and effective incident prevention programmes, aimed at eliminating fatalities, life-changing injuries and significant Health, Safety and Environment (HSE) events.

CLP is investing in the redesign and re-engineering of high risk activities in order to materially reduce risk. CLP continued to eliminate the need for diving through the use of robotic technologies. This strategic and systematic approach to improving the safety of high risk tasks will also be applied across CLP's operations in the Asia Pacific to tasks which carry a risk of serious injury, such as working at height.

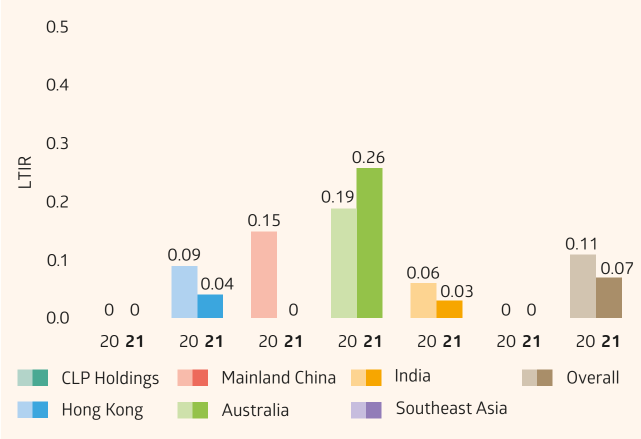
The Group is upgrading its management system to provide clear standards to manage HSE risks across its business units, with a particular focus on high risk operational activities. During 2021, workshops were held with workforce personnel from all business units. These workshops contributed to a deeper understanding of the controls and internal best practices for priority high risk operational activities. The outputs are now aiding the development of revised Group-wide standards.

To help build a protective barrier against COVID-19 in Hong Kong, CLP has taken a host of measures to encourage its employees to receive vaccination.

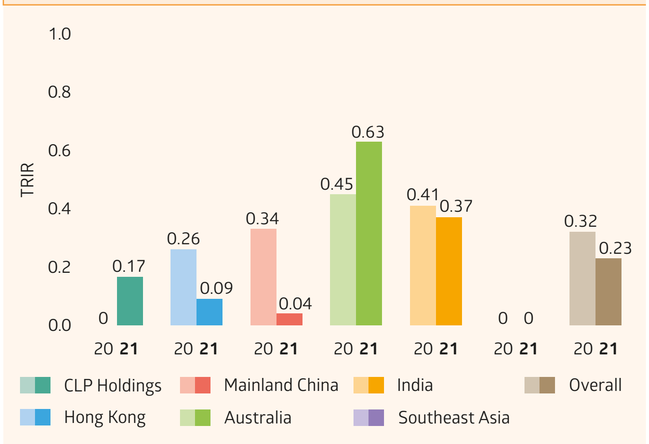
Group Lost Time Injury Rate and Total Recordable Injury Rate



Lost Time Injury Rate at Group and Regional Level



Total Recordable Injury Rate at Group and Regional Level



Notes:

1 The LTIR and the TRIR are the number of lost time injuries and recordable injuries respectively measured over 200,000 working hours, which is equivalent to around 100 persons working for one year.

2 According to new Global Reporting Initiative (GRI) reporting criteria, work-related ill health and commuting injury are not reported under work-related injury category. Hence, the above 2021 LTIR and TRIR are for work-related injury only. There are 2 work-related ill health injuries and 2 commuting injuries in 2021.

Resourcing for Energy Transition and Growth

Retaining the wealth of knowledge among CLP's employees, together with transferring skills to a new generation of managers and team members, is essential to CLP's long-term success, as is developing skills for a zero-carbon, digitally enabled future.

Investing in building pipelines of skilled engineers and technicians in preparation for the energy transition and to address future skills shortages continue to be a key priority. New and refreshed Graduate Trainee and Leaders of the Future development programmes aimed at meeting future managerial engineering needs continued in 2021, with increased female participation aligned to CLP's long-term aspiration to significantly increase the proportion of women in engineering and leadership roles. These programmes build technical, innovation, project, commercial and change leadership skills at different career stages, and provide exposure to the Group's operations in Mainland China and overseas. A new framework was developed for the Hong Kong business to assist in strengthening operational engineering competency. CLP continued to support engineers in the China business to attain nationwide professional engineering and international qualifications with over 330 employees qualified to date. Investment in study awards for students, internships and mentoring also increased to strengthen pipelines to the Graduate programme, and support Hong Kong's young people during the pandemic.

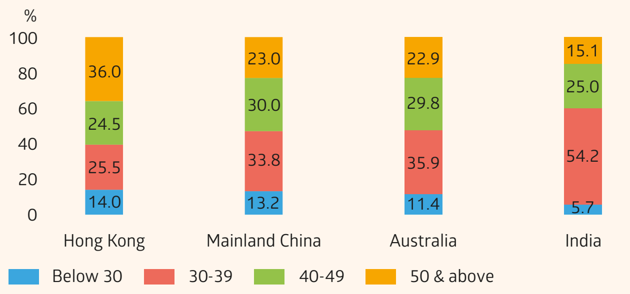
To prepare for the opportunities that spring from greater regional integration, CLP extended internships to the GBA under the Hong Kong Government's Youth Employment Scheme, and increased entry level and experienced-hire recruitment in Hong Kong and the Mainland. Around 70 employees participated in cross-cultural training on national affairs, business leadership and management offered by institutions including the Tsinghua School of Economics and Management and Ivey Business School. Job rotations for engineers between Mainland China and Hong Kong also increased. Webinars and virtual tours were launched in late 2021 to allow employees to gain insights into CLP's renewable energy development and power industry reforms in Mainland China.

CLP's Executive Development Programme for senior managers was held during the year, focused on developing skills required to lead transformation at a time of complex socioeconomic and geopolitical changes. The programme combines leadership, energy transition and business simulation elements, and was conducted virtually in partnership with the International Institute for Management Development (IMD), the École Polytechnique Fédérale de Lausanne (EPFL) and Tilt Global.

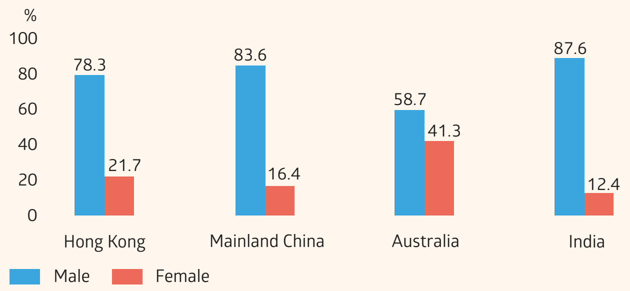
To support these efforts, talent development and mobility policies were updated, and talent acquisition capability was enhanced. CLP continued to strengthen resourcing for innovation, major projects, business development and energy transition-related activities and projects, with 24 senior appointments into critical roles. EnergyAustralia launched a refreshed performance and development framework to continuously improve and sustain high levels of team and individual performance, providing employees access to LinkedIn Learning to support current and future roles.

Employees received an average of 51.6 hours of internal and external training and development compared with 42.5 hours in 2020. The increase reflects a pivot to delivering training virtually on topics of critical health and safety, operational and compliance, as well as new training initiatives such as wellbeing and resilience.

Age Distribution by Region



Gender Distribution by Region



Note: Data of other gender identities is tracked. It is statistically insignificant and is not separately disclosed.

Employee Training

	Average Training Hours per Employee	% of Employees Trained
By Gender		
Male	58.2	98.7%
Female	33.3	97.7%
By Professional Category		
Managerial	29.5	94.2%
Professional	41.2	98.5%
General and Technical	65.8	99.0%
By Region		
Hong Kong	60.8	97.8%
Mainland China	77.8	100.0%
Australia	26.8	100.0%
India	48.8	95.9%
Group Total	51.6	98.5%

Voluntary Turnover Rate (%)

By Gender	
Male	7.3%
Female	10.5%
By Age Group	
Below 30	12.7%
30 – 39	10.7%
40 – 49	6.9%
50 & above	5.1%
By Region	
Hong Kong	4.6%
Mainland China	2.3%
Australia	16.1%
India	6.9%
Group Total	8.1%

Case Study

Building Bridges to the Greater Bay Area

Talent acquisition channels were broadened to strengthen CLP's readiness for the opportunities that spring from greater integration of Hong Kong into the Greater Bay Area (GBA). CLP's Graduate Trainee programme was extended to graduates from Mainland China universities, and job fairs were organised at institutions including Shandong University, Hunan University and the South China University of Technology. Over 500 applications from Mainland students were received for the programme.

CLP also supported the Hong Kong Government's Greater Bay Area Youth Employment Scheme, providing opportunities for five Hong Kong graduates to work on projects in the Chinese energy market. CLP actively promoted the scheme by sharing its benefits with other companies to encourage them to participate.

CLP stepped up efforts to source targeted talent to help capture new business opportunities in the GBA. Resources from China and Hong Kong businesses were mobilised to support and win GBA projects including a centralised cooling project at the Po Park Shopping Plaza in Guangzhou.

CLP also developed programmes to deepen employees' understanding of the Chinese energy market. A series of webinars and virtual tours was launched in late 2021 to allow employees to explore CLP's renewable energy development in Mainland China, and reforms in the Chinese power industry, as well as challenges and opportunities in the market. More than 200 Hong Kong-based employees took part in the first webinar.

Over 200 colleagues joined the first "CLP – Our Journey Towards Zero Carbon" webinar in December 2021 to learn about solar energy in Mainland China.

Building Organisational Agility

Organisational agility is key to responding to a changing energy market and to the social and geopolitical uncertainties that continue to reshape CLP's business landscape. Employees need to develop capabilities to adapt to shifts in the market and collaborate effectively to find innovative solutions. CLP's organisational style and associated methodologies need to adapt to help it respond quickly to the changing needs of customers and employees, and to the needs of new business models.

A key initiative to foster agility is CLP's Design Thinking programme, which is intended to nurture a people-centric innovation culture at CLP, providing practical problem-solving frameworks for product and service development, with users' needs in mind. More than 4,200 Hong Kong employees have participated in Design Thinking training since its launch in early 2019. Employees have applied Design Thinking in projects ranging from digital transformation and productivity to safety and customer service.

CLP is also investing in programmes to develop innovation and digital capabilities, including the International Institute for Management Development's (IMD) online Digital Disruption and Innovation Programme, and bespoke courses on data analytics and Robotics Process Automation. At the end of 2021, almost 400 employees had taken part.

CLP's workforce is distributed, with employees working in office, plants, work sites, in mobile field roles and from home. Changes to ways of working to introduce more flexibility have accelerated in response to the COVID-19 pandemic including new ways for employees to connect virtually and collaborate. In the evolving pandemic situation, the focus has shifted to embedding flexible working options. Following a review of current policy and practices, enhanced flexible working and wellbeing policies were developed for employees in Hong Kong, including new part-time work options and work-from-home arrangements.

More agile team structures and working environments were established in Hong Kong and in EnergyAustralia to encourage closer collaboration on growth opportunities and to speed up decision-making.

Supporting CLP's People to Thrive in Change

As the energy industry and the operating environment evolves at unprecedented pace, CLP is committed to supporting all its people to thrive in change. This calls for increased engagement and support for employees to embrace change, strengthening their wellbeing and resilience, and developing a more inclusive workplace, as well as providing support and reskilling to employees whose jobs are affected by the transition to net zero or other business restructuring.

An engaged workforce is critical to CLP's long-term success. CLP conducted its most recent employee engagement survey for Hong Kong and China assets in late 2020. Pleasingly, there was a very strong 85% response rate, and CLP moved into the second quartile of engagement versus Hong Kong benchmarks and remained at the threshold of the top quartile for China assets, with improvements in most areas since the prior survey in 2017. Following the survey, focus groups were set up to help CLP better understand and address employee concerns; these will form the basis of further work to evolve culture in 2022. EnergyAustralia continued to progress actions identified following its engagement survey, with engagement increasing over the past two years.

CLP is committed to helping employees embrace change, strengthening their wellbeing and resilience as the business evolves, and creating a more inclusive workplace culture. Execution of the Company's health and wellbeing strategy was supported through the launch of the Virgin Pulse digital health and wellbeing platform to help employees improve their physical and mental wellbeing. To increase managers' awareness of, and ability to manage, mental health and emotional issues in the workplace, more than 250 mid-level managers attended resilience programmes. Family-friendly and flexible working policies were enhanced.

CLP continued to help employees in Hong Kong address housing affordability issues through its Home Loan scheme, which provides additional financial support for employees seeking to buy a first home. Since the scheme was launched in early 2019, a total of 146 employees have received assistance.

In the first quarter of 2021, EnergyAustralia announced plans for the closure of Yallourn Power Station in mid-2028, together with building and commissioning a utility-scale battery. EnergyAustralia will provide significant financial support to Yallourn's workforce to help them plan, reskill or retrain for their future. This support is in addition to worker entitlements. EnergyAustralia will continue to engage with the Victorian state government and the local community to ensure an orderly closure and detailed plans will be developed and made available to its people with inputs from the workforce. Separately, EnergyAustralia successfully concluded collective bargaining negotiations for its Tallawarra plant and for operations in the Geelong region. All agreements were reached without the occurrence of protected industrial action.

Case Study

Caring for Employees in the "New Normal"

The wellbeing and resilience of employees has always been a priority for CLP, and has become especially important during the pandemic.

As well as existing measures to safeguard the health and safety of employees, new technologies helped CLP offer additional wellbeing initiatives. A Virgin Pulse digital health and wellbeing platform connected to a wearable fitness device was offered to employees in Hong Kong to promote healthy lifestyles by allowing them to track and monitor their daily activities.

Mental health was another key focus in 2021. The Mental Health First Aid training programme was updated under a new framework combining online and physical interactions. More than 250 employees in Hong Kong have participated in the programme, equipping themselves with the knowledge to identify and address early signs of mental health issues.

Leaders can build psychological safety by creating the right climate, mindsets and behaviours within the organisation. To empower and enable senior leaders, a new series of wellbeing, mindset, resilience and high-performance programmes was launched in 2021 and will continue in 2022. The programmes help participants to understand the importance of wellness for self and in leading teams, to see wellness and resilience in action and role-model leadership accountabilities and behaviours.

Additionally, a review was conducted in Hong Kong on psychologically healthy and safe workplace practices, with the aim to cultivate a sustainable approach to enhance employees' mental health and wellbeing. A roadmap has been developed to embed psychological health in CLP's policies and systems, and to plan for the objective of attaining ISO45003 certification for psychological health and safety at work from the International Organisation of Standardisation.

Material Topics

Shaping and executing the transition to net zero

Reinforcing resilience in a changing operating environment

CLP remained focused on maintaining close partnerships with stakeholders, including policymakers, customers and communities in markets across the Asia-Pacific region, as the Group pushed forward with its mission to build a sustainable business ready for a net-zero world. This section discusses how these stakeholder relationships consolidated CLP's reputation as a **trusted partner** in an **evolving policy and regulatory landscape**. The **social impact of decarbonisation** was a major consideration for CLP in managing its business through the energy transition. As the pandemic persists, the wellbeing of the communities served by CLP is crucial to the Group's efforts to **build resilience in a changing climate**. Key initiatives covered in this section include:

- Strengthening engagement with policymakers and stakeholders on the path toward net-zero including coal phaseout.
- Educating the public and enabling customers in efforts towards greater energy efficiency and decarbonisation.
- Providing continued community support to mitigate the impact of COVID-19.

Rising to the Climate Challenge

Governments around the world, including China, the US, Australia and India, continued to strengthen their climate and environmental policies in 2021, anchored by the agreement reached by more than 190 countries at the United Nations Climate Change Conference (COP26) in November. Managing climate change is central to the sustainability and resilience of economies and communities. To convert policies into action, broad societal support is needed, and businesses have a leading role to play.

Increasing disruption and volatility in energy markets across Asia and Europe towards the end of the year underscored the importance of maintaining supply reliability in the accelerating energy transition. To maintain public trust and support for building the net-zero economy of the future, careful planning and coordination is crucial. This approach will also help manage the pace of the energy transition and balance the interests of all stakeholders.

Working towards a lower-carbon future requires a collective effort, and in 2021, CLP continued to contribute to discussions on energy-sector decarbonisation at major international forums and to promoting closer industry cooperation. Highlighting the Group's thought leadership in this field, CLP Holdings Chief Executive Officer Richard Lancaster became a member of the CNBC ESG Council, a new global forum for discussion and cooperation between international business executives and industry leaders.

Mr Lancaster and other CLP executives spoke at a number of events including the Energy Transitions LIVE conference organised by the UK's Chatham House in March, the International Emissions Trading Association's North America Climate Summit in New York in September, the Accelerating Asia's Energy Transition conference at The Economist's Future of Energy Week conference in October, and the World Business Council for Sustainable Development's Roadmap to Net Zero with Hydrogen event at COP26 in November. Mr Lancaster also delivered a public lecture on climate action at the Hong Kong Metropolitan University in November, and was a keynote speaker at events including the Transforming Business for Sustainability conference, organised by the Business Environment Council in December. Flexible digital formats allowed CLP representatives to participate in overseas events remotely, despite international travel restrictions.

Working with Governments to Ensure a Smooth, Just Transition

Clear and stable policy frameworks are vital to facilitate the long-term infrastructure investments needed for a coordinated energy transition. CLP was engaged in discussions with the Hong Kong Government to contribute to the development of a decarbonisation roadmap and welcomed the Climate Action Plan 2050 released in October. As the largest source of greenhouse gas emissions in Hong Kong, the electricity industry has a key role to play in realising the Government's climate policies and helping customers to decarbonise. CLP firmly supports Hong Kong's goal of achieving carbon neutrality before 2050.

In Mainland China, CLP continued to work closely with stakeholders in support of the Chinese Government's target of achieving peak emissions by 2030 and carbon neutrality by 2060. Together with China National Offshore Oil Corporation, Shenzhen Energy Group and Siemens Energy, CLP set up the Joint Initiative on Accelerating Energy Transformation in the Greater Bay Area (GBA) in April. Under the initiative, the four companies are strengthening collaboration to address key energy industry trends in the GBA including decarbonisation and digitalisation.

EnergyAustralia contributed to ongoing discussions with policymakers on national and state levels to help shape the energy transition in Australia, including proposed reforms to the National Electricity Market drawn up by the Energy Security Board. As more renewable energy is brought into the electricity grid, EnergyAustralia remains committed to supporting a market design that delivers reliable energy at least cost to consumers.

Plans to retire Yallourn Power Station in Victoria were brought forward to mid-2028, four years before the end of the plant's technical life. By providing seven years' retirement notice, EnergyAustralia signalled its determination to work closely with the Victorian Government, suppliers and stakeholders to identify potential impacts and ensure a smooth transition. Yallourn Power Station and its mine have played a major role in the Latrobe Valley community for the past 100 years, and EnergyAustralia will maintain its operations until the plant's retirement, delivering continuing economic opportunities for local suppliers and workers.

As part of an agreement with the State Government, EnergyAustralia committed to building the new 350MW Wooreen utility-scale battery, co-located with Jeeralang Power Station, further advancing the transition to cleaner energy in Victoria. Plans for the construction of the new Wooreen battery energy storage system will provide a boost to the local economy, as EnergyAustralia is committed to maximising the role of suppliers in the Latrobe Valley and the broader Gippsland region.

EnergyAustralia reached an agreement with the State Government of New South Wales in May over the Tallawarra B Power Station. Due to enter service in time for the 2023/24 Australian summer, it will be the country's first net-zero emissions power plant to use a blend of green hydrogen and natural gas, with greenhouse gas emissions fully offset over its operational life. The project will help the State Government towards its net-zero goal, as well as strengthening supply security and reliability.

Balancing Decarbonisation Demands

Building a low-carbon economy requires support from all sectors of society, along with a balanced decarbonisation approach that aligns the interests of different stakeholders. An orderly energy transition depends upon careful planning to ensure electricity supplies remain reliable and affordable to consumers, while taking into account the interests of workers and communities affected by the closure of carbon-intensive power stations.

CLP announced a range of special rebates in Hong Kong to minimise the impact of surging fuel costs on 2022 power tariffs, as electricity utility companies worldwide faced rising fuel prices. Underprivileged groups in Hong Kong were given additional support through electricity subsidies.

A new offshore LNG terminal is expected to increase the diversity of natural gas supply for electricity generation in Hong Kong when construction is completed this year. CLP continued dialogue over environmental issues with stakeholders, including fishermen and community groups. Meanwhile, grants totalling HK$27 million have been provided to 19 projects to enhance the marine environment in southern and western Hong Kong waters, drawn from the Marine Conservation Enhancement Fund and Fisheries Enhancement Fund which were established in 2020.

The We Love Dance programme in Hong Kong encourages everyone to dance, save energy and help the underprivileged.

As CLP continued to explore the feasibility of an offshore wind farm in the south-eastern waters of Hong Kong, a stakeholder liaison group held meetings with representatives from the fishery sector, as well as environmental, community and business groups. The liaison group provides a platform for the exchange of views on environmental issues raised by the project during its design, construction and operation.

Greater public awareness of the importance of zero carbon energy is central to the success of the energy transition. The CLP E-Playground, opened in April, is Hong Kong's first environment-themed outdoor playground, providing an interactive educational resource for the public to learn about energy conservation and the electricity industry. The new CLP Power Engineering Laboratory, run by the Vocational Training Council with support from CLP, opened in the same month, offering an advanced facility for power engineering students to find out about the latest smart grid technologies supporting the transition to cleaner energy.

In India, Apraava Energy launched a new programme to support the use of solar energy in nine villages near its power transmission infrastructure in the state of Madhya Pradesh. The initiative also provides training on the maintenance of solar power projects and supports educational projects on renewable energy in schools and kindergartens.

Lightening the Carbon Load

CLP expanded its range of services for customers to improve their energy efficiency as more businesses and organisations looked at ways to reduce their energy expenses and carbon footprint. The Company strengthened its support for commercial and industrial customers in Hong Kong, helping them take advantage of increased electrification to decarbonise and participate in the transition to a net-zero economy. By providing more diversified services, including consultancy and energy-saving solutions, CLP aims to deepen customer relationships in key sectors including catering, data centres, hospitals and transport, evolving from a traditional transaction-based electricity utility business model.

CLP launched a Retro-Commissioning Charter programme to support businesses in Hong Kong seeking to optimise the performance of electrical equipment, such as air conditioning systems. Typically, retro-commissioning projects do not involve the replacement of equipment and can be deployed more quickly to improve energy efficiency. The new programme adds to an existing range of energy-saving offerings, including the CLP Eco Building Fund and the Electrical Equipment Upgrade Scheme.

Case Study

Solutions for a Greener Hong Kong

Hong Kong's Hang Heung Cake Shop, a traditional Chinese bakery founded in 1920, installed state-of-the-art ovens and air conditioning systems in a makeover of its workshop after receiving energy saving tips from CLP to make its business more sustainable.

CLP conducted an energy audit for Hang Heung and worked closely with the bakery on a thorough redesign of the workshop that has cut its annual electricity consumption by 20%. To ensure the quality of its cakes and pastries, the workshop's smart sensors allow chefs to keep temperatures and humidity at optimum levels through a mobile app. The project was funded by CLP's Electrical Equipment Upgrade Scheme.

"Our team took a lot of care to get the design right and, as a result, our new facilities are more energy-efficient and use 50% less space, while our production capacity has increased," said Hang Heung Chief Executive Desmond Wong.

CLP has conducted energy audits for more than 2,000 business customers since the current Scheme of Control Agreement began in October 2018.

Forward Living, an elderly home operator in Hong Kong, worked with CLP to install new technology to help track and reduce energy consumption at a new residential care home. Through a simple-to-use, integrated mobile app, the technology enables staff at Forward Living to monitor the energy use of kitchen appliances, and the temperature inside refrigerators. The system also supports indoor air quality measurements and allows residents to check vital signs using cloud-based technology. Information from the system enables Forward Living to save energy and improve operational efficiencies.

Funding from the Electrical Equipment Upgrade Scheme supported Forward Living in purchases of more energy-efficient lighting and air-conditioning systems to help save 200,000kWh of energy.

Hang Heung and Forward Living were among the 49 winners in the 2021 CLP Smart Energy Awards programme, which recognises excellence in energy efficiency.

Since the start of the current Scheme of Control (SoC) agreement in October 2018, CLP has helped commercial and industrial customers in Hong Kong achieve over 400GWh of electricity savings through various energy efficiency programmes.

EnergyAustralia meanwhile extended its Go Neutral carbon offset programme to large business customers, providing a tool for them to reduce their carbon footprint. This followed a strong response from residential customers to the Go Neutral programme which, since its 2016 launch, has grown to become the largest carbon offset programme in Australia's retail energy market.

Foundations for a Resilient Future

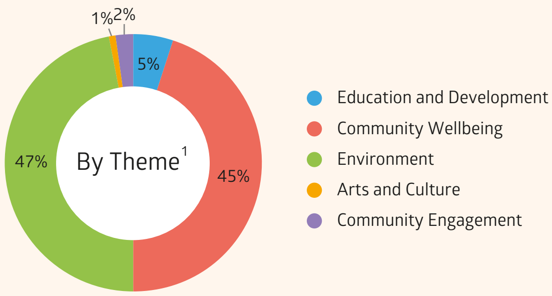
The resilience of CLP's business depends on the continued health and wellbeing of the communities in which it operates. CLP distributed retail and catering coupons to almost 800,000 residential customers in Hong Kong, including low-income families, elderly people and tenants of subdivided units, in an initiative aimed at supporting people through the pandemic while promoting consumer spending to boost the city's economic recovery. Each beneficiary of the CLP Retail and Catering Coupons programme received vouchers worth HK$100 to spend in more than 2,800 participating shops and restaurants as part of a HK$160 million package of initiatives funded by the CLP Community Energy Saving Fund. CLP announced a further HK$220 million package for 2022 from the same fund for initiatives including a new coupon programme and electricity subsidies for selected customers. CLP volunteers meanwhile organised virtual visits to elderly homes and day care centres, using video conferencing technologies to provide support to people affected by social distancing restrictions during the pandemic.

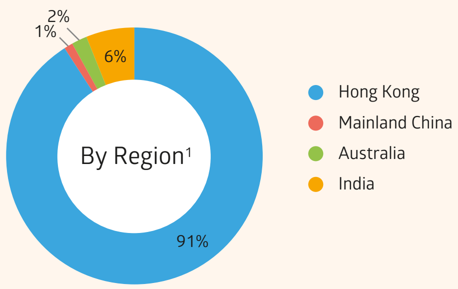
In Australia, as lockdowns and economic restrictions continued to affect large swathes of the population, EnergyAustralia continued to provide support to people struggling financially, setting up flexible payment plans and providing bill extensions to thousands of residential customers.

India was hit by a severe wave of COVID-19 in the second quarter. CLP and its Indian subsidiary responded by committing Rs 68 million (HK$7 million) to relief efforts and the delivery of critical health supplies. Apraava Energy worked with non-profit organisations based near its operations to improve hygiene and increase the availability of anti-virus supplies to strengthen the resilience of communities. It also encouraged people to participate in vaccination programmes.

Community Initiatives and Volunteering

Our Community Spending



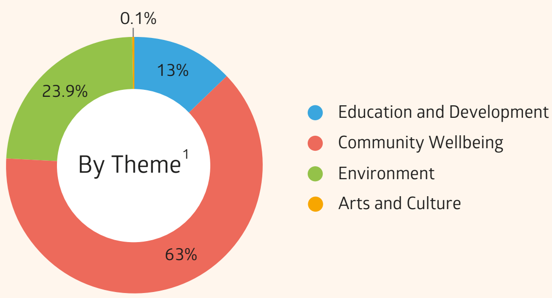


Impact

443 programmes were initiated or supported

232 organisations benefitted

1,580,587 direct beneficiaries



Contributing Our Time

16,541 volunteer hours by CLP staff and family members

For more details about the community initiatives of CLP in different regions, please refer to 2021 Sustainability Report.

Note:

1 Figures include rounding adjustments.

Material Topic

Shaping and executing the transition to net zero

A rising tide of natural disasters around the world is driving increasing concern about climate change, highlighting the urgent need for action to reduce global warming. In 2021, CLP accelerated its decarbonisation plans while pursuing new **investments in clean energy infrastructure** and supporting the energy transition in its markets as **the regulatory landscape continued to evolve**. With climate change creating a widening range of risks for businesses, CLP took steps to enhance disclosure of the impact on its operations. Key climate-related performance highlights in 2021 included:

- Updated Climate Vision 2050 with strengthened decarbonisation targets, including the commitment to net-zero greenhouse gas emissions across CLP's value chain by the middle of the century.
- Expansion of CLP's renewable energy portfolio by 6.7% to 3,624MW.
- Enhanced climate reporting based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board's Climate-related Disclosures Prototype.

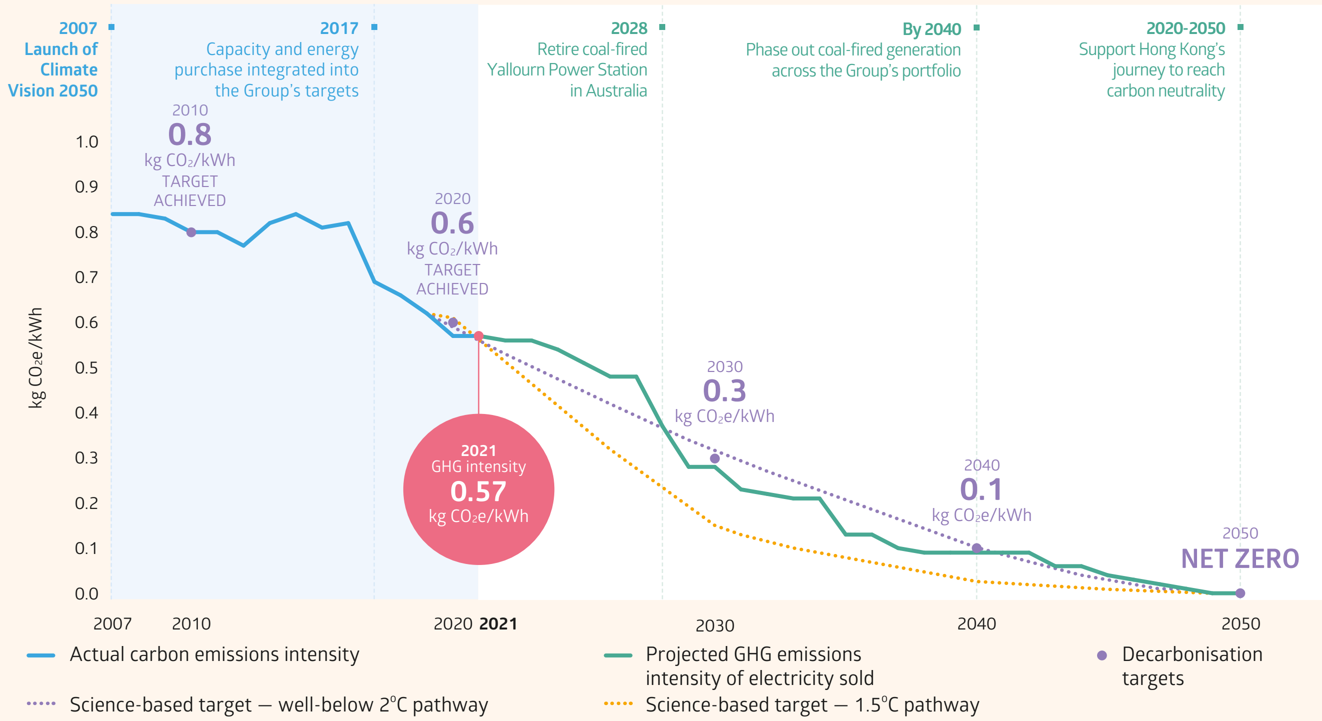
An Escalating Climate Crisis

According to *Climate Change 2021: the Physical Science Basis* report of the United Nations Intergovernmental Panel on Climate Change, huge cuts in carbon emissions need to take place in order to limit global warming to 1.5°C. An increasing occurrence of some extreme events are expected even at warming within that level.

At the COP26 summit in November, nearly 200 nations signed the Glasgow Climate Pact, committing to establish more ambitious emissions reduction goals and finalise global rules for carbon trading. It was the first international climate agreement with specific plans to reduce the use of coal for power generation, demonstrating increasing international resolve to accelerate the energy transition. Despite concerns that COP26 fell short of expectations and failed to impose more stringent limits on fossil fuel use, the pact nevertheless put governments worldwide on urgent notice to develop stronger and more effective climate policies in line with the 2015 Paris Agreement.

CLP became the first Asian power company to set voluntary carbon intensity reduction targets in 2007 with the launch of Climate Vision 2050 – a strategy which has since guided the Group's approach to business and investments. CLP has continued to strengthen its climate targets, progressively decarbonising its business and fulfilling its interim targets to reduce carbon intensity in both 2010 and 2020.

CLP's Past and Projected Greenhouse Gas Emissions Intensity



Notes: 1 CLP's trajectory from 2007 to 2020 is based on the Group's carbon emissions intensity (kg CO_2/kWh). Since 2021, in line with global best practices, CLP has reported its GHG emissions intensity based on kg CO_2e/kWh.
2 CLP's trajectory from 2017 to 2050 is on an equity plus long-term capacity and energy purchase basis.

The Road to Net-zero Emissions

In the latest update of Climate Vision 2050 in 2021, CLP committed to achieving net-zero greenhouse gas emissions by 2050, encompassing Scope 1, 2 and 3 emissions. This comprehensive target covers CLP's value chain, including the emissions of customers and suppliers.

The update of Climate Vision 2050 followed a strategic review in which CLP weighed up a comprehensive range of factors, including the latest climate science, technology trends, industry best practices and government policies. The review also considered the evolving expectations of investors, customers, regulators and other stakeholders.

As well as the goal of achieving net-zero emissions by 2050, CLP set new decarbonisation targets for 2030 to align with the objective of limiting global warming to well-below 2°C above pre-industrial levels. CLP also stepped up plans to phase out coal-based assets, bringing the target date forward by a decade to 2040, while also significantly strengthening its emissions reduction targets for that year.

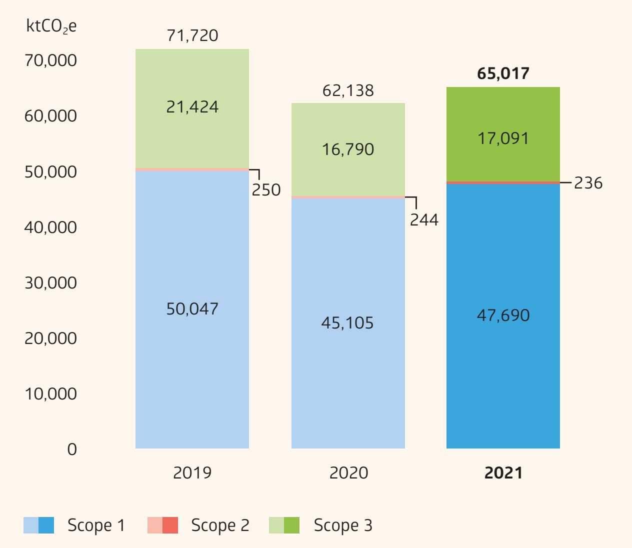
CLP recognises the need to continue to raise its targets and to help limit global warming to 1.5°C. The Climate Vision 2050 goals will be reviewed every five years at least going forward.

CLP's subsidiary EnergyAustralia released an update to its Climate Change Statement, reinforcing the commitment it made in 2020 to achieve net-zero greenhouse gas emissions by 2050 and to transition out of coal assets by 2040. Apraava Energy is also committed to decarbonising its operations in India, in line with the worldwide Science Based Targets initiative (SBTi).

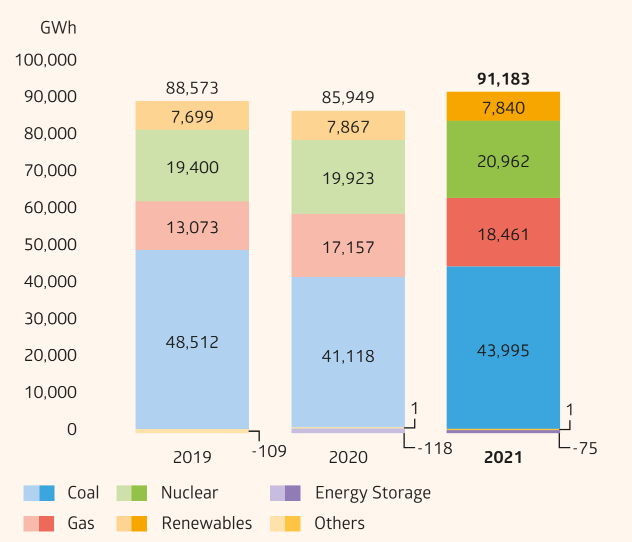
The Group's greenhouse gas emissions intensity of electricity sold was maintained at 0.57kg CO_2e/kWh in 2021, the same as in 2020. Over the course of the year, CLP's total Scope 1, 2 and 3 greenhouse gas emissions increased to 65,017 kilotonnes of carbon dioxide equivalent (ktCO_2e) on an equity basis. While the generation mix remained stable, higher sent out amid the recovery from the COVID-19 pandemic in part led to an increase in CLP's absolute emissions from 2020, although markedly lower than the 2019 levels. In the coming years, CLP will continue to focus efforts on progressively phasing out coal for power generation, including honouring its commitment to the early closure of Yallourn Power Station in 2028, to bring the Group in line with its decarbonisation targets. It will also seek to widen deployment of renewable energy and keep assessing new energy technologies such as green hydrogen and energy storage solutions in its transition underway.

In Hong Kong, CLP's greenhouse gas emissions intensity of electricity sold was 0.39kg CO_2e/kWh in 2021, comparable to the 2020 level of 0.37kg CO_2e/kWh. The emissions intensity level was affected by a host of factors including CLP customers' electricity consumption, the fuel mix for electricity generation and the operational requirements such as regular inspection and maintenance arrangements for the generation units.

Greenhouse Gas Emissions (on an Equity Basis)



Energy Sent Out by Asset Type (on an Equity Plus Long-term Capacity and Energy Purchase Basis)



Notes:

1 Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

2 Starting from 2020, a new "Energy Storage" asset category has been added, under which pumped storage and battery storage are included. In previous years, assets under the "Others" category included oil-fired generation assets and pumped storage.

Exploring Green Energy

As CLP progressively phases out coal-fired power, it is directing investment towards low-carbon streams of business, including renewable energy, power transmission and distribution, and new energy technologies and solutions.

The Group's renewable energy portfolio, including equity capacity and long-term capacity and energy purchase arrangements, expanded to 3,624MW in 2021, a 6.7% year-on-year rise. CLP's 100MW Qian'an III Wind Farm in Jilin province was completed five months ahead of schedule and connected to the grid in December.

Meanwhile, CLP also committed to two new wind energy projects in Mainland China: the 150MW Bobai farm in Guangxi Zhuang Autonomous Region, and the 50MW Xundian II farm in Yunnan province. Similar to Qian'an III, both new wind farms are grid-parity projects designed to operate without government subsidies, and construction is expected to begin in 2022.

Apraava Energy made progress with the construction of its 251MW Sidhpur wind farm in India's Gujarat state, which is due to go into operation in 2022. In December, the company acquired a 49% stake in a 254-kilometre interstate power transmission project in northeast India, and plans to purchase the remaining equity of the project at a later date.

In Hong Kong, CLP moved forward with pre-development studies into the feasibility of an offshore wind farm in the territory's south-eastern waters. Improvements in turbine technology and costs are expected to make offshore wind farms an increasingly viable option in the medium term.

EnergyAustralia announced the construction of a 350MW battery energy storage system, adjacent to Jeeralang Power Station in Victoria. The Wooreen project is expected to be completed by the end of 2026 to strengthen supply reliability in the run-up to the closure of Yallourn Power Station in 2028. The closure of Yallourn Power Station will reduce EnergyAustralia's carbon emissions by about 60% compared to 2021 levels, helping support the Victorian Government's climate policies.

In New South Wales, EnergyAustralia began an assessment of a potential pumped hydro energy storage facility at Lake Lyell near Mount Piper Power Station.

Policies for Energy Transition

The Hong Kong Government unveiled its Climate Action Plan 2050 in October, setting out a host of decarbonisation strategies, including an interim target of reducing carbon emissions in the city by 50% before 2035 compared with 2005 levels. The action plan further strengthens the Government's climate policies, providing increased regulatory clarity for CLP's long-term planning and investment decisions to support the city's goal to achieve carbon neutrality before 2050.

The Government's Climate Action Plan 2050 stresses the importance of maintaining a proportion of local power generation to maintain a reliable electricity supply. New types of zero-carbon energy, such as green hydrogen, offer a potential option for power generation which – combined with more renewable energy and regional cooperation – can form the foundations for a net-zero power sector in Hong Kong by 2050.

Trading of carbon allowances under the Chinese Government's National Emissions Trading Scheme began in 2021. More than 2,000 power stations including CLP's Fangchenggang plant were among the programme's first participants. With its portfolio of renewable energy resources across the Mainland, CLP is expected to benefit from the future expansion of the scheme to allow for participation by non-thermal power producers. CLP is committed to deploying advanced technology at its power plants, in support of the Chinese Government's goals of reaching peak carbon emissions by 2030 and carbon neutrality by 2060.

Case Study

Bright Prospects for Green Hydrogen

Green hydrogen is emerging as a key potential factor in the transition to a net-zero electricity sector, and CLP is taking active steps to increase expertise in the technology in its businesses across the Asia-Pacific region.

CLP signed a Memorandum of Understanding with GE in September to collaborate on a decarbonisation roadmap for gas-fired generation facilities at Black Point Power Station and explore the potential use of low-carbon fuels such as hydrogen.

Green hydrogen is created through the process of electrolysis, with the use of renewable energy to split water into its chemical components, producing no greenhouse gas emissions. The technology is still in early stages of development in Asia Pacific, although the pace has been accelerating.

In the Climate Action Plan 2050 strategy announced by the Hong Kong Government in October, hydrogen produced by renewable energy was identified as a potential source of zero-carbon energy for local electricity generation.

EnergyAustralia's new Tallawarra B project is the country's first net-zero emissions hydrogen and gas-capable power plant. When it begins operations in time for the 2023/24 Australian summer, the power station will be capable of using a blend of green hydrogen and natural gas, with the plant's direct carbon emissions fully offset over its operational life. EnergyAustralia will offer to buy 200,000 kg of green hydrogen per year from 2025.

In November, CLP became one of the 28 founding members of H2Zero, a new global initiative launched by the World Business Council for Sustainable Development and the Sustainable Markets Initiative to accelerate the production and use of green hydrogen.

Transparency for the Net-zero Transition

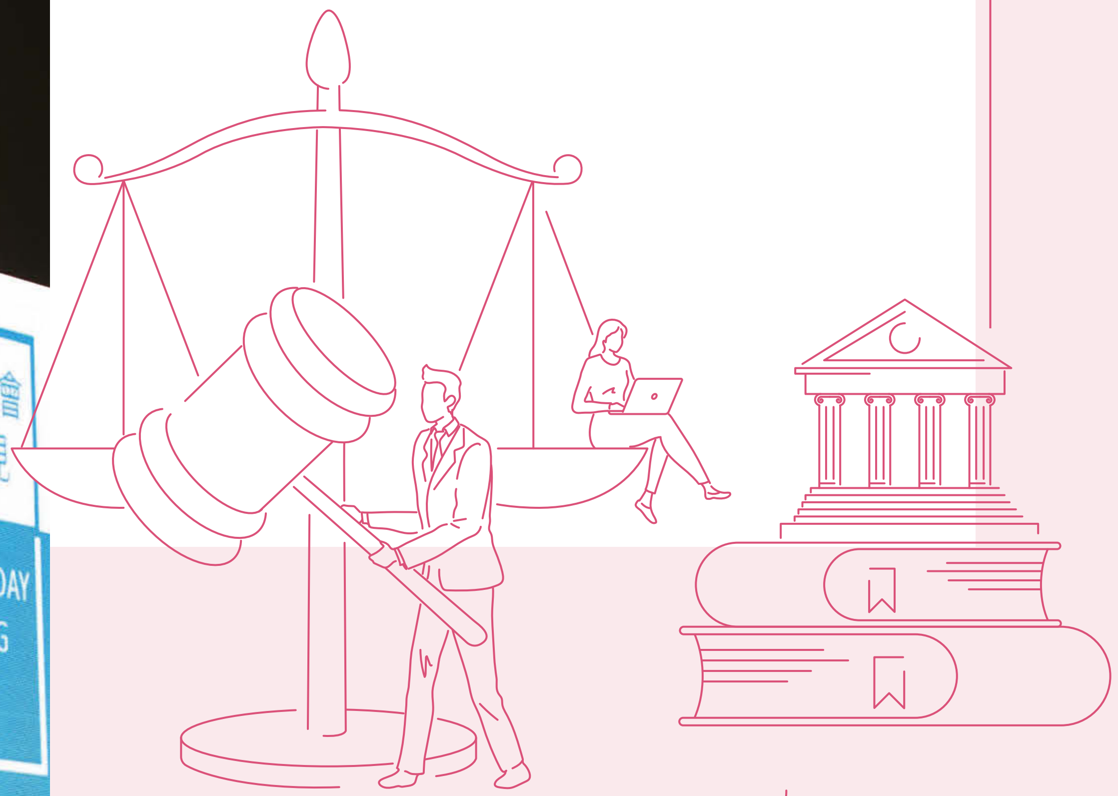
The TCFD's framework for translating climate-related information into financial metrics has played a central role in enabling investor dialogue over the financial implications of climate change.

CLP is committed to continuously enhancing its disclosures, and has introduced the in-depth 2021 Climate-related Disclosures Report to provide climate-related financial information to stakeholders. The report follows the TCFD's recommendations and the International Sustainability Standards Board's Climate-related Disclosures Prototype. It covers governance of CLP's response to climate change and management of climate-related transition and physical risks, while offering relevant metrics and targets. It also includes information on the climate scenario analysis conducted by CLP for its portfolio across different markets, and details of how CLP mobilises resources to implement Climate Vision 2050 and identify opportunities presented by the energy transition.

View more information in
CLP's 2021 Climate-related Disclosures Report

Governance

Our long-term focus and
commitment to good governance.



Non-executive Directors

The Honourable Sir Michael David Kadoorie ∟ Chairman N

Aged 80 ∟ Appointed on 19 January 1967* ∟ Father of Philip Lawrence Kadoorie

Expertise

– Board / board committees leadership – CLP market experience
– Global market experience – Other industries – Other listed board roles
– Related industry experience (Infrastructure / Power / Property / Retail)

Titles, Qualifications and Education

Gold Bauhinia Star
Commandeur de la Légion d'Honneur
Commandeur de l'Ordre des Arts et des Lettres
Commandeur de l'Ordre de la Couronne
Commandeur de l'Ordre de Leopold II
Honorary Doctor of Laws
Honorary Doctor of Science

Other Major Offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Chairman, and Chairman of Nomination Committee and Executive Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
Heliservices (Hong Kong) Ltd. (Chairman)
CK Hutchison Holdings Ltd.# (Independent Non-executive Director)

William Elkin Mocatta ∟ Vice Chairman F (Chairman) P (Chairman) H

Aged 68 ∟ Appointed on 16 January 1993*

Expertise

– Board / board committees leadership – CLP market experience – Global market experience
– Other industries – Other listed board roles – Professional (Accounting)
– Related industry experience (Infrastructure / Power / Property / Retail) – Risk & compliance

Titles, Qualifications and Education

Fellow of the Institute of Chartered Accountants in England and Wales

Major Positions Held with the Group

CLP Power Hong Kong Ltd. (Chairman)
Castle Peak Power Company Ltd. (Chairman)
CLP Properties Ltd. (Chairman)
Hong Kong Pumped Storage Development Company, Ltd. (Chairman)

Other Major Offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
CK Hutchison Holdings Ltd.# (Alternate Director – Alternate to The Hon Sir Michael David Kadoorie)

John Andrew Harry Leigh

Aged 68 ∟ Appointed on 10 February 1997*

Expertise

– CLP market experience – Company executive – Global market experience
– Other industries – Other listed board roles – Professional (Legal)
– Related industry experience (Power / Property) – Risk & compliance

Other Major Offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director, and member of Executive Committee and Finance Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)

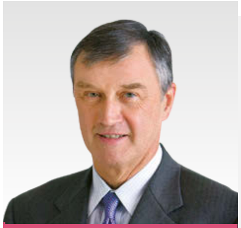
Past Experience

Prior to joining the CLP Group in 1986, Mr Leigh was in private practice as a solicitor in Hong Kong and the UK. He was the Senior Legal Advisor, Company Secretary and General Manager – Corporate Affairs in the CLP Group between 1986 and 1996.

These Directors will stand for re-election at the 2022 Annual General Meeting

A Audit & Risk Committee
F Finance & General Committee
H Human Resources & Remuneration Committee
N Nomination Committee
P Provident & Retirement Fund Committee
S Sustainability Committee

* The date given is that of appointment to the Board of China Light & Power Company, Ltd., the holding company of the CLP Group prior to the Group Reorganisation in 1998. All of these Directors were appointed to the Board of CLP Holdings on 31 October 1997.



Andrew Clifford Winawer Brandler F S

Aged 65 | Appointed on 6 May 2000

Expertise

- Board / board committees leadership
- CLP market experience
- Company executive
- Global market experience
- Other industries
- Other listed board roles
- Professional (Accounting)
- Related industry experience (Infrastructure / Power / Property / Retail)
- Risk & compliance

Titles, Qualifications and Education

Member of the Institute of Chartered Accountants in England and Wales
Master of Arts, the University of Cambridge
Master in Business Administration, Harvard Business School

Major Positions Held with the Group

CLP Holdings Ltd. (Alternate Director – Alternate to Mr William Mocatta)
EnergyAustralia Holdings Ltd. (Director)

Other Major Offices

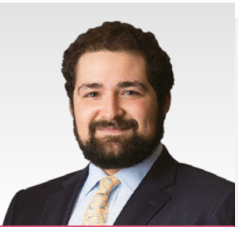
The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Deputy Chairman, Chairman of Finance Committee, and member of Audit Committee, Remuneration Committee and Executive Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Chairman)
Tai Ping Carpets International Ltd.# (Non-executive Director)
MTR Corporation Ltd.# (Independent Non-executive Director, Chairman of Finance & Investment Committee, and member of Audit & Risk Committee)

Public Service

Hong Kong Golf Association Ltd. (Alternate Director)
The Chinese International School Foundation (Chairman of the Board of Governors)

Past Experience

Mr Brandler was the Group Managing Director and Chief Executive Officer of CLP Holdings from 6 May 2000 to 30 September 2013. He continued to serve on the Board of CLP Holdings as an Executive Director until his redesignation as a Non-executive Director on 1 April 2014.



Philip Lawrence Kadoorie S

Aged 30 | Appointed on 7 August 2018 | Son of The Honourable Sir Michael David Kadoorie

Expertise

- CLP market experience
- Global market experience
- Other industries
- Other listed board roles
- Related industry experience (Property)

Titles, Qualifications and Education

Bachelor of Science in Communication, Boston University
FAA Commercial Pilot's Licence (Helicopter)
Intensive Putonghua course, Tsinghua University (Beijing)

Other Major Offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
Heliservices (Hong Kong) Ltd. (Director)
Metrojet Ltd. (Director)

Past Experience

Prior to his appointment to the Board of The Hongkong and Shanghai Hotels, Ltd. in 2017, Mr Kadoorie completed various internships in commercial property companies, Schroders Bank in London and at CLP Group in Hong Kong.

The securities of these companies are currently listed on the Hong Kong Stock Exchange or overseas stock exchange(s).

▲ Sir Elly Kadoorie & Sons Ltd. oversees a number of Kadoorie Family interests in Hong Kong and overseas and, as such, is associated with the substantial shareholders of CLP Holdings as disclosed in the Directors' Report.

Full particulars of Directors, including their directorships in the subsidiary companies of CLP Holdings, other directorships held in the last three years in public listed companies and other major appointments are available on our website.

Independent Non-executive Directors

Sir Roderick Ian Eddington F

Aged 72 ∟ Appointed on 1 January 2006

Expertise

- Board / board committees leadership – CLP market experience – Company executive
- Global market experience – Other industries – Other listed board roles – Professional (Engineering)
- Related industry experience (Infrastructure / Property / Retail) – Risk & compliance

Titles, Qualifications and Education

Officer of the Order of Australia
1974 Rhodes Scholar, the University of Western Australia
Doctor of Philosophy in the Department of Engineering Science, the University of Oxford

Other Major Offices

Kirin Holdings Company Ltd.#
(Independent Non-executive Director)
John Swire & Sons (Australia) Pty Ltd. (Non-executive Director)
JP Morgan Chase Bank N.A. (Non-executive Chairman (Asia Pacific Advisory Council))
Lion Pty Ltd. (Non-executive Chairman)

Past Experience

Sir Rod Eddington was the Chief Executive of British Airways plc from 2000 until he retired on 30 September 2005. He has maintained a connection with Hong Kong from his previous directorships with Cathay Pacific Airways Ltd.#, Swire Pacific Ltd.# and Hong Kong Aircraft Engineering Company Ltd. during the period from 1988 to 1996.

Nicholas Charles Allen A (Chairman) H (Chairman) N (Chairman) F S

Aged 66 ∟ Appointed on 12 May 2009

Expertise

- Board / board committees leadership – CLP market experience – Global market experience
- Other industries – Other listed board roles – Professional (Accounting)
- Related industry experience (Property / Retail) – Risk & compliance – Technology

Titles, Qualifications and Education

Fellow of the Institute of Chartered Accountants in England and Wales
Member of the Hong Kong Institute of Certified Public Accountants
Bachelor of Arts in Economics / Social Studies, the University of Manchester

Other Major Offices

Link Asset Management Ltd.#
(as manager of Link Real Estate Investment Trust)
(Independent Non-executive Chairman, and Chairman of Nomination Committee and Finance and Investment Committee)
Hong Kong Exchanges and Clearing Ltd.#
(Independent Non-executive Director, and member of Audit Committee and Risk Committee)

Past Experience

Mr Allen joined Coopers & Lybrand (C&L) in London in 1977 and was transferred to C&L Hong Kong in 1983. He was admitted to partnership in C&L Hong Kong in 1988, which was subsequently merged with Price Waterhouse into PricewaterhouseCoopers (PwC) in 1998. Mr Allen retired from PwC in 2007.

Law Fan Chiu Fun Fanny A H S

Aged 69 | Appointed on 17 August 2011 and reappointed on 1 August 2012

Expertise

- Board / board committees leadership
- CLP market experience
- Global market experience
- Other industries
- Other listed board roles
- Public administration
- Related industry experience (Infrastructure / Power / Property / Retail)
- Risk & compliance
- Technology

Titles, Qualifications and Education

Grand Bauhinia Medal
Gold Bauhinia Star
Justice of the Peace
Bachelor of Science (Hon.), the University of Hong Kong (Outstanding Alumnus of the Science Faculty)
Master in Public Administration, Harvard University (Littauer Fellow)
Master in Education, the Chinese University of Hong Kong (Dean's List)

Other Major Offices

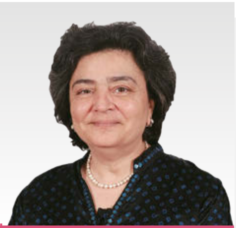
China Resources (Holdings) Co., Ltd. (as the unlisted holding company for a number of China Resources listed group entities#) (External Director, Chairman of Audit Committee, member of Remuneration Committee and Strategy Committee)
China Taiping Insurance Holdings Co., Ltd.# (Independent Non-executive Director, and member of Audit Committee, Remuneration Committee and Nomination Committee)
China Unicom (Hong Kong) Ltd.# (Independent Non-executive Director, and member of Audit Committee and Nomination Committee)
Minmetals Land Ltd.# (Independent Non-executive Director, Chairman of Remuneration Committee, and member of Audit Committee and Nomination Committee)
Nameson Holdings Ltd.# (Independent Non-executive Director)

Public Service

The Government of Hong Kong SAR (Member of the Executive Council)
Our Hong Kong Foundation (Member of the Research Council)

Past Experience

Prior to her retirement from the civil service in 2007, Mrs Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in the civil service, Mrs Law has worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education.



Zia Mody H

Aged 65 | Appointed on 2 July 2015

Expertise

- CLP market experience
- Global market experience
- Other industries
- Other listed board roles
- Professional (Legal)
- Related industry experience (Property)
- Risk & compliance
- Technology

Titles, Qualifications and Education

Member of the New York State Bar by examination
Advocate with the Bar Council of Maharashtra and Goa
Bachelor of Laws, the University of Cambridge
Master of Laws, Harvard Law School

Other Major Offices

AZB & Partners (AZB) (Senior Partner)
Ascendas Property Fund Trustee Pte. Ltd. (as trustee-manager of Ascendas India Trust#) (Independent Director, and member of Audit and Risk Committee and Investment Committee)

Public Service

Cambridge India Research Foundation (Non-executive Director)
ICCA Foundation, Inc. (the International Council for Commercial Arbitration) (Non-executive member of the Governing Board)
J. B. Petit High School for Girls (Trustee)
Observer Research Foundation (Non-executive trustee)

Past Experience

Mrs Mody worked as a corporate associate at Baker & McKenzie in New York for five years before establishing the Chambers of Zia Mody in India in 1984, which then became AZB in 2004.

Independent Non-executive Directors

May Siew Boi Tan A F H N S

Aged 66 Appointed on 7 August 2018

Expertise

- CLP market experience
- Company executive
- Global market experience
- Other industries
- Other listed board roles
- Professional (Accounting)
- Related industry experience (Property / Retail)
- Risk & compliance

Titles, Qualifications and Education

Fellow of the Institute of Chartered Accountants in England and Wales
Fellow of the Hong Kong Institute of Certified Public Accountants
Graduated from the University of Sheffield

Other Major Offices

JPMorgan China Growth & Income plc# (Independent Non-executive Director)
Manulife Financial Corporation# (Independent Director, and member of Management Resources and Compensation Committee and Risk Committee)
Anticimex New TopHolding AB (Board member)
MSIG Insurance (Hong Kong) Ltd. (Director)

Public Service

Hong Kong Youth Arts Foundation (Executive Committee member)

Past Experience

Ms Tan was an Executive Director of Standard Chartered Bank (Hong Kong) Ltd. and its Chief Executive Officer from July 2014 to February 2017. She joined Standard Chartered Bank in 2009 as Global Head, Equity Corporate Finance.

In public service, Ms Tan was the Chairman of The Hong Kong Association of Banks, the ex-officio member of Hong Kong Trade Development Council and a member of the Currency Board Sub-Committee of The Exchange Fund Advisory Committee of Hong Kong Monetary Authority. She was a member of the Listing Committee of The Stock Exchange of Hong Kong Ltd.# (from 2012 to 2015) and a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission (from 2001 to 2013). Ms Tan was also a Council Member (from 2008 to 2017) and the Vice Chairman (from 2012 to 2017) of Oxfam Hong Kong.

Christina Gaw F S

Aged 49 Appointed on 20 October 2020

Expertise

- CLP market experience
- Company executive
- Global market experience
- Other industries
- Other listed board roles
- Related industry experience (Property)

Titles, Qualifications and Education

Bachelor of Science in Business Administration, the University of San Francisco

Other Major Offices

Gaw Capital Partners (Managing Principal, Head of Capital Markets, Co-chair of Alternative Investments and Head of GCP Singapore)
Pioneer Global Group Ltd.# (Executive Director)

Public Service

Cheltenham Ladies College UK (Corporate member)
Hong Kong International School (Board member)
InspiringHK Sports Foundation (Board member)
Lingnan University (Council member)
St. Paul's Co-educational College Alumni Association (Executive Committee Vice Chair)
Teach for Hong Kong (Board member)
The TWGH's S.C. Gaw Memorial College (School supervisor)

Past Experience

Prior to joining Gaw Capital Partners in 2008, Ms Gaw had over 15 years of investment banking experience at Goldman Sachs and UBS as a Managing Director, with responsibilities as Head of Asia Equities Distribution and as Head of APAC Capital Introduction in Equities Division.

Chunyuan Gu A F

Aged 63 ∟ Appointed on 20 October 2020

Expertise

- CLP market experience
- Company executive
- Global market experience
- Other industries
- Professional (Engineering)
- Related industry experience (Power)
- Technology

Titles, Qualifications and Education

Bachelor of Engineering, School of Mechanical Engineering, Shanghai Jiao Tong University
Doctor of Engineering, School of Aeronautics, Royal Institute of Technology, Stockholm
General Management Program at Stockholm School of Economics

Other Major Offices

ABB (China) Ltd. (Chairman of the Board)
Blackstone, Inc.# (Senior advisor)
NSK Ltd.# (Member of the China advisory council)

Public Service

China EV 100 (Member)
Chinese Association of Automation (Managing Director)
Royal Swedish Academy of Engineering Sciences (International member)
The Guangdong Government (Economic advisor to the Governor of Guangdong Province)

Past Experience

Mr Gu has over 30 years of experience working at ABB Ltd# (ABB), a global pioneering technology leader in electrification and automation serving customers in utility, industry, transportation and infrastructure. Mr Gu was a member of the ABB Group Executive Committee and President of the Asia, the Middle East and Africa region and President of ABB (China) Ltd. He remains engaged by ABB in an advisory capacity as the Chairman of the Board of ABB (China) Ltd.

Executive Director

Richard Kendall Lancaster ∟ Chief Executive Officer (CEO) S (Chairman) F

Aged 60 ∟ Appointed on 3 June 2013

Expertise

- Board / board committees leadership
- CLP market experience
- Company executive
- Global market experience
- Professional (Engineering)
- Related industry experience (Power)
- Risk & compliance

Titles, Qualifications and Education

Bachelor of Engineering in electrical engineering, the University of New South Wales

Public Service

Business Environment Council (Chairman)
Hong Kong Management Association (Fellow)
Operations Review Committee of the Independent Commission Against Corruption (Member)
Panel of the Witness Protection Review Board of the Independent Commission Against Corruption (Member)
The Australian Chamber of Commerce Hong Kong & Macau (Founding member of the Advisory Council)
UNSW Hong Kong Foundation (Board member)
World Business Council for Sustainable Development (Council member) (member of the Climate and Energy Cluster Board)
World Energy Council (Hong Kong Member Committee) (Chairman)

Past Experience

Prior to assuming his role of CEO in September 2013, Mr Lancaster was the Managing Director of CLP Power Hong Kong for three years, responsible for its electricity generation, transmission and distribution business and service to its customers in Hong Kong. He began his career with the Electricity Commission of New South Wales in Australia and has more than 30 years of experience in the power industry and in other industrial operations in Australia, UK and Hong Kong. Mr Lancaster joined CLP in 1992 and has held a variety of managerial positions in CLP. His experience covers project management, power plant operations, commercial, finance, legal and corporate functions.

Senior Management

Eileen Burnett-Kant
Chong Wai Yan Quince
David John Simmonds
Nicolas Alain Marie Tissot
Yuen So Siu Mai Betty
Chiang Tung Keung
Chan Siu Hung
Richard Kendall Lancaster
(Biography is on page 103)
Mark Richard Collette
Rajiv Ranjan Mishra

Eileen Burnett-Kant

Chief Human Resources Officer, aged 53

Titles, Qualifications and Education

Master of Business Administration, the University of Melbourne

Master of Engineering, the University of Strathclyde

Major Responsibilities Held with the Group

Ms Burnett-Kant joined CLP Holdings and was appointed as Chief Human Resources Officer in September 2019. She is responsible for all human resources related matters across the Group.

David John Simmonds

Group General Counsel & Chief Administrative Officer

Company Secretary, aged 51

Titles, Qualifications and Education

Fellow of the Chartered Governance Institute in UK

Fellow of the Hong Kong Chartered Governance Institute

Bachelor of Laws (Honours), the University of Melbourne

Bachelor of Commerce, the University of Melbourne

Major Responsibilities Held with the Group

Mr Simmonds is responsible for the provision of legal and insurance services across the CLP Group, the Group's sustainability issues, property development and management activities, special projects of the CEO, and a range of commercial and administrative matters of significance to the Group.

Mr Simmonds was appointed as the Company Secretary of CLP Holdings on 1 January 2016 and he is responsible for the corporate secretarial affairs of CLP Holdings and its subsidiaries.

F Finance & General Committee

P Provident & Retirement Fund Committee

S Sustainability Committee

Full particulars of Senior Management, including their directorships in the subsidiary companies of CLP Holdings, other major appointments and past experience are available on our website.

Chong Wai Yan Quince S

Chief Corporate Development Officer, aged 58

Titles, Qualifications and Education

Justice of the Peace

Bachelor of Social Science, the Chinese University of Hong Kong

Major Responsibilities Held with the Group

Ms Chong joined CLP Power Hong Kong on 1 September 2012 as Chief Corporate Development Officer and is a Director of CLP Power Hong Kong Ltd. At CLP Power Hong Kong, she leads the functions of customer and business development, public affairs and community relations. Her role helps drive customer service excellence and strengthen ties with customers and the community as a whole. She is also responsible for all public affairs and stakeholder engagement matters of the CLP Group.

Nicolas Alain Marie Tissot P

Chief Financial Officer (CFO), aged 55

Titles, Qualifications and Education

Diploma in Business Administration, HEC Paris

Inspecteur des Finances, the École Nationale d'Administration

Major Responsibilities Held with the Group

Mr Tissot is the CFO of CLP Holdings and is responsible for overseeing the Group's financial control and reporting, treasury, tax, corporate finance and investment, risk management and investor relations.

Yuen So Siu Mai Betty F

Group Director & Vice Chairman – CLP Power Hong Kong, aged 64

Titles, Qualifications and Education

Justice of the Peace

Chartered Professional Accountant

Bachelor of Commerce, the University of Toronto

Major Responsibilities Held with the Group

Mrs Yuen was appointed as the Vice Chairman of CLP Power Hong Kong in 2010, with a primary focus on the strategic direction of the Group's electricity business in Hong Kong and China. She is also responsible for CLP's investments in Guangdong Daya Bay and Yangjiang nuclear projects as well as further development of CLP's nuclear business on the Mainland.

Chiang Tung Keung

Managing Director – CLP Power Hong Kong, aged 55

Titles, Qualifications and Education

Chartered Engineer

Member of the Institution of Engineering and Technology

Fellow of the Hong Kong Institution of Engineers

Master of Science in Electrical Engineering, the Hong Kong Polytechnic University

Master of Business Administration, the Chinese University of Hong Kong

Bachelor of Science in Electrical & Electronic Engineering, the University of Hong Kong

Major Responsibilities Held with the Group

Mr Chiang is the Managing Director of CLP Power Hong Kong and holds overall responsibility for the operations of CLP's Hong Kong regulated business, which includes a vertically integrated electricity utility serving customers in Kowloon, the New Territories and most of the outlying islands.

Mark Richard Collette

Managing Director – EnergyAustralia, aged 44

Titles, Qualifications and Education

Graduate Member of the Australian Institute of Company Directors

Postgraduate Diploma of Economics, the University of Melbourne

Bachelor of Engineering (Aerospace), RMIT University

Bachelor of Business (Business Administration), RMIT University

Major Responsibilities Held with the Group

Mr Collette joined CLP Power Australia (now known as EnergyAustralia) in 2003. Prior to being appointed as Managing Director of EnergyAustralia on 1 July 2021, Mr Collette led EnergyAustralia's retail business as Chief Customer Officer and led EnergyAustralia's generation and energy trading business as Executive Energy from July 2015 until May 2019.

Chan Siu Hung

Managing Director – China, aged 63

Titles, Qualifications and Education

Member of the Legislative Council of the HKSAR

Justice of the Peace

Chartered Engineer

Honorary Fellow of the Energy Institute in UK

Fellow of the Hong Kong Institution of Engineers

Member of the Institution of Engineering and Technology

Outstanding Alumnus of the Hong Kong Polytechnic University

Master of Science in Electricity Industry Management and Technology, the University of Strathclyde

Bachelor of Science in Electrical Engineering, the University of Hong Kong

Higher Diploma in Electrical Engineering, the Hong Kong Polytechnic University

Major Responsibilities Held with the Group

Mr Chan is responsible for running CLP's China business with projects encompassing a wide range of energy technologies from nuclear, coal-fired, hydro, wind and solar power, as well as smart energy, incremental distribution network and retail business.

Rajiv Ranjan Mishra

Managing Director – India, aged 56

Titles, Qualifications and Education

Advanced Management Program Graduate, Harvard Business School

Master of Business Administration, the Indian Institute of Management, Lucknow

Bachelor in Chemical Engineering (first class distinction), BIT Sindri

Major Responsibilities Held with the Group

Mr Mishra is responsible for running CLP's business in India. He joined the CLP Group in 2002 and has over 25 years of experience in the power industry, both in India and internationally, mostly involved in project financing, investment appraisal, finance and accounting and general management.

Message from the Company Secretary

In recent years, Environment, Social and Governance (ESG) issues have continued to rise in prominence for our stakeholders. We welcome this development and are pleased to report that in 2021 CLP has made clear progress in these areas.

Climate change is the biggest environmental issue facing the world and is one of the most material risks to CLP's business. We continue to take steps to proactively address this risk while also exploring ways to seize the opportunities that will come from the energy transition.

In 2021, we strengthened our Climate Vision 2050 targets as outlined extensively in this Report. These significant long-term commitments were determined after a thorough strategic review involving the CLP Holdings Board, the Sustainability Committee and the Sustainability Executive Committee. The review process undertaken illustrates the high degree of focus that our Board and management apply to this very important ESG topic.

We have always regarded transparency and accountability as fundamental principles of good governance and in this year's Annual Report, we have further sharpened on how we report on the ESG topics with a double materiality approach.

The 2021 Annual Report focuses on those material ESG issues that have an enterprise value impact on CLP and the Sustainability Report discusses the impact that CLP has on people, the environment and the economy. We believe that this reporting approach will more clearly articulate how CLP as an organisation impacts our ESG stakeholders and those ESG issues that impact on CLP's enterprise value. SR

As our business evolves, our Board and governance practices are regularly reviewed to ensure that they continue to best serve CLP. The regular refresh of our Board and Board Committees is an important element of this process and this is an ongoing commitment of our Board to ensure that we have the best people, skills and experience to lead CLP through the challenges that we face.

While the outlook remains uncertain, we remain confident that CLP's long-term focus and commitment to good governance will hold us in good stead to manage our business in an ever dynamic environment.

David Simmonds
Company Secretary

CLP is proud to be recognised in our efforts in our Corporate Governance and Annual Report. In 2021, we are very honoured to have received the Hong Kong Institute of Certified Public Accountants' Platinum Award in the newly established Most Sustainable Companies / Organisations Awards in the Hang Seng Index category.

The new category was reserved for companies with outstanding performance in both corporate governance and ESG, and the aim to reflect "sustainability" in its broadest sense, not merely focusing on ESG.

2021 At a Glance

Climate Vision 2050 – ESG Governance and KPIs

CLP's Climate Vision 2050 sets out the blueprint of the Group's transition to net-zero greenhouse gas emissions by mid-century.

In 2021, the key targets and commitments in the Climate Vision 2050 have been updated and strengthened. Details of these are set out on page 18 of the Annual Report.

From a governance perspective:

- **KPIs** – these targets and commitments are KPIs for our ESG disclosures for the purposes of the Hong Kong Stock Exchange Listing Rules; and
- **Governance and review** – the targets were formulated following a strategic review by engaging with internal and external stakeholders, including our Board, the Sustainability Committee, the Sustainability Executive Committee, relevant business units, and our investors.

Material ESG Topics – Our Approach to ESG reporting

One of the key Reporting Principles of the Hong Kong Stock Exchange ESG Reporting Guide is materiality; essentially, those ESG issues that are determined by the Board as more important to investors and other stakeholders will need to be reported.

CLP undertakes a materiality assessment process to determine the material ESG topics for reporting purposes. This process involves engagement with external and internal stakeholders with further validation and review undertaken periodically.

Building on the materiality assessment process, we have taken a double materiality approach for our Annual Report and Sustainability Report: SR

- **Annual Report** – this will discuss the material ESG issues that have an enterprise value impact on CLP; and
- **Sustainability Report** – this explains the impact that CLP has on people, the environment and the economy. SR

With the ever-increasing demand for ESG information from different stakeholders, we believe this will assist our stakeholders in understanding the ESG topics that would have an impact on CLP's enterprise value, and those that are impactful in a broader sense.

Hong Kong Stock Exchange Amended Corporate Governance Code

Late in 2021, the Hong Kong Stock Exchange introduced amendments to the Listing Rules which are aimed at enhancing the market's corporate governance framework and promoting good governance amongst listed companies.

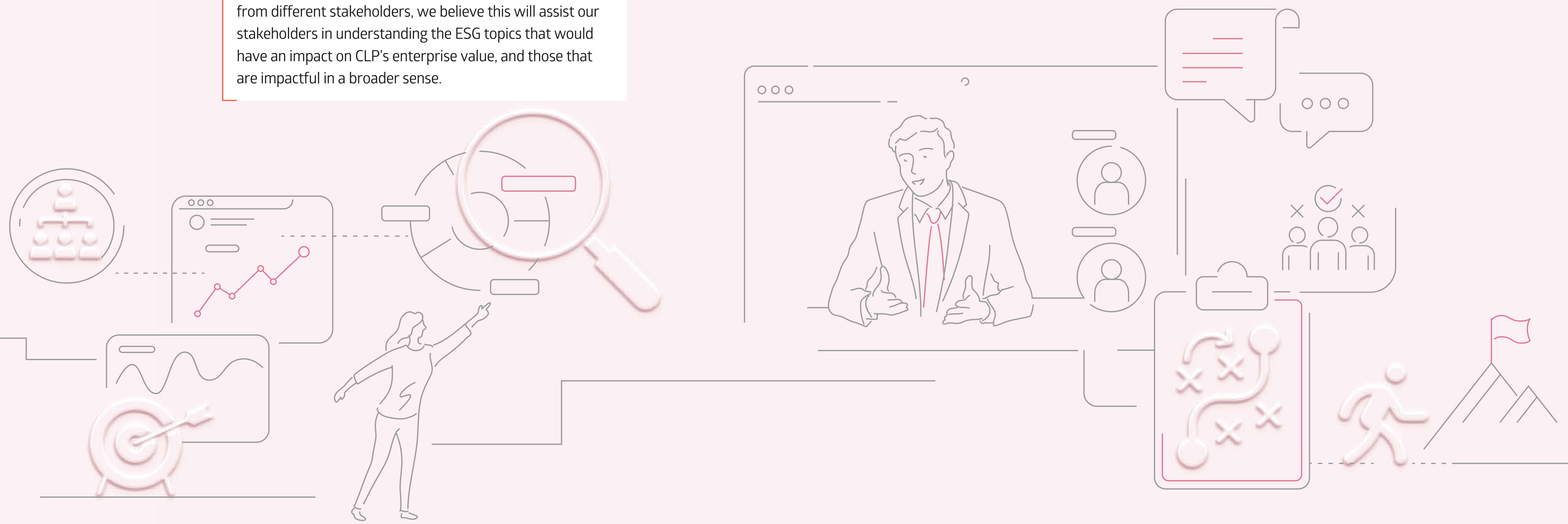
Some of the key changes cover the following areas: alignment of a company's culture; requirements on long-serving independent directors and mechanisms to ensure independent views are available to the board; gender diversity at board and management level; a mandatory requirement for nomination committee; and shareholders communication policy. These changes are effective 1 January 2022.

CLP already fulfills most of these new requirements. An analysis of the new requirements and our practices on these are set out on page 109. We have also recently amended our Board Diversity Policy to explain how CLP will consider the independence of our Directors and to elaborate on our commitment that Directors be given the opportunity and channel to express their views.

Internal Board Survey

CLP is committed to undertaking external and internal Board reviews. We have conducted an internal Board review in 2021. This review takes the form of a questionnaire and covers a broad range of topics including: Board composition and dynamics, Board meeting cycle and Board materials, Board's focus and oversight of a range of issues.

This internal Board survey is a timely one as it reinforces the importance of the mechanisms in place for Directors to provide feedback to the Board as envisaged in the Hong Kong Stock Exchange new corporate governance requirements. In addition, feedback from this survey will assist in formulating the focus of attention for the 2022 Board review which will be conducted with an external consultant.



Corporate Governance Code: Compliance and more

Hong Kong Stock Exchange Amended Corporate Governance Code

In December 2021, the Hong Kong Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code (the Corporate Governance Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended Corporate Governance Code have long been adopted by CLP as our corporate governance practices over the years. These are highlighted in the following table:

New Requirements	CLP's Practices
Align the company's culture with its purpose, values and strategy (Code Provision A.1.1)	CLP's Value Framework was first introduced in 2003 and last refreshed in 2020. It articulates multiple layers of our corporate identity and culture, namely Vision, Mission, Values and Commitments and Policies & Codes, which guide us in fulfilling our purpose and strategies.
Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations (Code Provision D.2.7)	We have formulated our own Anti-Fraud Policy and it was last updated in 2019, which covers activities such as corruption, conspiracy, embezzlement, money laundering, bribery, and extortion. The Anti-Fraud Policy is reviewed on a regular basis; any convicted cases will be reported to the Audit & Risk Committee.
Establish whistleblowing policy and system (Code Provision D.2.6)	Our Whistleblowing Policy was first adopted in 2012 and is reviewed on a regular basis; any convicted cases will be reported to the Audit & Risk Committee.
Communications with shareholders and annual review (Paragraph L of the Mandatory Disclosure Requirement)	The Shareholders' Communication Policy was introduced in 2012 and was last updated in 2019. It sets out CLP's commitment of maintaining an effective ongoing dialogue with shareholders. The Shareholders' Communication Policy is reviewed by the Audit & Risk Committee on a regular basis. Please see section "Shareholders Engagement" on page 131.
Annually review the board diversity policy; and disclose the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s) (Code Provisions B.1.3 and B.1.4)	Our Board Diversity Policy was adopted by the Board in 2013 and the recently updated policy was adopted by the Board in February 2022. The policy is subject to annual review by the Nomination Committee. The revised Board Diversity Policy formally recognises our practice of ensuring that independent views and input are made available to the Board; details of which are explained in the section "Why Board Diversity is Important to CLP" on page 125.
Equity-based remuneration (e.g. share options or grants) with performance-related elements should not be granted to independent non-executive directors (Recommended Best Practice E.1.9)	The level of fees payable to our Non-executive Directors (including Independent Non-executive Directors) is subject to independent review and shareholders' approval. We have a long-established practice of a combined time-based and benchmarked approach in determining our Non-executive Directors' fees which do not involve equity-based remuneration with performance-related elements.

New Requirements	CLP's Practices
Gender diversity targets at board level and across workforce ◈ **Board level** – to set and disclose numerical targets and timelines for achieving gender diversity. ◈ **Workforce level** – to disclose and explain the gender ratio (including senior management), any plans or measurable objectives the company has set for achieving gender diversity. (Paragraph J of the Mandatory Disclosure Requirement)	Current female representation at Board level is about 31%. Gender diversity at Board and workforce levels (including our Senior Management) is disclosed in the Annual Report.
Nomination Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors (Listing Rule 3.27A)	Our Nomination Committee, which comprises a majority of Independent Non-executive Directors, has been chaired by an Independent Non-executive Director since 2018.
Elaborate the linkage between corporate governance and ESG (Introductory paragraph in the Corporate Governance Code, New Principle D.2, Code Provisions D.2.2 and D.2.3)	The linkage is well articulated in the "Board's Statement on ESG" which forms part of the Directors' Report.
Publish ESG reports at the same time as publication of annual reports (Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)	Our online Sustainability Report is published at the same time as our Annual Report. SR

The CLP Code on Corporate Governance

The CLP Code on Corporate Governance (CLP Code) is our own unique code and it is built on CLP's own standards and experience while respecting the benchmarks set by the Hong Kong Stock Exchange. The CLP Code is on our website and available on request. With the Hong Kong Stock Exchange Amended Corporate Governance Code, we will be reviewing the CLP Code to update and reflect the new requirements.

Our Code goes beyond the principles of good corporate governance and incorporates the Code Provisions on a "comply or explain" basis and certain Recommended Best Practices as set out in the Corporate Governance Code. The only exception, however, concerns quarterly reporting, details of which are explained on page 112.

We have made **further enhancements to our corporate governance practices in 2021** and some of these are highlighted in **"2021 At a Glance"**.

Areas in which our Corporate Governance Practices exceed the Hong Kong Stock Exchange Corporate Governance Code

Our Board

- The composition of the Board and the Audit & Risk Committee exceed the independence requirements under the Listing Rules.
- We conduct regular external and internal Board and Board Committee reviews and a summary of the conclusions of the last external Board review taken in 2019 is published on the CLP website.
- We issue a formal letter of appointment for Non-executive Directors. The model letter is on our website and deals with a range of matters regarding a Director's appointment and responsibilities including an expected level of time commitment.
- We have a set of bespoke CLP Onboarding Guidelines for Directors with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. The Guidelines are available on the CLP website.
- With the objective of minimising succession risk, the retirement age guideline in our Board Diversity Policy provides that where a Non-executive Director (other than the Chairman) has reached the age of 72 at the time of the relevant AGM, such Director will not be considered for re-election, however, this may be waived if the Board considers such Director has the skills, experience or capabilities that cannot be replaced at the relevant time.

Our disclosure

- Our Fair Disclosure Policy sets out the principles for the broad and non-exclusionary distribution of information to the public.
- Our Continuous Disclosure Obligation Procedures guide the organisation in monitoring and disclosing potential inside information.
- The Continuous Disclosure Committee conducts regular assessment of potential inside information.
- Our Risk Management Report sets out CLP's risk management framework and how CLP manages the Group's material risks.
- We disclose our Senior Management's confirmation of compliance with the Model Code and CLP Code for Securities Transactions, in addition to similar disclosures by our Directors.
- Our disclosure of financial information on the CLP Group's joint ventures and associates includes off-balance sheet contingent liabilities.
- We issue individual Board Committee reports in our Annual Report for the Audit & Risk Committee, Sustainability Committee, Nomination Committee and Human Resources & Remuneration Committee.
- We announce our financial results within two months after the end of the financial year. The Annual Report is available on our website within the following fortnight with hardcopies sent to shareholders about two weeks after that.
- We disclose on our website minutes of our AGM; in addition, any questions or topics that are not specifically addressed at the AGM, full answers are provided and disclosed.

Our unique policies and practices

- CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions. Our Value Framework was refreshed in December 2020.
- We have formulated our own Anti-Fraud Policy (with online training in 2020) which stipulates our commitment to preventing, detecting and reporting fraud, bribery and extortion.
- General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as verification of compliance.
- We conduct a Group-wide Business Practice Review for our staff on a periodic basis to foster employees' understanding of our Code of Conduct (updated in May 2020) under CLP's Value Framework. An important aspect of this is ensuring that our employees maintain a good understanding of CLP's culture and values.
- Under our Value Framework, we also have a Responsible Procurement Policy Statement. This sets out our expectations of the suppliers, and of their suppliers and subcontractors; we encourage them to follow the same standards of integrity and transparency in doing business with us.
- Our Audit & Risk Committee will regularly examine the audit activity reviews conducted by the Internal Auditors. The Internal Auditors will highlight the significant events and findings which require the Committee's attention and further examination, where appropriate.
- Members of our Audit & Risk Committee will conduct a meeting as between Members only prior to the full Committee meeting attended by management and the auditors; two of which are joined by the independent auditor.
- For the Group's continuing connected transactions (CCTs), we engage the Company's independent auditor, PwC to undertake an agreed-upon procedures (AUP) engagement on the Group's CCTs pricing policies. The AUP findings were provided to the Independent Non-executive Directors as part of their consideration of the CCTs for the purposes of giving the required confirmation under Rule 14A.55 of the Listing Rules.

Compliance with the Corporate Governance Code and ESG Reporting Guide of the Hong Kong Stock Exchange

Throughout the financial year ended 31 December 2021, the Company has complied with the Code Provisions and applied all the principles in the Corporate Governance Code in force during the year. CLP deviates from only one Recommended Best Practice in the Corporate Governance Code – that an issuer should announce and publish quarterly financial results.

Our Considered Reasons for not Issuing Quarterly Financial Results

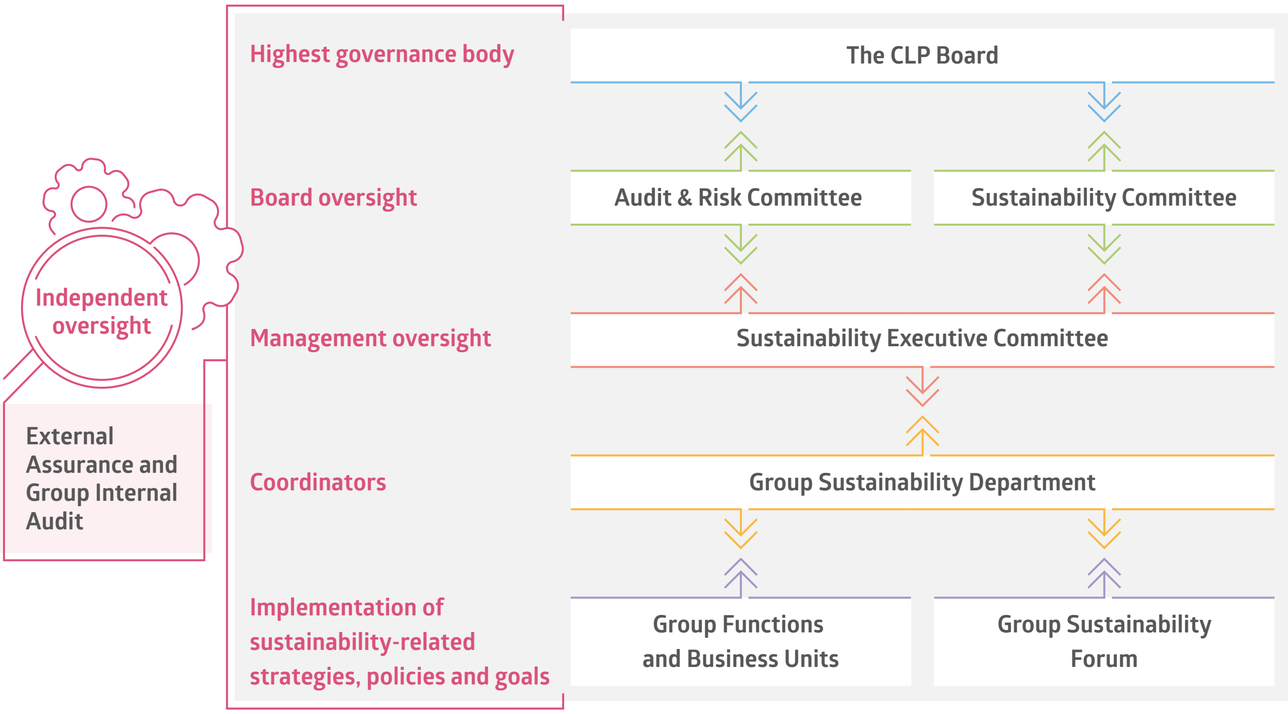
While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results for the following considered reasons:

- they do not bring significant benefits to our shareholders;
- they encourage a short-term view of the Company's business performance;
- CLP's activities do not run and need not be disclosed and judged on a three-month cycle; and
- preparation of quarterly reports is costly, including the opportunity cost of Board and management time spent on quarterly reporting.

CLP's Approach to ESG Reporting

Governance Structure

- Sustainability is well integrated into CLP's business strategy and the CLP Board has overall responsibility for CLP's ESG reporting and sustainability. The Directors' Report includes the "Board's Statement on ESG" which explains the governance of sustainability issues and how CLP approaches and manages our material ESG topics (page 189).
- The governance of sustainability is integrated into our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.



- As a Board Committee, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, ensures the assurance of the ESG data is appropriate.
- Further information about CLP's ESG management approach and how progress on ESG-related goals and targets are reviewed can be found in the earlier section "2021 At a Glance" of this Corporate Governance Report, the Risk Management Report, the Sustainability Committee Report and the Directors' Report of this Annual Report, as well as in the Sustainability Report and the Climate–related Disclosures Report published online at the same time as this Annual Report. SR

Reporting Principles & Boundaries

- Materiality – Since 2018, the approach of CLP's materiality assessments considers how megatrends could impact the success of its strategy in the medium- to long-term. In 2021, CLP has adopted a double materiality assessment to categorise financially material and impact material topics, which will be disclosed and discussed in the Annual Report and Sustainability Report respectively. Full details on the materiality assessment is provided in our online Sustainability Report and in "Board's Statement on ESG" in the Directors' Report. SR
- Quantitative and Consistency – Our ESG disclosures follow these guidelines and recommendations: the suite of tools from the Value Reporting Foundation (VRF), namely the Integrated Thinking Principles, the Integrated Reporting Framework, and the SASB Standards for Electric Utilities & Power Generators; the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide); and the Global Reporting Initiative Reporting Standards (GRI Standards). ESG KPIs are provided over a period of five years in the Five-year Summaries to facilitate comparison. In 2021, a separate Climate–related Disclosures Report is also produced which follows the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the International Sustainability Standards Board's Climate-related Disclosures Prototype.

- Boundaries – as our business needs evolve, scenarios may arise where our previously defined reporting scope was not able to fully capture the material impacts of our overall portfolio, and to better reflect these impacts, selected reporting scopes will be adjusted in different aspects and these are explained fully in our online Sustainability Report. SR

ESG Information Disclosure in the 2021 Annual Report, Sustainability Report and Climate-related Disclosures Report SR

- Details on how we report on the ESG issues in accordance with the Hong Kong Stock Exchange ESG Reporting Guide "comply or explain" requirements and related Listing Rules are set out below.
- We regard materiality as fundamental to our ESG reporting. Our materiality assessment process enabled management to determine which ESG issues have an enterprise value impact (financial materiality) and accordingly these financially material topics will be discussed and reported in the Annual Report; these are for reporting purposes under the Hong Kong Stock Exchange ESG Reporting Guide. Further information is in the Sustainability as Our Business Strategy and Capitals chapters. For those ESG issues which impact on people, the environment and the economy (impact materiality), they will be reported in full details in the online Sustainability Report, which is published at the same time and captures in detail our delivery of social and environmental value in a rapidly changing environment. Our approach to managing climate risks and capitalising on opportunities as part of CLP's decarbonisation efforts are captured in detail in the Climate-related Disclosures Report. In addition, data related to financially material and impact material topics are set out in the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data on pages 302 to 305 of the Annual Report. SR
- The following is a list of key sustainability topics by reference to the aspects in the ESG Reporting Guide and discussions and data on these topics can be found in the following chapters of this Annual Report:

Environmental

A1. Emissions (KPI A1.2 and KPI A1.5)

- A Snapshot of CLP in 2021 (page 4)
- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Business Performance and Outlook – Hong Kong (page 40)
- Business Performance and Outlook – Mainland China (page 46)
- Business Performance and Outlook – Australia (page 51)
- Business Performance and Outlook – India (page 57)
- Capitals – Financial Capital (page 67)
- Capitals – Manufactured Capital (page 74)
- Capitals – Intellectual Capital (page 77)
- Capitals – Social and Relationship Capital (page 88)
- Capitals – Natural Capital (page 92)
- Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

A2. Use of Resources (KPI A2.1 and KPI A2.3)

- A Snapshot of CLP in 2021 (page 4)
- Capitals – Manufactured Capital (page 74)
- Capitals – Natural Capital (page 92)
- Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

A4. Climate Change

- A Snapshot of CLP in 2021 (page 4)
- Chairman's Statement (page 12)
- CEO's Strategic Review (page 16)
- Business Performance and Outlook – Hong Kong (page 40)
- Business Performance and Outlook – Mainland China (page 46)
- Business Performance and Outlook – Australia (page 51)
- Business Performance and Outlook – India (page 57)
- Capitals – Financial Capital (page 67)
- Capitals – Manufactured Capital (page 74)
- Capitals – Intellectual Capital (page 77)
- Capitals – Social and Relationship Capital (page 88)
- Capitals – Natural Capital (page 92)
- Governance (page 96)
- Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

Social	
B1. Employment	
◈ A Snapshot of CLP in 2021 (page 4) ◈ Capitals – Human Capital (page 80)	◈ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)
B2. Health and Safety	
◈ A Snapshot of CLP in 2021 (page 4) ◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook – Mainland China (page 46)	◈ Business Performance and Outlook – Australia (page 51) ◈ Business Performance and Outlook – India (page 57) ◈ Capitals – Human Capital (page 80) ◈ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)
B3. Development and Training	
◈ A Snapshot of CLP in 2021 (page 4) ◈ Capitals – Human Capital (page 80)	◈ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)
B5. Supply Chain Management (KPI B5.1)	
◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook – Hong Kong (page 40)	◈ Capitals – Manufactured Capital (page 74)
B6. Product Responsibility (KPI B6.3)	
◈ A Snapshot of CLP in 2021 (page 4) ◈ Business Performance and Outlook – Hong Kong (page 40) ◈ Business Performance and Outlook – Mainland China (page 46)	◈ Business Performance and Outlook – Australia (page 51) ◈ Capitals – Manufactured Capital (page 74) ◈ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

- In respect of the specific aspects of the ESG Reporting Guide set out below, CLP has not had any non-compliance with the relevant laws and regulations that would have a significant impact on CLP.

  A1 Emissions: air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;

  B1 Employment: compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare;

  B2 Health and Safety: providing a safe working environment and protecting employees from occupational hazards;

  B4 Labour Standards: preventing child and forced labour;

  B6 Product Responsibility: health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress; and

  B7 Anti-corruption: bribery, extortion, fraud and money laundering.

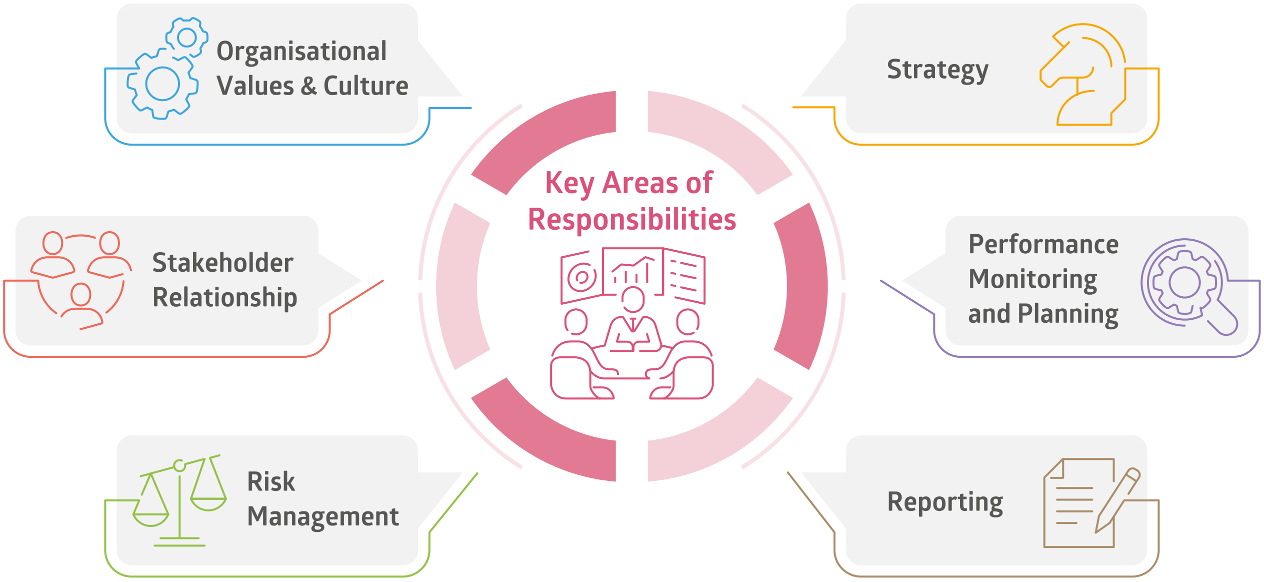
- Those less material non-compliance cases and a recent charge against EnergyAustralia are covered in the Business Performance and Outlook and Capitals chapters.

- PwC have conducted limited assurance on selected ESG metrics as set out in the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data on pages 302 to 305 of this Annual Report, in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). The Sustainability Report also includes an independent assurance report from PwC. SR

Our Board

The Board's Roles and Responsibilities

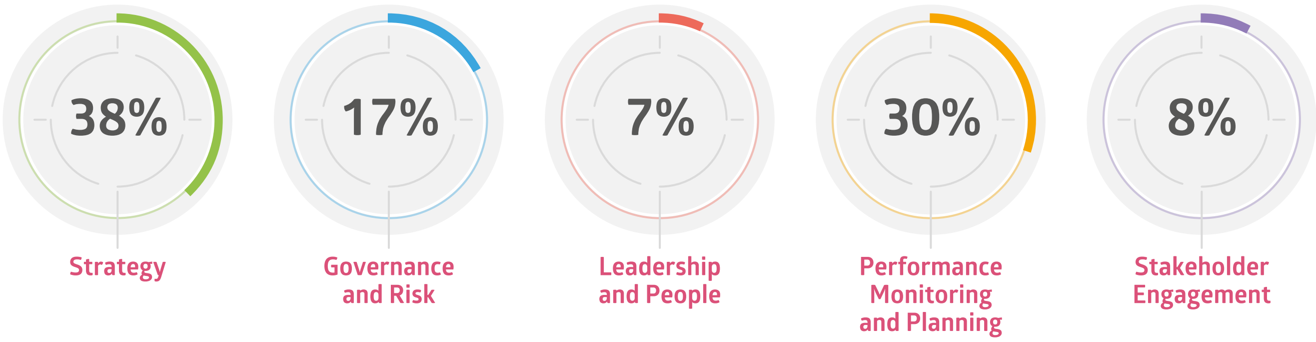
Our Board plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. Under the leadership of our Chairman, the Board cultivates good governance as the cornerstone of our corporate culture.



Dual Role of Governance Oversight &
Strategic Lead in Anticipating & Shaping the Future

Board's Focus

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. The following illustrates the Board's focus during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period)*:



* We considered the number of agenda items, time spent on discussing the relevant items and the volume of supporting Board papers to determine the level of the Board's focus on these five categories.

Strategy	
Strategy on decarbonisation and climate change	The Board spent a considerable amount of time in understanding and examining the Hong Kong Government's approach and plan on decarbonisation. The Board discussed the engagement plan with the Government regarding the development of a decarbonisation roadmap. The Board recognised the importance of the decarbonisation strategy for the Hong Kong business and undertook an in-depth review of the decarbonisation projects for Hong Kong. A key initiative for CLP in 2021 was the publication of Climate Vision 2050 and the Board played an important role in assessing the decarbonisation targets set out in the Climate Vision 2050. Drawing from the review conducted by the Sustainability Committee, the Board considered the publication and the proposed decarbonisation targets from a number of perspectives, including the recent developments in the climate change policy landscape and the demands from investors.
Group strategy and implementation	The Board received a series of briefings from management regarding the proposed plan for the Group on how we operate and organise ourselves for the purposes of delivering against our strategy. The Board provided insights and recommendations on a number of issues including the organisational plan and structure and the pace of implementation. The Board acknowledged that work on this area was continuing and remained actively engaged in the ongoing efforts for this topic.
Governance and Risk	
Risk management and internal controls	With the COVID-19 situation and the impact on supply chain issues, the Board looked into the potential supply chain issues and risks concerning the Group's thermal generation portfolio. The Board considered the measures taken by the Group's operations in managing and mitigating the risks associated with the fuel supply for the Group's generation assets in the different markets.
Audit & Risk Committee activities	The Board received the important overview from the Chairman of the Audit & Risk Committee on the Committee's review of financial statements and oversight of risk management and internal control systems ahead of management's presentation of the full-year and half-year financial statements.
Leadership and People	
Organisation's capability and structure	In the course of considering and reviewing how the Group operate and organise ourselves against the Group's strategy, the Board considered and discussed the importance of the organisation's capability and structure in implementing the strategic initiatives.
Chairman's session	The Chairman held an annual meeting with the Independent Non-executive Directors only, which provided an open agenda for the Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.
People	The Board closely monitored the transition of the following Senior Management members: the appointment of Mr Nicolas Tissot as the new CFO; the appointment of Mr Mark Collette as the Managing Director – EnergyAustralia; and the resignation of Mr David Smales as the Chief Operating Officer.

Performance Monitoring and Planning	
Results and dividends	The Board approved the following: 2020 and 2021 Annual Reports; 2021 Interim Report; the quarterly statements; and the dividends for the financial years ended 31 December 2020 and 2021; as well as the Business Plan and Budget. In approving the Annual Reports and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.
Regular updates	The Board considered the matters covered in the CEO's Report where the CEO highlighted key issues on safety and business updates for each of the Group's markets. This enabled the Board to keep abreast of the material issues and developments of the CLP Group. In between Board meetings, the Directors received the CLP Group Management Report that provided updates on the Group's key financial information as well as reports on health, safety and environment.

Stakeholder Engagement	
CLP Power engagement on decarbonisation	The Board provided guidance on the proposed engagement efforts with the Hong Kong Government regarding the CLP's decarbonisation roadmap. The Board monitored this closely with a progressive update briefing by management. The Board was supportive of management's pro-active approach in engaging with the Government on Hong Kong's decarbonisation pathway.

Attendance at our Board meetings and the interaction between Senior Management and our Directors

The partnership between our Board and Senior Management is highly transparent and collaborative. In addition to our CEO who is an Executive Director, our Board meetings are typically attended by the following members of our Senior Management:

- Chief Financial Officer – Mr Nicolas Tissot who was appointed in April 2021 following the change of role of Mr Geert Peeters;
- Group Director & Vice Chairman – CLP Power Hong Kong – Mrs Betty Yuen;
- Managing Director – CLP Power Hong Kong – Mr Chiang Tung Keung;
- Managing Director – China – Mr Chan Siu Hung;
- Managing Director – EnergyAustralia – Mr Mark Collette who was appointed in July 2021 following the retirement of Ms Catherine Tanna and at times, Mr Alastair McKeown, Chief Financial Officer – EnergyAustralia;
- Managing Director – India – Mr Rajiv Mishra;
- Chief Operating Officer – Mr David Smales (until his resignation in December 2021);
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

To complement the Board's responsibilities and focus, the Board's work is well supported by the Board Committees; see "Board Committees" on page 119.

Board and Board Committee meetings held during the Period

	2021												2022	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Board		B			AGM, B			B		B		I, B		B
Board Committees	A	A, F, H, S	F	A		A, P	A, F, H, S	F	F, S	H	A, F, H, S	N, P	A	A, F, H, S

Board

- B Board
- I Chairman and Independent Non-executive Directors only
- ✓ AGM

Board Committees

- A Audit & Risk Committee
- F Finance & General Committee
- H Human Resources & Remuneration Committee
- N Nomination Committee
- P Provident & Retirement Fund Committee
- S Sustainability Committee

Board Committees

The Board delegates some of its responsibilities, with appropriate oversight, to the respective Board Committees and the delegated Listing Rules Code Provisions corporate governance duties* are highlighted below. Terms of reference and membership of all Board Committees are disclosed in full on the websites of CLP and the Hong Kong Stock Exchange.

Audit & Risk Committee (see full report on page 152)	◈ Corporate governance, compliance and code of conduct*
Sustainability Committee (see full report on page 160)	◈ Governance of ESG issues*
Nomination Committee (see full report on page 166)	◈ Governance of Board-level matters and professional development of Directors*
Human Resources & Remuneration Committee (see full report on page 170)	◈ Professional development of management*
Finance & General Committee	◈ See page 120 for responsibilities and work done during the Period
Provident & Retirement Fund Committee	◈ See page 120 for responsibilities and work done during the Period

Membership of Finance & General Committee

Mr William Mocatta (Chairman), Sir Rod Eddington, Mr Nicholas C. Allen, Ms May Siew Boi Tan, Mr Andrew Brandler, Ms Christina Gaw, Mr Chunyuan Gu, Mr Richard Lancaster and Mrs Betty Yuen.

Responsibilities and Work Done

This Committee reviews the financial operations of the Company which include Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. In addition, the Committee reviews the implementation of the Company's strategy approved by the Board and the performance and business environment of the Company; and the Committee will also identify any matters that should be referred to the Board for review and further consideration.

The work performed by the Committee during the Period included the review and consideration of the following matters:

- the Company's interim and annual results and the dividends payable to shareholders for the financial years ended 31 December 2020 and 2021;
- the CLP Group Business Plan and Budget 2022-2026 including the dividends profile for those years;
- the capital expenditure and 2022 tariff strategy for the Hong Kong business;
- potential investment in specific projects in China, Australia and India;
- the progress update on innovation projects;
- the CLP Head Office project;
- the CLP Group funding requirements, financing initiatives and cost of capital study; and
- CLP's foreign exchange translation risk and counterparty exposures.

The nature of the work of the Committee includes the consideration of transactional items which may arise from time to time and require the review and approval by the Committee via circulation of papers on a time sensitive basis.

Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Nicolas Tissot and a Trustee.

Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme.

During the Period, the Committee monitored the performance of the overall portfolio, the investment managers and operational efficiency. Education and communication are arranged for schemes members for better retirement planning.

Changes to Board Committees' Composition

Mr Nicolas Tissot, then Deputy Chief Financial Officer, succeeded Mr Geert Peeters as Chief Financial Officer with effect from 1 April 2021. Mr Geert Peeters stepped down as an Executive Director of the Company with effect from 31 July 2021. Accordingly, the composition of Board Committees was changed in the manner set out below during the Period:

- Mr Nicolas Tissot was appointed as a Member of the Provident & Retirement Fund Committee in place of Mr Geert Peeters with effect from 1 April 2021; and
- Mr Geert Peeters ceased to be a Member of the Finance & General Committee with effect from 31 July 2021.

Directors' Attendance and Development

Our Directors attend to the affairs of the Group through their participation at the AGM, Board and Board Committee meetings, and perusal of Board papers.

In 2021, six Board meetings were held and the overall attendance rate of Directors at Board meetings was 94.67% (2020: 97.56%). Details of Directors' attendance at the AGM, Board and Board Committee meetings (**attended** / held) and development programme in the year 2021 are set out in the following table.

	Board [1]	Audit & Risk Committee [2]	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee	Sustainability Committee	Provident & Retirement Fund Committee	AGM [2, 3]	Directors Development Programme*
Non-executive Directors									
The Hon Sir Michael David Kadoorie [4]	**5**/6 (C)				**1**/1			–	A
Mr William Mocatta	**5**/5 (VC)		**6**/6 (C)	**4**/4			**2**/2 (C)	✓	A, B
Mr J. A. H. Leigh	**5**/5							✓	A, B, C
Mr Andrew Brandler	**5**/5		**3**/6			**3**/4		✓	A
Mr Philip Kadoorie	**5**/5					**1**/4		✓	A, B
Independent Non-executive Directors									
Sir Rod Eddington	**6**/6		**5**/6					✓	A, B
Mr Nicholas C. Allen	**6**/6	**6**/6 (C)	**6**/6	**4**/4 (C)	**1**/1 (C)	**4**/4		✓	A, C
Mrs Fanny Law	**6**/6	**6**/6		**4**/4		**4**/4		✓	A
Mrs Zia Mody [5]	**4**/6			**3**/4				–	A
Ms May Siew Boi Tan	**6**/6	**6**/6	**6**/6	**4**/4	**1**/1	**4**/4		✓	A, C
Ms Christina Gaw	**6**/6		**6**/6			**4**/4		✓	A
Mr Chunyuan Gu	**6**/6	**6**/6	**6**/6					✓	A
Executive Directors									
Mr Richard Lancaster	**5**/5		**6**/6			**4**/4 (C)		✓	A, B
Mr Geert Peeters [6]	**1**/2		**2**/3				N/A	–	N/A

Notes:

1 Included an annual meeting where the Chairman met with the Independent Non-executive Directors only.

2 Representatives of the independent auditor participated in every Audit & Risk Committee meeting and the AGM.

3 Independent Non-executive Directors were available to take shareholders' questions specifically addressed to them during the AGM (of which there were none).

4 The Hon Sir Michael David Kadoorie was unable to attend the 2021 AGM due to family reasons.

5 Mrs Zia Mody was unable to attend the 2021 AGM due to other commitments.

6 Mr Geert Peeters resigned as a Member of the Provident & Retirement Fund Committee with effect from 1 April 2021. He then stepped down as an Executive Director of the Company and ceased to be a Member of the Finance & General Committee with effect from 31 July 2021. He was unable to attend the 2021 AGM due to health reasons.

7 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

* Directors Development Programme

All Directors participate, at the Company's expense, in continuous professional development and training, with appropriate emphasis to develop and refresh their knowledge on industry-related updates. Our Directors Development Programme includes:

A – reading regulatory and industry-related updates, with the focus in 2021 on the Corporate Governance Guide for Boards and Directors issued by the Hong Kong Stock Exchange;

B – meeting with local management and stakeholders, and visiting CLP's facilities and special projects with CLP's involvement; and

C – attending expert briefings / seminars / conferences relevant to the business or director's duties. In addition, they have access to Chatham House (a leading independent policy institute based in London) publications and the opportunity to attend Chatham House events on topics relevant to our business.

Onboarding for new Directors

The Company has in place a set of Onboarding Guidelines with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. This sets out a structured onboarding process that would serve as a roadmap for new Directors to gain a better understanding of CLP and our business environment.

Our Onboarding Programme for the newly appointed Directors is individually designed with the specific Director in mind having regard to the Director's unique background, skills, experience and perspective. No new Director was appointed in 2021.

Directors' Time and Directorship Commitments

Our Directors, Non-executive Directors in particular, have demonstrated a strong commitment to the CLP Board affairs and they are well aware that they are expected to have a sufficient time commitment to the Board. Directors have given certain confirmations and made disclosures about their other commitments.

- **Sufficient time and attention**
  - Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year.
- **Other offices and commitments**
  - Directors disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments, together with an indication of the time involved.
- **Other directorships**
  - None of our Directors, individually, held directorships in more than six public companies (including the Company) as at 31 December 2021.

Our Executive Director does not hold directorship in other public companies; however, he is encouraged to participate in professional, public and community organisations.

In respect of those Directors who stand for re-election at the 2022 AGM, all their directorships and board committee membership held in listed public companies in the past three years are set out in the Notice of AGM. Other details of the Directors' biographies are set out under Board of Directors on page 98 of this Annual Report and on CLP website.

Board Evaluation

We undertook an external Board review in 2019. Since then, we have taken a progressive approach in implementing the recommendations from such review.

In 2021, an internal Board review was conducted in the form of a Board survey; it aimed at soliciting valuable feedback and comments from Directors in preparation for the next external Board evaluation. The process involved each Director completing a confidential online questionnaire covering a broad range of topics including Board composition and dynamics, Board meeting cycle and Board materials, Board's focus and strategic oversight of the Company including CLP's Strategy Review and digitalisation journey.

Nomination and Appointment of Directors

For the appointment of new Directors, CLP follows a formal and transparent procedure and is guided by CLP's Nomination Policy, which is disclosed in the Nomination Committee Report on page 166.

CLP's process for appointing a Director

No new appointment of Director was made during the year. The diagram below presents the approach used by CLP to appoint our Directors.

Key Principles in the Search for New Directors

- In the search for potential new Director candidate(s), this should be guided by the strategic needs of the Company and the Board.
- Independent Director candidates would, ideally, have the relevant experience and background to contribute on CLP's emerging strategic issues.

Nomination Committee

- Considers the candidates and existing Directors based on merit having regard to the experience, skills and expertise as well as the overall board diversity.
- Makes recommendations to the Board as appropriate.

Board

- Approves appointment of new Directors.

Newly appointed Directors are:

- subject to election by shareholders at the first general meeting following the appointment.

Existing Directors are:

- subject to rotation at least once every three years; and
- one-third of which are required to retire at the AGM and are eligible for re-election.

Additional Requirements

For Non-executive Directors

- appointment is made through a formal letter; and
- subject to the retirement age guideline in our Board Diversity Policy, eligible for re-election.

For Independent Non-executive Directors serving more than nine years

- the Nomination Committee and the Board consider factors and discuss why the proposed Director is still independent and should be recommended for re-election; details of which will be stated in the relevant Notice of AGM.

Shareholders

- Approve the election or re-election of Directors at the Company's general meeting.

For Proposed Director

- appointment is considered as an individual resolution at the general meeting.

Why Board Diversity is Important to CLP

We recognise that Board diversity is an essential element contributing to the sustainable development of CLP.

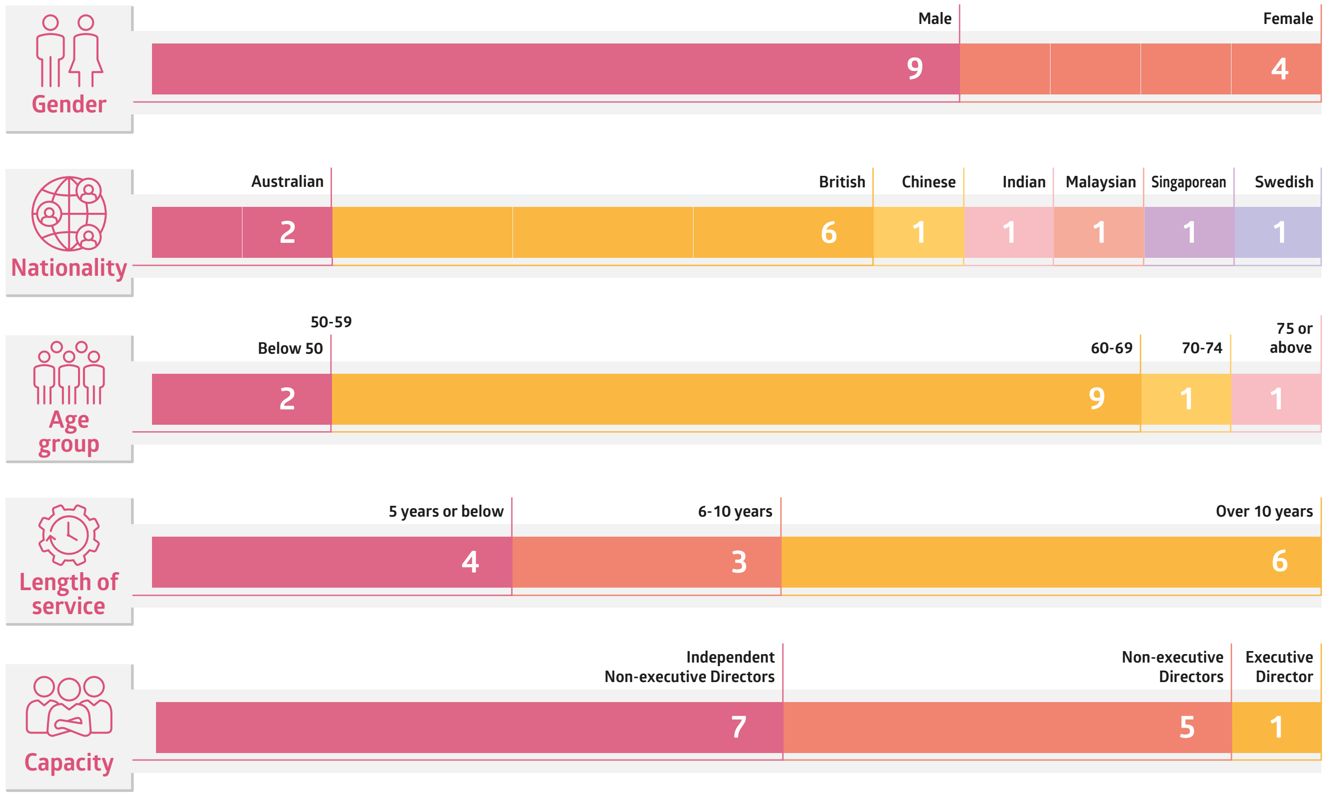
The CLP Board Diversity Policy was adopted by the Board in 2013. It incorporates the Code Provisions of the Corporate Governance Code, the retirement age guideline (at the age of 72) for our Non-executive Directors (other than the Chairman) and the CLP Group Diversity and Inclusion Policy for Senior Management and Staff. The policy was recently revised in February 2022 to highlight CLP's view on independence and the approach to receiving independent views and input from Directors.

In addition to independence and gender, our concept of diversity incorporates a number of other aspects including but not limited to age, cultural and educational background, professional experience, business perspectives, skills, knowledge, ethnicity and length of service.

Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity. In 2021, our Board size slightly reduced from 14 to 13 due to the retirement of a former Executive Director.

The CLP Board Diversity Policy is available on the CLP website.

Board Composition & Diversity



Board Expertise

To ensure the Board continues to possess a balance of skills appropriate for the requirements of the business of the Group, an analysis of the skill set mix was considered by the Nomination Committee.

The table below highlights the breakdown of the skill set mix of our Directors and demonstrates the broad and diverse mix of experience and background relevant to CLP that the Directors bring to the Board and its Committees.

Expertise	Relevance to CLP	No. of Directors (Full Board of 13)
Board / board committees leadership	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	7
CLP market experience (Hong Kong / Mainland China (including Greater Bay Area) / Australia / India / SEA & Taiwan)	Facilitates the review of CLP's business and financial operations and investments in the respective region	13
Company executive	Provides insights into executive leadership and the management of CLP's business and operations	7
Global market experience	Provides insights into the global economic trends and opportunities that CLP can explore	13
Other industries	Brings in other expertise applicable across different industries	12
Other listed board roles	Brings in good practices as a board and / or board committee member of listed companies	11
Public administration	Brings in experience in the areas of regulatory and stakeholder engagement	1
Related industry experience (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	13
Risk & compliance	Risk and compliance as key governance responsibilities of the Board	9
Technology	Provides insights into the technological developments and the governance of cyber risks	4
Professional	Brings in oversight, advisory and operational experience in the respective field of profession	9
◈ Accounting		4
◈ Engineering		3
◈ Legal		2

Note: Multiple professional background and experience may apply to a Director.

Assessment Results of Diversity

The Board is characterised by its strong independence and diversity.

46%

Percentage of Directors having served the Board for over 10 years slightly increased from 42% due to the resignation of a former Executive Director

Board is reasonably diverse in terms of nationality, with Directors based in Hong Kong (11), Australia (1) and India (1) where CLP has major business and operations

31%

Gender diversity (female representation) maintained at a high level amongst Hong Kong listed companies and increased from 28%

8%

Representation of Executive Director in the Board remained at a relatively low level and reduced from 14%; thereby allowing greater representation of Independent and Non-executive Directors

54%

Representation of Independent Non-executive Directors maintained at a strong level and increased from 50%

Disclosure of Conflict of Interest and Independence of Directors

Conflicts

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. In 2021, none of the Directors were required to withdraw from meeting in these circumstances.

The Company follows guidelines at each financial reporting period to obtain confirmations from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their connected entities.

In addition, identified significant related party transactions are disclosed in Note 32 to the Financial Statements.

Independence

As required under the Listing Rules, the Company received written confirmations from all of the Independent Non-executive Directors regarding the independence of each of them and their immediate family members.

Among the Independent Non-executive Directors of the Company, Mr Nicholas C. Allen has held cross-directorship with Ms May Tan by serving on the boards of the Company and Link Asset Management Ltd (Link REIT). Ms May Tan stepped off the board and board committees of Link REIT on 31 January 2022.

Given that each of Mr Nicholas C. Allen and Ms May Tan plays a non-executive role and holds less than 1% of the issued shares in each of the relevant companies, the Company considers that such cross-directorship would not undermine their independence with respect to their directorships at CLP Holdings.

Our view on independence

The Company maintains the view that a Director's independence is a question of fact and this is formally recognised in the Board Diversity Policy. The Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned, including the ability to continually provide constructive challenge for management and other Directors and to express one's own views independent of management or other fellow Directors and the gravitas inside and outside the boardroom context. These attributes and desired behaviour have been demonstrated by our Independent Non-executive Directors as circumstances require.

Mechanisms for ensuring independent views and input

The Company has established channels through formal and informal means whereby Independent Non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require; these include periodic Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board Members including the Chairman outside the boardroom.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-executive Directors to be independent.

Details of all Directors and their biographies including, if any, relationship between the members are disclosed on pages 98 to 103 and on our website.

Directors' Shareholding Interests

Directors' interests in CLP's securities as at 31 December 2021 are disclosed in the Directors' Report on page 188. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions. CLP's own Code for Securities Transactions is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

Management and Staff

Culture and Values – "do the Right Thing"

CLP recognises the importance of diversity not just at the Board level but throughout the CLP Group. Our respect for people and diversity are embedded in CLP's Value Framework and our Board Diversity Policy has also incorporated the CLP Group Diversity and Inclusion Policy for Senior Management and Staff. The Value Framework was updated in 2020 and a number of labour-related commitments have been reinforced in the updated Value Framework.

One of the key tasks of CLP's management and staff is the successful implementation of strategy and direction as determined by the Board under the leadership of our Chairman. This includes promoting and "living" the good corporate culture set by our Board over the years. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board, CLP's shareholders and other stakeholders, and these have been documented in our Code of Conduct.

A key fundamental feature of CLP's corporate governance is a culture of "doing the Right Thing", this "tone" is set at the top of the organisation at the Board level and is embedded throughout our Value Framework, Code of Conduct, CLP Code, and the Whistleblowing Policy.

Ongoing Monitoring and Training

To demonstrate CLP's commitment to high ethical and integrity standards and to foster the culture of making conscious decisions in doing the right thing as a company, we conducted a Group-wide Business Practice Review in 2021 (other than EnergyAustralia who will undertake this in 2022). This is a mandatory training programme for all staff, through live discussion in the training workshops, not only to refresh their understanding of the key principles in Code of Conduct and other major Group policies, but also to facilitate better application of these principles in their daily work. More than 290 sessions were held which covered approximately 6,300 employees and 1,000 contractors.

In view of the pandemic situation where organisations could potentially be more vulnerable to the heightened risk of fraud, we rolled out a mandatory Fraud Risk Awareness e-training to all CLP staff in 2020, which has now been extended to all new joiners, and has become part of the mandatory induction training programme starting in 2021. The e-training focused on the importance of identifying different forms of potential fraud, and on how CLP staff can prevent, detect, respond to, and report cases of fraud. It is also available in CLP intranet for staff to revisit anytime as they see appropriate.

Role of Management and Staff in Promoting Good Corporate Governance Practices

Our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group's business. The delegation of authority by the Board to the Committees, Senior Management and management are prescribed in the form of a "Company Management Authority Manual".

Management and staff adhere to various Group policies that reflect the values and corporate culture of CLP.

Value Framework

- CLP's vision, mission, values, commitments, policies and codes.

Code of Conduct

- Guiding principles for employees: to do what is right, behave with integrity, and honesty, obey all laws and anti-corruption practices and communicate openly.
- 2020 & 2021: no convicted case of corruption at CLP.
- 2021: 18 breaches of Code of Conduct (2020: 25).
- Cases are reported to the Audit & Risk Committee.

Whistleblowing Policy

- Applies to CLP Group (Apraava Energy (formerly, CLP India) and EnergyAustralia have their own policies).
- Employees and third parties may report suspected misconduct, malpractice or irregularity in confidence.
- 2021: 25 reported cases (2020: 14).

Our Management and Staff are subject to CLP Securities Dealing Restrictions.

- We appreciate that some of our staff may in their day-to-day work have access to potential inside information.
- Our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in our CLP Code for Securities Transactions.
- Securities Transactions: All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.
- Shareholding in CLP shares: Save for the interest disclosed by the CEO in the Directors' Report on page 204 and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 31 December 2021.

Senior Management Training and Development

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Members of Senior Management have access to a variety of training activities. These include access to online learning and information resources, formal executive development programmes at leading business schools and executive briefings on matters of topical interest provided through our strategic partnerships with organisations such as Chatham House, IMD and LUX Research. We also make selective use of independent executive assessment and coaching processes to assist with identifying individual development needs and provide input to our succession planning decisions.

Participation in Training and Continuous Professional Development of Senior Management in 2021

Senior Management	Attending formal executive development / training programme	Attending expert briefings / seminars / workshops / conferences relevant to the business or their duties	Participating as speakers at events	Access to web-based learning resources
Mr Richard Lancaster	■	■	■	■
Mr Nicolas Tissot [1]	■	■		■
Mr David Simmonds [2]	■	■	■	■
Ms Quince Chong	■	■	■	■
Ms Eileen Burnett-Kant	■	■	■	■
Mrs Betty Yuen	■	■		■
Mr Chiang Tung Keung	■	■	■	■
Mr Chan Siu Hung	■	■	■	■
Mr Mark Collette [3]	■	■	■	■
Mr Rajiv Mishra		■	■	■

Notes:

1 Mr Nicolas Tissot joined the Company on 7 September 2020 and has become a member of Senior Management with effect from 1 April 2021.

2 During 2021, Mr David Simmonds, the Company Secretary, served as the Vice-President, the Chairman of the Membership Committee and the Company Secretaries Panel, he also led the Competition Law Interest Group and was a member of the Investment Strategy Task Force of the Hong Kong Chartered Governance Institute. He was also a frequent speaker at seminars and has fulfilled the relevant professional training requirements under the Listing Rules.

3 Mr Mark Collette was appointed as Managing Director – EnergyAustralia with effect from 1 July 2021 following Ms Catherine Tanna's retirement.

Shareholders Engagement

Shareholding as at 31 December 2021

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,513	13.40	776,843	0.03
501 – 1,000	3,512	18.73	2,820,998	0.11
1,001 – 10,000	8,602	45.87	36,484,436	1.44
10,001 – 100,000	3,657	19.50	105,012,018	4.16
100,001 – 500,000	387	2.07	78,045,629	3.09
Above 500,000	81 [1]	0.43	2,303,310,646	91.17
Total	**18,752** [2]	**100.00**	**2,526,450,570** [3]	**100.00**

Notes:

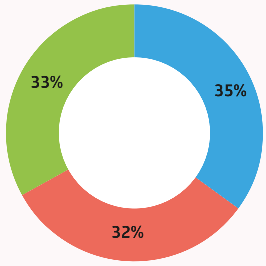
1 Information on the 10 largest registered shareholders in the Company is set out on our website.

2 Actual number of investors is much greater as many shares are held through intermediaries including Central Clearing and Settlement System of Hong Kong (CCASS).

3 55.11% of all our issued shares were held through CCASS.

4 The Listing Rules required 25% public float was maintained throughout the year and up to 28 February 2022.

Shareholding by Category [4]



The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings which stood at HK$199 billion as at 31 December 2021.

Shareholders' Rights

Shareholders are one of our key stakeholders and from a corporate governance perspective, the rights of our shareholders are well recognised and these include:

- The right to receive declared dividends and to vote and attend general meetings.
- The right to convene general meetings and to put forward proposals – details of which can be found in our explanatory notes to the Notice of AGM and on our website or on request.

CLP's Dividends Policy

We create long-term value to our shareholders through dividend payments. CLP's Dividends Policy, adopted by the Board in February 2019, aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth. In line with our established practice, our ordinary dividends are paid four times a year in each of the quarters. CLP's Dividends Policy is available on the CLP website.

The Company's performance- and dividend-related dates for 2022 are set out in Information for Our Investors on page 316.

2021 Hybrid AGM

In accordance with the Hong Kong Government's social distancing laws and regulations concerning shareholders' meeting of a listed company under COVID-19, the 2021 AGM was held in a hybrid format on 14 May 2021 with physical location at the Grand Ballroom, Level 2, Kerry Hotel, Hong Kong, 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong, and online.

Our Vice Chairman, CEO and Company Secretary played host, and the representatives of the independent auditor attended the physical meeting. Our Chairman, The Hon Sir Michael David Kadoorie was unable to attend the AGM due to family reasons and, Mr Philip Kadoorie, who attended the meeting at the AGM venue, read out a personal message from Chairman to the shareholders. Our CFO (then Deputy CFO) and other Directors attended the meeting online at an off-site venue.

The opportunity for shareholders to attend the AGM online and to send their questions in advance of the AGM as well as in real-time through the online platform allowed shareholders to express their views amid special circumstances.

Highlights of the 2021 Hybrid AGM

- Improvement measures: both registered and non-registered shareholders could participate in the online AGM to view, submit questions and cast votes in near real-time through the online platform. To ensure the online AGM was conducted effectively, a chat response function was available on the online platform to address procedural questions from shareholders.
- We placed a limit of 50 shareholders who could attend in person at the physical location and their attendance required confirmation through prior online registration, and a balloting process, as needed.
- An attendance of over 200 shareholders participated in person or online.
- A high level of votes approving the following major items:
  - The election and re-election of Directors ranging from over 94% to over 99%.
  - The adoption of the new Articles of Association (over 99%)
    (Amendments to the Articles of Association were made to incorporate provisions to improve the arrangements for convening and managing hybrid general meetings and to improve efficiencies for general meetings and the timeliness of the distribution of information to shareholders.)
  - The general mandate to issue new shares of up to 5% of shares in issue only, at a price not being at a discount of more than 10% to a benchmarked price (about 99%) and to repurchase shares of not more than 10% shares in issue (over 99%).
- Through the online platform, shareholders posed various questions and all of these were addressed at the meeting.

Communication with Shareholders

At CLP, the importance of an effective dialogue with shareholders and investors has been recognised with the implementation by the Board of a Shareholders' Communication Policy, which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community.

Multiple channels of communication and engagement

Our approach to shareholders communication and engagement include:

Channels	2021 Highlights
Hybrid AGM	◈ Chairman keynote speech ◈ Shareholders are able to **attend and vote in person or online** ◈ **High voting approval rate** on resolutions considered
Investor Meetings (Led by CEO, CFO and Investor Relations Department)	◈ Over **100 investor meetings** mostly conducted online ◈ **Non-deal roadshows** with investors from Asia, UK, North America and Australia
Analyst Briefings (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	◈ Covering the Company's **interim and annual results**
Reports and Announcements	◈ Annual Reports, Interim Reports and online Sustainability Reports ◈ Quarterly statements ◈ Key announcements made: Settlement of litigation for EnergyAustralia; advanced retirement for Yallourn; and CLP Power Hong Kong additional capital expenditure
CLP Group Website	◈ CLP's approach on corporate governance and sustainability ◈ Policies and codes ◈ Information on AGM including e-Voting demonstration video, meeting proceedings and minutes ◈ Updates of recent financial information and latest investor information ◈ Analyst briefings materials ◈ Publications and media releases
CLP Group Investor Relations app	◈ Launched in January 2021, the CLP IR app allows users to access the latest news from CLP including our announcements, media releases and financial reports ◈ Users can also access convenient features such as **event calendar** and **share price data**

Shareholders' Visits Programme with tours hosted by representatives of the CLP management was one of the key shareholders engagement initiatives before the COVID-19 pandemic. We continue to receive strong interest from shareholders and will explore the new initiatives and suitable way to resume the programme while safeguarding the safety and health of our shareholders.

These channels allow us to receive feedback from our shareholders and investment community. In addition, we have the shareholders' hotline as well as dedicated investor relations and company secretary email accounts for taking enquiries and for receiving information requests from shareholders (see Information for Our Investors on page 316).

Reviewing and enhancing shareholders communication

The Audit & Risk Committee is responsible for regularly reviewing the effectiveness of the Shareholders' Communication Policy. The most recent review was undertaken in November 2021 and the effectiveness of the Policy was confirmed. With the continuing COVID-19 situation, the manner of engagement with our shareholders will be monitored closely.

Group Internal Audit

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The head of the department, Senior Director – GIA, leads a well-resourced department of 26 highly qualified professional staff.

The Senior Director – GIA is a member of the Group Executive Committee, who reports directly to the Audit & Risk Committee and the CEO and has direct access to the Board through the Chairman of the Audit & Risk Committee. The Senior Director – GIA has the right to consult the Audit & Risk Committee without reference to management.

Independent Auditor

The Group engages PwC (Certified Public Accountants and Registered Public Interest Entity (PIE) Auditor) as our external independent auditor and we regard their independence as a fundamental governance principle.

How the Group ensures the independence of the external auditor:

- The lead audit partner of PwC is subject to rotation every seven years (as per The International Federation of Accountants rules on independence of external auditors).
- The lead audit partner, after having served the Company's statutory audits in that capacity for seven years since the 2014 financial year-end audit, has retired and was replaced by a new lead audit partner, Ms Yee Shia Yuen, who did not have any prior involvement in the CLP Group audit.
- PwC is required to give an annual confirmation on their independence.
- The Audit & Risk Committee will assess PwC's independence in considering their re-appointment.

In addition, PwC will not be engaged to perform non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit & Risk Committee or its delegates. There must be clear efficiencies and value-added benefits to CLP from the work being undertaken by PwC, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, PwC provided the following audit and permissible audit related and non-audit services to the Group:

	2021 HK$M	2020 HK$M
Audit	**41**	39
Permissible audit related and non-audit services		
Audit related services (including Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, audits of CLP's provident funds and auditor's attestation)	**9**	10
Non-audit services (including tax advisory and other services)	**1**	1
Total	**51**	50

(For these purposes, **permissible audit related and non-audit services provided by PwC** include any entity under common control, ownership or management with PwC or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.)

The fees of PwC and other non-principal external auditors are shown in Note 5 to the Financial Statements.

For the year ended 31 December 2021, the fees for permissible audit related and non-audit services accounted for 18% and 2% of the total fees respectively.

Other Stakeholders

Good governance requires due regard to the impact of business decisions (including impact on people, the environment and the economy), both on shareholders and on other key stakeholders. This Annual Report and our online Sustainability Report explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate. SR

Risk Management and Internal Control Systems

Effective risk management and internal control systems help the organisation anticipate its risk exposure, put controls in place to counter threats, and effectively pursue the set objectives. They are therefore an essential part of an organisation's operation and governance processes. This section explains (and contains cross references) the key features of our risk management and internal control systems.

Risk Management Framework

CLP's overall risk management framework is overseen by, and is the responsibility of, the Board, through its Audit & Risk Committee, and comprises four key elements.

Risk Management Philosophy	Risk Governance Structure	Risk Management Process	Risk Appetite
CLP recognises that risk management is the responsibility of everyone within CLP and thus it is integrated into the business and decision-making process.	Clear roles and responsibilities are assigned to multiple layers within the organisation. This structure facilitates risk identification and escalation.	Through an integrated top-down and bottom-up risk review process, which enables risks identification and prioritisation throughout the Group, management maintains an open and effective communication channel to enable the timely escalation of material risk and adequate supervision of risk mitigation.	The nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives.

The way we manage risk is set out in the Risk Management Report on page 138.

Internal Control Framework

CLP's structure of internal control is based on the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 integrated framework. Our internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement. CLP Corporate Governance Structure is consistent with our Risk Governance Structure – see page 139.

The **Board of Directors**, through the **Audit & Risk Committee**'s review, is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The reviews cover management's assessment on the key business operations, changes in material risks, internal controls, audit and compliance issues.

GIA provides independent assurance to the Board on the adequacy and effectiveness of internal controls for CLP. They adopt a risk-based approach, concentrating on areas with significant risks or where significant changes have been made. GIA is equipped with well qualified and capable staff with access to all the data and operations of the Group.

The **CEO** and the **Group Executive Committee** have primary accountability to the Board in ensuring that robust risk management and internal control systems are established and functioning effectively. Such responsibility is discharged by exercising structured and continuous monitoring and oversight across the Group.

Group Functions establish relevant Group-wide policies and procedures, oversee the risk and control activities of Business Units relevant to their respective functions.

Control Owners (Business Units, Functional Units and individuals) are primarily responsible for the design, implementation, and maintenance of risk management and internal control systems within his / her own area of responsibility. These systems are supported by well-defined policies and procedures, properly established and communicated, which reflect the values and corporate culture of the Group.

Management Assurance on Internal Control Systems

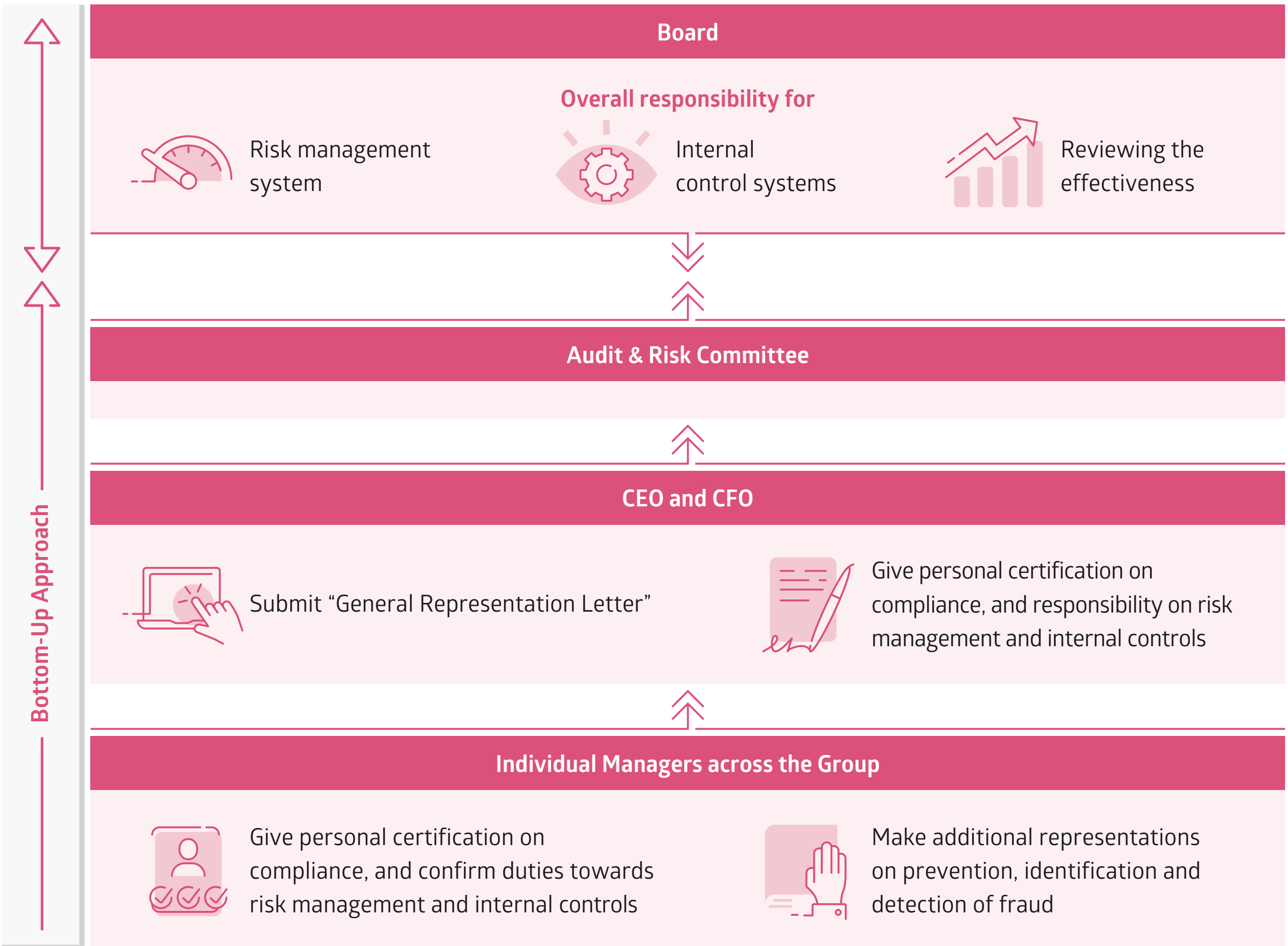
Management and designated staff evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an impact on CLP's performance. Regular management briefings and "deep dive" presentations are presented to the Audit & Risk Committee, as set out in the Audit & Risk Committee Report on page 152.

Our internal control review process continues to follow the substance of the requirements under the Sarbanes-Oxley Act on internal controls over financial statements. Three times a year, management provides internal control review updates to the Audit & Risk Committee which cover the scoping of significant processes and controls, assessment on controls design and operating effectiveness. High risk key controls are required to be tested annually by management while lower risk key controls are tested on a rotational basis. Control owners are then able to represent to Senior Management that their internal controls are working as intended, or that necessary corrections have been made where control weaknesses are identified. The independent auditor also tests the key controls to the extent that they will be relied on for the audit.

Internal audit issues identified and associated remedial actions are followed up for proper implementation, and the progress is reported to the Audit & Risk Committee periodically.

Management is also requested to deliver a personal representation on compliance to our Code of Conduct, Code for Securities Transactions, major policies and procedures, and other major areas of concern, to confirm duties towards risk management and internal controls, and to make additional representations on prevention, identification and detection of frauds, among others. This General Representation Letter Process provides assurance to the CEO and CFO when preparing their personal representation statement, to be submitted to the Board, through the Audit & Risk Committee.

CLP's General Representation Letter Process



Effectiveness of Risk Management and Internal Control Systems

Through the Audit & Risk Committee's review, the Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness.

The review process

Five times a year, the Audit & Risk Committee reviews management's findings and the opinion of GIA on the effectiveness of the Company's risk management and internal control systems. The reviews cover management's assessment of the internal controls of key business operations, changes in material risks, internal control and compliance issues (both financial and non-financial) and significant issues arising from internal and the external audit reports.

For the year ended 31 December 2021, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

Inside Information

We have our own Continuous Disclosure Obligation Procedures which set out the procedures and controls for handling and dissemination of inside information. The Procedures are on the CLP website. Our Continuous Disclosure Committee (established in 2016) conducted regular assessment of potential inside information. The members of the committee include the CEO, CFO, the Company Secretary and the Director – Investor Relations. Please also see "Our disclosure" on page 111.

Corporate Governance – Continuing Evolution and Disclosure

Our own corporate governance practices evolve, not only in line with local requirements, but through our own experience and by reference to international developments. Through this Corporate Governance Report, the CLP Code and the Corporate Governance section of our website, we offer a comprehensive view of our practices and policies and how these are developing. Our objective is that, at all times, our corporate governance meets our shareholders' expectations and serves their interests.

We will continue to review and, where appropriate, improve on our corporate governance practices in light of our experience, regulatory requirements and international developments.

Shareholders can make enquiries with the Board through the Company Secretary via our designated shareholders' hotline (852) 2678 8228, email at cosec@clp.com.hk or by posing questions at our general meetings. Requests for formal engagement with our management and / or Directors are also welcome.

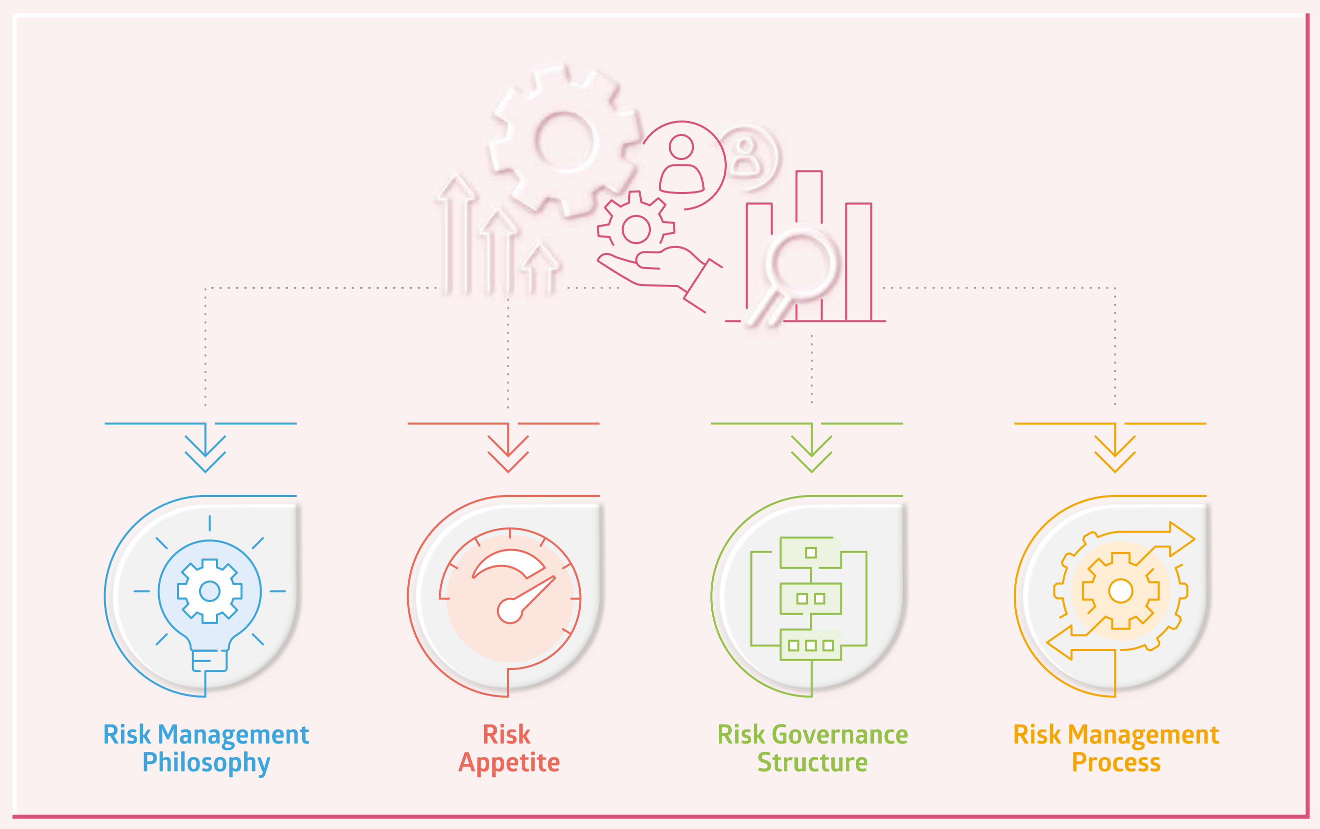
By Order of the Board

David Simmonds
Company Secretary
Hong Kong, 28 February 2022

Risk management is an integral part of all processes and the responsibility of everyone within CLP as it is critical to the long-term growth and sustainability of the company.

CLP's Risk Management Framework

Risk is inherent to CLP's business and the markets in which it operates. CLP aims to identify risks early so that they can be understood, managed, mitigated, transferred or avoided. This demands a proactive approach and an effective Group-wide risk management framework. The risk management framework at CLP comprises four key elements:



CLP's Risk Management Philosophy

CLP recognises that risk management is the responsibility of everyone within the business, and cultivating and embedding risk awareness into the organisational culture is critical to implementing the Group's risk management framework. Risk management is therefore integrated into all business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

CLP has clear risk management objectives:

- At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk and return decisions as defined and quantified through diligent and independent review and challenge processes.
- At an **operational level**, CLP aims to identify, analyse, evaluate and mitigate all operational hazards and risks. It does this to create a safe, healthy, efficient and environmentally-friendly workplace for employees and contractors while ensuring public safety and health, minimising environmental impact, as well as securing asset integrity and adequate insurance.

Risk Appetite

CLP's Risk Appetite

CLP's risk appetite represents the nature and extent of the risks the Group is willing to undertake in pursuit of strategic and business objectives. In line with CLP's Value Framework and the expectations of stakeholders, the Group takes only reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

- Hazardous conditions affecting the health and safety of employees, contractors and the general public;
- Material financial losses impacting the financial viability and strategy execution of the Group;
- Material breaches of external regulations that could lead to fines or loss of critical operational and business licences;
- Material damage to the Group's reputation and brand;
- Business or supply interruptions that could lead to severe impact on the community; and
- Severe environmental incidents.

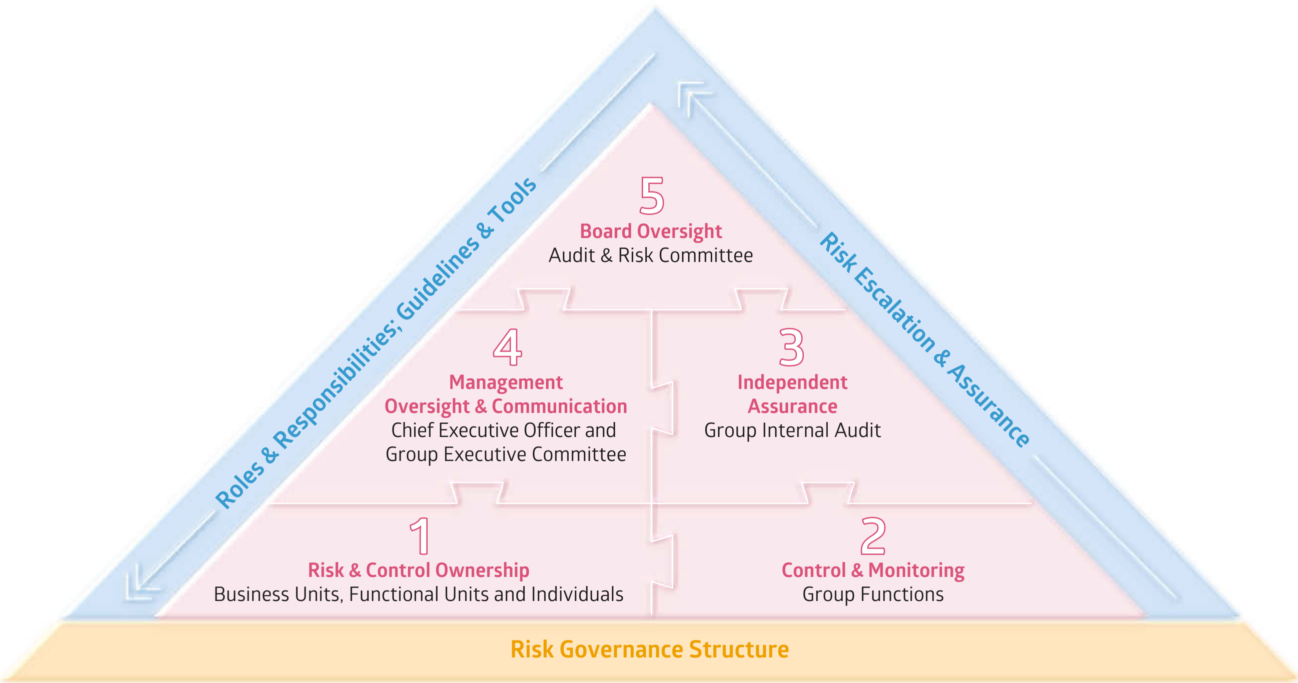
CLP has established its risk profiling criteria in line with its risk appetite to assess and prioritise each identified risk according to its consequence and its likelihood. Therefore, when assessing a risk, CLP considers non-financial consequences, as detailed in its risk appetite, in addition to financial ones.

Risk Governance Structure

CLP's Risk Governance Structure

CLP's risk governance structure:

- Facilitates risk identification and escalation while providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Adopts the **Five Lines of Assurance** approach as explained below:



Five Lines of Assurance

1 Risk and Control Ownership	**Business Units, Functional Units, and Individuals:** ◈ Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies and promoting risk awareness; ◈ Carry out risk management activities and reporting in their day-to-day operations, and ensure risk management processes and mitigation plans follow good practices and guidelines established by the Group; and ◈ Appoint risk managers or coordinators to facilitate communication, experience sharing and risk reporting.
2 Control and Monitoring	**Group Functions:** Departments responsible for Finance, Risk Management*, Internal Control, Tax, Operations, Information Technology, Legal, Human Resources and Sustainability: ◈ Establish relevant Group-wide policies, standards, procedures and guidelines; and ◈ Oversee the risk and control activities of business units relevant to their respective functions. *(* See also below the role of Group Risk Management)*
3 Independent Assurance	**The Group Internal Audit:** ◈ Carries out independent appraisal of the effectiveness of the risk management framework.
4 Management Oversight and Communication	**The CEO and the Group Executive Committee:** ◈ Provide leadership and guidance for the balance of risks and opportunities; ◈ Review and report to the Board through the Audit & Risk Committee on the material risks affecting the Group, as well as their potential impact, their evolution and mitigating measures; and ◈ Ensure that a review of the effectiveness of the risk management framework has been conducted at least annually, and provide confirmation of this to the Board through the Audit & Risk Committee.
5 Board Oversight	**The Audit & Risk Committee, acting on behalf of the Board:** ◈ Evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Group's strategic objectives; ◈ Ensures an appropriate and effective risk management framework is established and maintained; and ◈ Oversees management of risk identification, reporting and mitigation efforts.

Group Risk Management

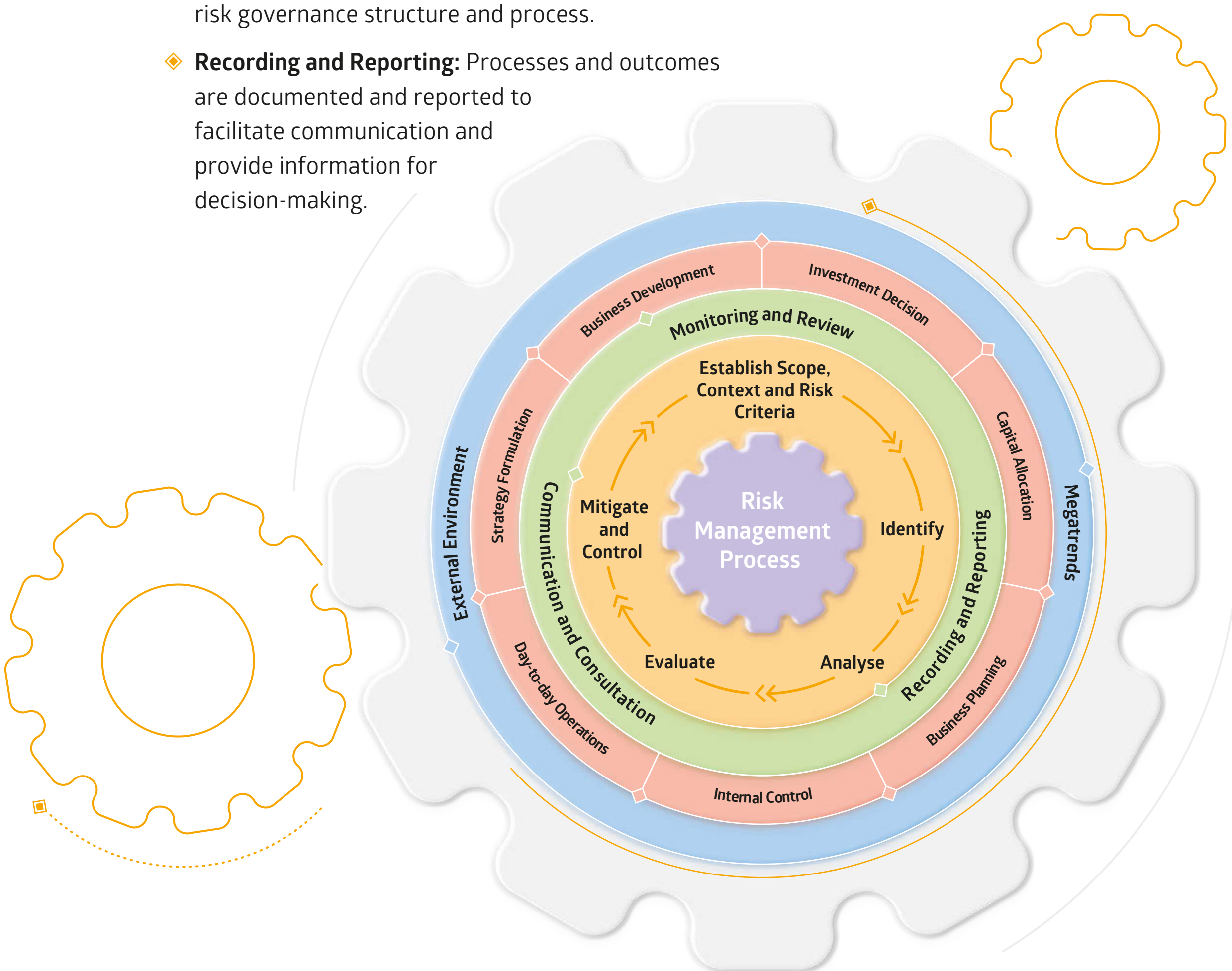
The Group Risk Management function is tasked with:

- Implementing the Group's Risk Management Framework, and assisting business units in implementing their own frameworks;
- Managing regular risk review and risk reporting processes of the Group;
- Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee; and
- Facilitating risk communication, experience sharing and risk reporting.

Risk Management Process

CLP's Risk Management Process

- **Integration is key.** The process is integrated into business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.
- **Understanding the external environment and megatrends** which may have significant implications for CLP's business and markets. CLP recognises that certain external global trends could have an impact on its operating and strategic environment. These megatrends encompass political, economic, social, environmental and technological changes which could rapidly evolve, changing the context in which the company operates.
- **The core process involves:**
  - ✓ Establishing scope, context and risk criteria;
  - ✓ Identifying risks based on relevant, appropriate and up-to-date information;
  - ✓ Analysing risks with detailed consideration of risk sources, consequences, likelihood, events, scenarios, and existing controls and their effectiveness;
  - ✓ Evaluating risks against the established risk criteria to rank them and prioritise management efforts; and
  - ✓ Developing and implementing controls and mitigation plans.
- **Communication and Consultation:** A continuous and interactive process, involving communication and consultation with stakeholders.
- **Monitoring and Review:** Regular monitoring and review according to the established risk governance structure and process.
- **Recording and Reporting:** Processes and outcomes are documented and reported to facilitate communication and provide information for decision-making.



CLP's Risk Management Process as an integral part of business and decision-making processes – Examples

Quarterly Risk Review Process at Group Level

An integrated top-down and bottom-up risk review process

CLP adopts an integrated top-down and bottom-up risk review process to enable:

(1) Comprehensive identification and prioritisation of all material risks throughout the Group;

(2) Containment of material risks at the appropriate managerial level;

(3) Effective risk dialogue among the management team; and

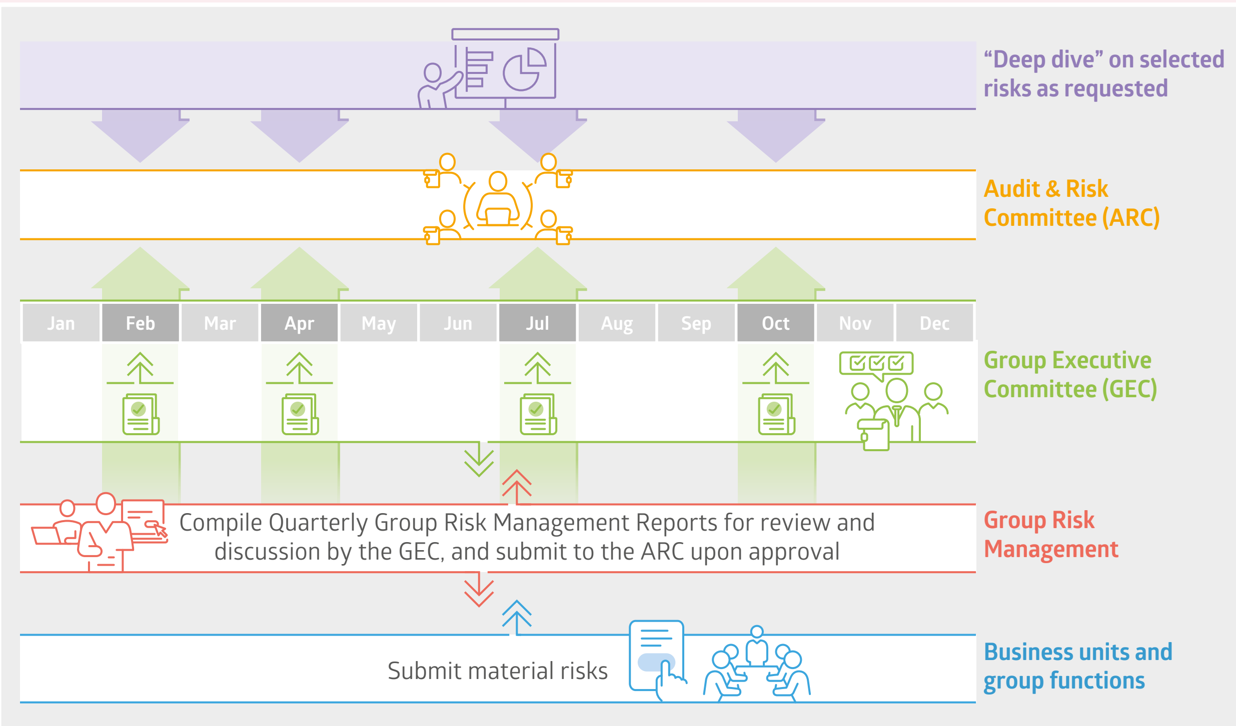
(4) Proper governing of risk mitigation efforts.

Top-down Process

- At Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks and examine any other risk issues they consider important. This dialogue offers an opportunity for management to identify and respond to emerging risks early on, voice risk concerns, share risk insights and seek risk management guidance.
- Group Risk Management facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or Group functions.

Bottom-up Process

- CLP's business units and Group functions are required to submit their lists of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the report is submitted to the Audit & Risk Committee on a quarterly basis. "Deep dive" presentations on selected risks are presented to the committee for more detailed review.



Risk Review Process for Investment Decisions

- CLP adopts a multi-gated system of periodic project appraisals during development and investment cycles.
- CLP requires an independent, multi-disciplinary review of any investment proposal. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management ensures a detailed project risk assessment is carried out for each investment project. Detailed checklists and worksheets are used to identify risks, formulate mitigation measures and assess risk levels. Material risks and associated mitigations are highlighted and discussed at the Investment Committee, chaired by the CEO.

Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 135 to 137.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated on the same set of risk criteria as the quarterly risk review process, and plans to mitigate the identified risks are developed. The material risks listed on pages 145 to 150 have been laid out in CLP's 2022 business planning process.

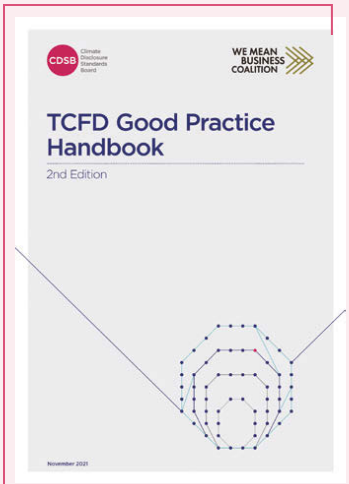
Climate Change Risk Management

How CLP Identifies, Assesses and Manages Climate Change Risks

Climate change risks are embedded in CLP's risk management process and risk register. CLP identifies, assesses and manages climate change risks alongside all other types of risk as an integral part of its Group-wide Risk Management Framework.

According to the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), climate change risks can be classified into two major categories:

- **Transition risks** – Transitioning to a lower-carbon economy may entail policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change, and may pose varying levels of financial impacts, as well as reputational risk to the Group.
- **Physical Risks** – Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns, causing direct damage to assets and indirect impact from supply chain disruption.



CLP's reporting on climate change risk management in the 2020 Annual Report was cited as an example of good practice in the Climate Disclosure Standards Board's TCFD Good Practice Handbook (pictured), published in November 2021.

CLP recognises the wide-ranging implications of climate change, and considers climate change risks a combination of standalone risks and cross-cutting risk drivers of other material risks. As shown in the CLP's top-tier risk tables on pages 145 to 150, climate change transition risk and physical risk have respectively been identified as standalone risks and categorised under Regulatory Risk and Operational Risk. The tables also illustrate other material risks connected with either **Transition** or **Physical** risk drivers, or combinations of the two.

As with other material risks, CLP adopts the same set of risk profiling criteria in assessing climate change risks. Climate change risks are managed across the Group according to CLP's risk governance structure and risk management process, with management oversight and assurance provided to the Board. In 2021, CLP committed to achieving net-zero greenhouse gas emissions across the value chain by 2050 under its updated Climate Vision 2050 strategy, which guides the Group in managing climate-related risks as well as opportunities.

Detailed discussions on CLP's climate strategies are included in the Capitals chapter on page 64. Additionally, further information is available in CLP's 2021 Sustainability Report and 2021 Climate-related Disclosures Report.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP's risk profile is categorised into six key risk areas: operational, commercial, regulatory, financial, market and human resources. The top tier risk profile is summarised below:

Operational Risk

CLP's operations are exposed to a variety of operational risks relating to Health, Safety and Environment (HSE) incidents / compliance, physical security, plant performance, data privacy, cyber security attacks on operational technology (OT) and IT systems, project delivery and extreme weather events as a result of climate change.

New COVID-19 variants including Omicron have sparked major concerns worldwide and brought further travel restrictions. The impact of the new variants on CLP's operations will continue to be closely monitored.

CLP manages operational risk by:

a) Implementing an HSE improvement plan, involving all stakeholders, to rethink risks and build and promote a sound safety culture across the Group, as well as among contractors and sub-contractors. Group-wide initiatives on eliminating exposure to serious injuries and fatalities include the introduction of the Safety in Design framework and improvements to the incident investigation process;

b) Implementing operations and systems reinforcements to maintain a high operational and emissions performance;

c) Maintaining appropriate response levels and control measures in response to the COVID-19 pandemic;

d) Consolidating emergency response, crisis management, disaster recovery and business continuity plans with regular drills;

e) Enforcing a Group-wide Project Management Governance System to facilitate the delivery of high-quality projects; and

f) Introducing Group-wide cybersecurity policies and standards with appropriate controls, technologies and practices at all levels, while cultivating a cyber resilience culture across the Group.

Group Top Tier Risks – Operational	Changes in 2021	Additional References
1. Major HSE incidents	◀▶	Pages 55-56, 82-83, 87, 164
2. COVID-19 outbreak	▼	Pages 41, 52, 58, 82, 86
3. Cyber security attack – OT systems	◀▶	Pages 76, 155
4. Cyber security attack – IT systems	◀▶	Pages 76, 155
5. Physical security breach	◀▶	Page 76
6. Major failure – generation assets	◀▶	Pages 52-53, 74
7. Climate change – physical risk	◀▶	Pages 52, 76, 241
8. Renewables – lower performance	◀▶	Pages 47-49, 58-59, 74
9. Major projects delay / cost overrun	◀▶	Pages 43-44

▲ Risk level increased ▼ Risk level decreased ◀▶ Risk level remains broadly the same

Connected with transition risk drivers

Connected with physical risk drivers

Material Risks to the Group (continued)

Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. Building the capabilities to support a proactive procurement and supply chain management (PSCM) practice is critical to CLP's business and its transformation into a Utility of the Future. Currently, commercial disputes, delays in the collection of receivables, the financial health of counterparties, fuel supply interruptions, PSCM capabilities, reduced energy margins and price volatility are key commercial risks impacting CLP.

Additionally, a number of digital transformation programmes are being implemented to improve customer engagement and experience, cost effectiveness, system flexibility and reliability.

CLP manages commercial risk by:

a) Diligently pursuing the resolution of payment delays and commercial disputes;

b) Monitoring the financial health of counterparties;

c) Liaising with fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security, as well as establishing contingency planning for potential supply disruptions;

d) Diversifying fuel sources and fuel procurement strategies in order to secure a stable supply of fuel at competitive prices;

e) Promoting excellence in PSCM capabilities, driving supply chain resilience and agility, managing critical whole-of-CLP supplier relationships, and increasing visibility of practice, suppliers and supply markets through improved analytics capability and new technologies; and

f) Establishing strong leadership in driving digital transformation, having formal governance over technology architect and design decisions as well as the execution of major programmes, while developing a data-driven, innovation culture.

Group Top Tier Risks – Commercial	Changes in 2021	Additional References
10. Gas supply shortage – Hong Kong	◀▶	Page 43
11. Coal supply shortage – Australia (Mt. Piper)	◀▶	Page 53
12. Tariff adjustment challenge – Hong Kong	◀▶	Page 42
13. Delayed tariff payments in India and National RE subsidies in Mainland China	◀▶	Pages 48, 58
14. Digital transformation risk	◀▶	Pages 18, 77-79
15. Procurement and supply chain capabilities risks	NEW	Pages 76, 162
16. Decarbonisation and other commercial disputes with joint venture partners in coal power assets	NEW	Page 50

Material Risks to the Group (continued)

Regulatory Risk

CLP's capability to achieve more stringent performance targets in Hong Kong presents a short-term regulatory risk exposure, while there is possible risk of adverse regulatory changes in the medium to longer term.

The Group's Australian business continues to face regulatory challenges which may restrict its margin recovery, increase the complexity and cost of market operations, and present significant regulatory compliance challenges.

In Mainland China, the implementation of power sector reforms has gathered pace, with continuous expansion of market sales. Geopolitical tensions between China and its major trading partners may bring new challenges to CLP's business, including its supply chain and overseas investments.

As CLP progresses its strategy to address climate change challenges, the pace of changes in government policies, regulations, technologies and market structures could be faster than the Group's responses.

CLP manages regulatory risk by:

a) Closely monitoring regulatory development and market / public sentiment;

b) Working constructively with governments to advocate CLP's position on regulatory changes;

c) Mobilising internal resources to ensure timely responses to regulatory changes, while maintaining regulatory compliance and oversight;

d) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;

e) Reinforcing CLP's efforts to care for the community and promote energy efficiency;

f) Developing capacity and decarbonisation scenarios to achieve net-zero emissions by 2050 and progressively phase out remaining coal-fired generation assets by 2040;

g) Working together with the Hong Kong Government to explore ways to enhance regional cooperation on zero-carbon energy; and

h) Conducting supply chain review for assets on imported equipment and spares, and exploring alternative sources and localisation opportunities.

Group Top Tier Risks – Regulatory	Changes in 2021	Additional References
17. Regulatory changes – Hong Kong	◄►	Page 42
18. Regulatory changes – Australia	▼	Page 56
19. Regulatory changes – Mainland China	◄►	Page 48
20. Climate change – transition risk	◄►	Pages 88-95
21. International sanctions risk	◄►	Page 76
22. Regulatory compliance – Australia	◄►	Pages 52-53

Material Risks to the Group (continued)

Financial Risk

CLP's investments and operations, which are long-term in nature, are exposed to financial risks in the areas of cash flow and liquidity, credit and counterparty risks, interest rate risks and foreign currency risks. Group-level earnings may also be impacted by marked-to-market fair value movements. Volatile foreign exchange and equity markets have further affected the cost of securing financing.

The enduring effects of the COVID-19 pandemic and geopolitical tensions have elevated financial market uncertainties.

CLP manages financial risk by:

a) Reviewing liquidity, maintaining investment grade credit ratings, and preserving a healthy capital structure;

b) Taking pre-emptive action for early completion of major financings on preferential terms;

c) Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities;

d) Maximising the use of local funding options;

e) Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy;

f) Pursuing "natural hedge" by matching the currency of revenue, cost and debt, and ensuring project level debt financing is denominated in and swapped into a functional currency;

g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on banks' credit standing, and ensuring non-recourse to CLP Holdings for counterparties of CLP Holdings' subsidiaries and affiliates;

h) Maintaining good, trustworthy relationships with lenders (banks and bondholders); and

i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risks – Financial	Changes in 2021	Additional References
23. Financial market volatility	◀▶	Pages 67-73, 284-287
24. Availability of competitive funding	◀▶	Pages 67-73, 287-289
25. Default of Group's financial counterparties	◀▶	Pages 67-73, 287

Material Risks to the Group (continued)

Market Risk

In Australia, the retail energy market remains intensely competitive, while wholesale electricity prices declined sharply and remained low until the middle of 2021 as volatilities in the wholesale market increased.

Business in Mainland China has been affected by changes in the structure of the economy, tighter environmental rules and increasing market sales through competitive bidding, and coal price volatility. Coal prices have risen sharply since the second quarter of 2021, affecting the financial performance of the coal portfolio.

CLP manages market risk by:

a) Managing market offers (e.g. pricing) and other service differentiators for customer acquisition and retention;

b) Actively managing CLP's wholesale energy portfolio, and implementing hedging strategies to align wholesale and retail positions;

c) Following approved energy risk policy, with energy market transactions subject to approved limits and controls;

d) Exploring different revenue streams and value-added services for customers, while continuing business innovation to meet evolving customer needs;

e) Improving current operations, fuel procurement and development strategy, while closely monitoring operating cash flow in view of market volatility;

f) Investing in plant reliability and upgrades and delivering good plant performance; and

g) Specifically, with regard to Mainland China:
   - Proactively engaging with Governments to advocate CLP's positions on coal supply issues, tariff adjustments and dispatch;
   - Pricing market sales at an optimal margin to secure more generation and maintain a high dispatch priority;
   - Pursuing steam sales to increase plant usage; and
   - Revisiting market sales strategy and governance processes amid the unprecedented surge in coal prices.

Group Top Tier Risks – Market	Changes in 2021	Additional References
26. Australia – Customer competition and energy market volatilities		Pages 52-53, 286
27. Market risks in Mainland China		Pages 19, 48-50

Material Risks to the Group (continued)

Human Resources Risk

Executing the decarbonisation and digital transformation agenda and realising current and potential opportunities in Hong Kong and the Greater Bay Area (GBA) will bring significant challenges in succession management, talent attraction and retention, leadership, structure and operating model change and culture change. The organisation capability development challenge is likely to be exacerbated in coming years by continued geopolitical volatility, social issues, the pandemic situation and demographic shifts.

CLP manages human resources risk by:

a) Managing senior management succession, in particular ensuring continuity of stakeholder relationships, and managing heightened leadership complexity;

b) Resourcing with innovation, digital and business development skillsets in Hong Kong and Mainland China, accelerating the development of engineering talent to address retirement needs and facilitating talent mobility across the GBA;

c) Evolving to more agile operating models and human resources management systems, and embedding significant organisation and business process changes; and

d) Managing the culture agenda by embedding CLP's values and appropriate risk culture in an increasingly diverse workforce, building resilience, and evolving mindsets and behaviours to embrace change at pace, calculated risk-taking, and collaboration between employees, customers and external partners.

Group Top Tier Risks – Human Resources	Changes in 2021	Additional References
28. Organisation capability development for growth and transformation	◀▶	Pages 80-87

Effectiveness Review of Risk Management and Internal Control Systems

CLP adopts the Five Lines of Assurance approach to coordinate and optimise its risk and assurance efforts as described on page 139 to 140 of this Report. Combined assurance includes Board oversight by the Audit & Risk Committee, management oversight by the CEO and the Group Executive Committee, independent assurance by internal audit, control and monitoring by Group functions, and risk and control ownership by business units. It should be acknowledged that CLP's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable – but not absolute – assurance against material loss or misstatement.

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this Annual Report. The details of the effectiveness review are described in the Corporate Governance Report on page 137, and the Audit & Risk Committee Report on page 155.

Nicolas Alain Marie Tissot
Chief Financial Officer
Hong Kong, 28 February 2022

Members

The Members of the Audit & Risk Committee are appointed from the Independent Non-executive Directors by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

- **Mr Nicholas C. Allen** (the Chairman)
- **Ms May Siew Boi Tan**
- **Mrs Fanny Law**
- **Mr Chunyuan Gu**

Biographies of the Members are set out in Board of Directors on page 98 and on our website.

The Committee works closely with the auditors and management-level group functions and, in addition to the Members, regular attendees at the Committee's meetings are:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Nicolas Tissot; appointed with effect from 1 April 2021, following the change of role and subsequent retirement of Mr Geert Peeters of the same position;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director & Group Controller – Mr Pablo Arellano;
- Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- Independent Auditor – the engagement partner and others from PwC.

Other members of management attended the Committee meetings from time to time to make presentations and discuss matters of interest to the Committee.

Meetings and Attendance

During the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period), the Committee held six meetings in 2021 and another two meetings in 2022. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA and the CFO. The Committee commenced its meetings with scheduled sessions in the absence of management for the Committee Members and PwC, as well as sessions for Committee Members only. Two private meetings between Committee Members and PwC were held and six sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2021 meetings is set out in the Corporate Governance Report on page 121.

EnergyAustralia

CLP's wholly-owned subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors. The EnergyAustralia board has established an audit and risk committee (ARC) and its members are EnergyAustralia's non-executive directors independent of EnergyAustralia's management.

The Committee's work with respect to the operations of EnergyAustralia is strengthened and supplemented by the work of EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings.

During the Period, the Chairman of the Committee participated in three EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in one meeting of the Committee.

Highlights of the Committee's Work

The Committee devoted considerable time in reviewing the accounting treatment of certain key items and in monitoring some of the material risks faced by the Group.

With the challenges and changes faced by the EnergyAustralia business, the Committee paid particular attention to the carrying values of the business cash generating units at the time of finalising the half-year and annual financial statements. This was also reflected in the Key Audit Matters in the Auditor's Report. In addition, the Committee closely monitored the legal proceedings for the Iona case which resulted in a final settlement in March.

The Committee was cognisant of the material risks that the Group was facing. The topic of cybersecurity remains as a standing item for deep dive briefing and the Committee had dedicated briefings on this in the January and June Committee meetings. With the significance of EnergyAustralia's investment in a new project for the retail business, the Committee had the opportunity of understanding the background and strategy of this project while recognising that this EnergyAustralia project would be subject to the governance oversight at EnergyAustralia's level.

For the Hong Kong business, the Committee appreciated the number of major infrastructure projects that was being undertaken by the local business and the Committee received detailed briefings on the CCGT unit 2 project and the Hong Kong Offshore LNG Terminal project as well as the gas supply security for Hong Kong.

The following table provides an overview of how the Committee spent its time during the Period:

	2021						2022	
	Jan	Feb	Apr	Jun	Jul	Nov	**Jan**	**Feb**
Risk Management, Internal Control and Compliance								
Quarterly risk management report		■	■		■	■		■
In depth briefing on high risks and processes								
◈ EnergyAustralia retail business			■					
◈ Cybersecurity	■			■	■			
◈ Hong Kong major infrastructure projects & Hong Kong gas supply						■		
Internal control review update		■		■		■		■
Management's general representation letter		■			■			■
Outstanding internal audit issues		■	■	■	■	■		■
Legal and regulatory compliance		■			■			■
Annual and Interim Financial Reports								
Annual and Interim financial statements and reports		■			■			■
Assessment of critical accounting judgements	■	■		■	■		■	■
Sustainability Report data assurance review		■						■
Internal and External Auditing								
Internal audit results and audit issues		■	■	■	■	■		■
Ethics and controls commitment surveys			■					
PwC's audit report, audit plan and audit progress	■	■	■	■	■	■	■	■
Audit fees and non-audit engagements by auditors	■	■			■		■	■
Corporate Governance								
Corporate governance trends, developments and related policies						■		
Code of Conduct and whistleblowing cases		■	■	■	■	■		■
Continuing connected transactions		■						■

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Risk Management, Internal Control and Compliance	
Effectiveness of risk management and internal control systems	The Committee received and reviewed management's periodic internal control reports and the Group's quarterly risk management reports. As part of the review of the interim and annual financial statements, the Committee examined and received the General Representation Letters from the CEO and CFO (see page 136 for further details regarding the General Representation Letters). The Committee's monitoring of the risk management and internal control systems was supported by the review work and reporting by GIA and by the independent auditor's report of their testing of the control environment of the Group. During the Period, no internal control issue that would be material to the integrity of the financial statements was identified. The Committee analysed and was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period.
Deep dive briefings	Having regard to the nature of the risks and the potential exposure for the Group, the Committee requested management to make deep dive presentations on the following topics: ◈ **EnergyAustralia Retail Business** – Management gave a briefing on the current status and outlook for EnergyAustralia's retail business. The Committee considered and discussed with management the following issues regarding the retail business: the future of the customer business model, improving customer experience and the business cost structure. ◈ **Cybersecurity** – The Committee recognised the importance of cybersecurity and requested for the periodic deep dive examination to continue. The Committee was particularly focused on understanding and monitoring the progress on various cybersecurity initiatives. ◈ **Hong Kong Major Infrastructure Projects & Hong Kong Gas Supply** – Management presented to the Committee the different gas supply arrangements, the potential risks to the gas supply and the corresponding mitigation controls in connection with the risk associated with the gas supply security.
Reporting on risk management	At the recommendation of the Committee, management expanded the coverage of the quarterly risk management report to incorporate the action plan and status for the risk-related reporting on cybersecurity. In addition, the Committee spent considerable efforts in analysing and monitoring the unique risks and challenges faced by the Group as explained above.
Cybersecurity	Briefing on cybersecurity has been a regular feature on the Committee's meeting agenda for a number of years. This was also covered in the above. In considering the update from management, the Committee emphasised the importance of reporting back to the Committee regarding the follow up actions and related progress.

Areas of Focus	
Risk Management, Internal Control and Compliance	
Compliance	As part of the consideration of the half-year and annual financial statements, the Committee reviewed and considered a comprehensive legal and regulatory report on the Group. This report is in relation to key regulatory compliance issues and legal cases for each region of the Group. The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the Listing Rules, the Corporate Governance Code, the Companies Ordinance and the Securities and Futures Ordinance. The Committee acknowledged that the only exception to compliance with all the mandatory and recommended requirements of the Corporate Governance Code is that CLP does not publish quarterly financial results (as a recommended requirement); and continued to agree with the considered reasons for this exception (please refer to page 112).
Annual and Interim Financial Reports	
Annual Reports and Interim Report	The Committee reviewed the 2020 and 2021 Annual Reports and the 2021 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2021 Financial Statements – accounting judgements	Management and PwC presented to the Committee the key judgements with material accounting impact. These included the review of the carrying values of the Group's generation assets and EnergyAustralia's goodwill for retail business unit, the accounts receivables for the renewables projects in Mainland China and Apraava Energy, and the disclosures and accounting treatments of major transactions and events as well as material litigations and disputes. The Committee critically assessed these and found the judgements put forward to be acceptable for each of the issues presented.
Sustainability Report data assurance	The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2020 and 2021 Sustainability Reports. SR
Internal and External Auditing	
Internal audit	The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports: a) audit reports which provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls; and b) special review reports which focus on new business areas and emerging risks, where control advisory is provided. GIA has also conducted desktop review for selected lower risk audit units to enhance audit effectiveness and timeliness of communication with auditees. For the year 2021, a total of 28 audit, 10 special review and three desktop review were completed. One of the audit reports carried a not satisfactory audit opinion. None of the control weaknesses identified had a material impact on the financial statements.

Areas of Focus	
Internal and External Auditing	
Internal audit function	The Committee reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group. The Committee took note that an independent peer review of GIA was completed in 2021. The Committee considered the detailed results of peer review conducted by Ernst & Young Advisory Services on the GIA function; generally, a peer review is conducted periodically. The results of the peer review were submitted to, and considered by, the Committee and the scope included the compliance with the Institute of Internal Auditors (IIA) Standards as well as a key stakeholders survey on GIA's effectiveness and areas for improvement. From the peer review, it was concluded that the GIA projects performed were found to be in generally conformance with the IIA Standards and from the survey conducted, there was an overall positive response on GIA's effectiveness and corresponding action plans were recommended which were also noted by the Committee.
Financial Statements – auditor's opinion	For both the 2020 and 2021 financial statements, PwC presented the auditor's opinion on the financial statements and the Key Audit Matters that had material impacts to the financial results and position of the Group. The Key Audit Matters identified were considered and reviewed by the Committee.
Fees to independent auditor and its re-appointment	The Committee reviewed the following fees payable to PwC: ◈ audit fees for 2020 and 2021 for approval by the Board; and ◈ permissible audit related and non-audit services provided by PwC for 2020 and 2021. At the 2021 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2021. Having considered PwC's performance and independence as independent auditor, the Committee recommended to the Board that PwC be re-appointed as independent auditor and this will be considered by shareholders at the forthcoming AGM. PwC issued a letter of independence to the Committee. Ms Yee Shia Yuen was appointed as the new lead audit partner of CLP for the financial year 2021, after her predecessor retired from CLP's audit assignments upon the completion of seven years of service after the 2020 financial year-end audit. This rotation is consistent with The International Federation of Accountants rules on independence of external auditors. The Committee supports this approach for it believes that changing the lead audit partner regularly ensures the independence, objectivity and fresh perspectives the Committee requires in CLP's independent auditor. Further details of the fees payable to PwC and the assessment of their independence can be found on page 134.

Areas of Focus	
Corporate Governance	
Corporate governance practices	The Committee received a report on Corporate Governance Policies and Practices Review covering shareholders' communication policy, Code of Conduct, whistleblowing policy, procedures on gifts and entertainment, anti-fraud policy and policy on making political contributions. The Committee took note of some of the market and regulatory developments and trends that might have an impact on CLP's corporate governance practices, in particular, the consultation proposals on corporate governance that were put forward by the Hong Kong Stock Exchange. Further details of the new requirements and the practices which CLP have adopted are set out on page 109 of the Corporate Governance Report.
Continuing connected transactions	The Committee considered the work carried out by PwC on the annual reporting and confirmation of continuing connected transactions as required by the Listing Rules.
Culture-related	The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of 18 breaches in 2021 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of workplace behaviour and individuals' ethics and integrity. None of the reported Code of Conduct violations involved employees at the grade level of senior manager or above. The Committee analysed the findings of the 2020 ethics and controls commitment survey for the employees and took note that a new section with questions on "Culture" was introduced. The Committee encouraged management to undertake further analysis regarding the responses to the questions on culture.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- satisfying itself that good accounting, audit principles, risk management, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group (without limiting the primary responsibilities of all the business unit managers throughout the Group);
- assuring adequate risk management and internal control systems are in place and followed and where deficiencies are found, appropriate remedial actions are taken in a timely manner;
- assuring appropriate accounting principles and reporting practices are followed;
- performing the corporate governance duties described further in this Report and fulfilling the functions conferred on the Committee by the CLP Code;
- satisfying itself that the scope and direction of external and internal auditing are adequate; and
- reviewing and making sure the assurance of the sustainability data in the Sustainability Report is appropriate.

Accountability

The Committee is accountable to the Board. The Chairman reports to the Board at the Board meetings in which the half-year and annual financial statements are considered and this would cover key issues considered by the Committee in the course of the review of the preparation of the financial statements.

Terms of Reference

The Committee's terms of reference follow international best practice and they also comply with the HKICPA's "A Guide for Effective Audit Committees" and the Hong Kong Stock Exchange Corporate Governance Code. Full terms of reference can be found on CLP's and the Hong Kong Stock Exchange's websites.

Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2021 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner in accordance with its terms of reference.

The evaluation was reviewed and the conclusion was confirmed by internal and independent auditors. The CLP Holdings Board also endorsed the Company Secretary's evaluation.

Looking Ahead

The Committee has, over the years, developed a well-disciplined and robust approach in the oversight of the preparation of financial statements and the monitoring of the Group's risks. In looking ahead, the challenging operating environment is likely to continue for some time, the Committee will ensure that this approach will continue to be upheld in these uncertain times.

Nicholas C. Allen
Chairman, Audit & Risk Committee
Hong Kong, 28 February 2022

Members

The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee CLP's sustainability issues. This Committee comprised the following Members during the Period:

Mr Richard Lancaster
(Chief Executive Officer) (the Chairman)

Mr Nicholas C. Allen
(Independent Non-executive Director)

Mrs Fanny Law
(Independent Non-executive Director)

Ms May Siew Boi Tan
(Independent Non-executive Director)

Ms Christina Gaw
(Independent Non-executive Director)

Mr Andrew Brandler
(Non-executive Director)

Mr Philip Kadoorie
(Non-executive Director)

Ms Quince Chong
(Chief Corporate Development Officer)

Biographies of the Members are set out in Board of Directors on page 98, Senior Management on page 104 and on our website.

The governance of sustainability is integrated in the CLP Group's corporate governance structures – from Board-level Committees to management-level group functions and business units (please refer to page 113 of the Corporate Governance Report on CLP's Approach to ESG Reporting). In supporting the Committee, the management-level Sustainability Executive Committee and Group Sustainability Department have the strategic and operational responsibilities to assess and manage sustainability issues.

Regular attendees at the Committee's meetings include the following members of the Sustainability Executive Committee and the Director – Group Sustainability (Mr Hendrik Rosenthal):

- Chief Financial Officer – Mr Nicolas Tissot, appointed to this position in place of Mr Geert Peeters with effect from April 2021;
- Chief Operating Officer – Mr David Smales, attended the Committee meetings prior to his resignation in December 2021;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

Meetings and Attendance

The Committee meets as frequently as required and the Committee met five times during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Continued Focus on Climate Change

A key focus of the Committee's work during the Period was overseeing the work on climate change and its impact on the Group's strategy. The Committee held an additional meeting during the year to consider the proposed climate-related targets for CLP. The Committee spent considerable time in reviewing the draft CLP's Climate Vision 2050 with the objective of delivering a firm commitment to climate action in a clear and succinct manner.

The Committee had the benefit of a briefing from a leading external expert on the key outcomes of COP26; this covered the international efforts in reducing greenhouse gas emissions, the potential opportunities associated with the commitments and pledges at the COP26 and the implications for the corporate sector.

The following table provides an overview of how the Committee spent its time during the Period:

	2021				**2022**
	Feb	Jul	Sep	Nov	**Feb**
Climate Change-related Matters		■	■	■	
Other Sustainability Matters – risks, opportunities and emerging issues			■		
Sustainability Reporting / Indices performance	■			■	■
Health, Safety, Security and Environment	■		■		■
Community, Charitable and Environmental Partnerships and Initiatives	■				■

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Climate Change-related Matters	
Climate Vision 2050 targets update	The Committee examined the proposed Climate Vision 2050 targets update against the science-based benchmarks. There were in-depth discussions on how CLP could accelerate the closure or exit of coal from the generation fleet and the financial impact from the revised targets. The Committee also considered the various scenarios put forward by management to achieve the net-zero target for 2050. The Committee reviewed the draft Climate Vision 2050. The Committee paid particular attention to the proposed strengthened targets and these included the net-zero greenhouse gas emissions by 2050; interim science-based targets for 2030 to limit global warming to well-below 2°C above pre-industrial levels; accelerate phase-out of CLP's coal-based assets by 2040; and CLP's commitment to strengthen the targets at least every five years in recognition of the objective to further raise CLP's ambition in line with the 1.5°C pathway. Following the publication of CLP's Climate Vision 2050, the Committee considered the feedback from CLP key stakeholders on the publication and the new targets.
Climate change-related developments and risks	The Committee considered the climate change policy landscape at the international level and in the CLP markets. In addition to the briefing from an international climate change expert, the Committee received a briefing from management on Hong Kong's Climate Action Plan 2050. This covered a range of initiatives for Hong Kong including the Climate Action Plan Targets, energy efficiency and green buildings, Feed-in Tariff scheme, waste management and electric vehicles development.
TCFD	The Committee considered the update on climate-related disclosures and progress on climate change scenario analysis including the development of a methodology of climate-related financial impacts. The Committee acknowledged that the next stage of CLP's disclosures would be to further test the climate scenario analysis and to analyse the financial impacts of transition risk and opportunities along with the physical risks and opportunities, with reference to the guidelines on climate scenarios to be developed by World Business Council for Sustainable Development. The Committee gave its support to the Company's publication of a separate Climate-related Disclosures Report for 2021, which follows the TCFD recommendations and the International Sustainability Standards Board's Climate-related Disclosures Prototype.
Other Sustainability Matters – risks, opportunities and emerging issues	
Update on sustainability in procurement	The Committee perused the Procurement & Supply Chain Management (PSCM) Sustainability Plan proposed by management. This plan focused on the three core pillars of strengthening the PSCM sustainability: enhancing the supply chain risk management framework, managing physical climate risk along the supply chain and addressing human rights associated with the supply chain. The Committee considered a number of key issues including audit rights over suppliers and sustainability requirements on the Group's supply chain.

Areas of Focus

Sustainability Reporting / Indices Performance

Sustainability Reporting Standards

The Committee considered and endorsed the proposed revised approach to reporting for the Annual Report and Sustainability Report, which was in line with the emerging trends led by the ISSB and the European Financial Reporting Advisory Group. The key change would be to deploy the concept of double materiality, with the Annual Report focusing on ESG topics that would have an impact on enterprise value and the Sustainability Report would focus on stakeholder impact.

The materiality assessment for 2021 had been updated and the Committee was satisfied with the results of the materiality assessment, including the double materiality approach and resultant financial and impact material topics.

The Committee also considered and endorsed the contents of the 2021 Sustainability Report. In addition, the Committee reviewed the Climate-related Disclosures Report which was being produced for the first time.

Sustainability data assurance

The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee, including the expanded scope of metrics being assured.

Performance on external sustainability indices

As a standing item, the Committee was briefed on, and monitored, CLP's performance on external sustainability indices.

The Committee analysed the results of the key sustainability indices including the Dow Jones Sustainability Index (DJSI) and Hang Seng Corporate Sustainability Index Series. The Committee took note of the evolving ESG assessment and benchmarking initiatives and discussed the potential implications of CLP's performance in the indices.

Further details of selected 2021 sustainability ratings for CLP's 2020 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2021 Score	2020 Score	2019 Score
DJSI	77	77	73
CDP – Climate Change	A–	B	B
Hang Seng Corporate Sustainability Index	AA	AA–	AA–
FTSE4Good	3.4	3.6	3.7
MSCI ESG Leaders Indexes	AA	AA	AA
Sustainalytics ESG Risk Ratings*	27.8 Medium Risk	29.9 Medium Risk	N/A

* Given the increasing prominence of Sustainalytics ratings, the Committee was updated on this score for the first time in 2020. A lower score represents a lower ESG risk.

Areas of Focus	
Health, Safety, Security and Environment	
Operational Health, Safety, Security & Environment Standards	The Committee took note of the overall improvement on the safety performance of the CLP Group with less injuries sustained; and that the next phase of the HSE improvement strategy would be a strong emphasis on addressing activities with gravitational hazards. The Committee received and reviewed the proposed HSE Plan (2022-2024) which sets out a series of initiatives to strengthen HSE performance across CLP operations.
Community, Charitable and Environmental Partnerships and Initiatives	
Community initiatives	The Committee reviewed management's report on the community initiatives undertaken by CLP in 2021 and gave their support on the 2022 programme highlights for Hong Kong, China, EnergyAustralia and Apraava Energy.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing, endorsing and reporting to the Board on CLP's sustainability frameworks, standards, priorities and goals and overseeing CLP Group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- reviewing and reporting to relevant Board Committees on key international sustainability trends, benchmarking against peers, sustainability risks and opportunities and other emerging issues;
- overseeing, reviewing and evaluating CLP Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry, as well as the requirements of sustainability stock indices and the desirability of CLP's inclusion in those indices;
- reviewing and advising the Board on CLP's public reporting with regard to its performance on sustainability matters; and
- overseeing CLP's community, charitable and environmental partnerships, strategies and related Group-level policies and making recommendations to the Board on any changes to those partnerships, strategies and policies.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference.

The objectives of the Committee are to oversee management and advise the Board on matters required to enable:

a the CLP Group to operate on a sustainable basis for the benefit of current and future generations;

b sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and

c the effective management of CLP Group's sustainability risks.

Terms of Reference

The current terms of reference were adopted in February 2015 and are set out on the CLP's and the Hong Kong Stock Exchange's websites.

Looking Ahead

The Committee will continue its focus on longer-term emerging sustainability issues concerning the Group, in particular, on climate change. The Committee is well aware of the Group's stakeholders' increasing focus on sustainability and climate change issues. The Committee acknowledged the positive response from the updated decarbonisation targets under Climate Vision 2050 and the Committee will remain committed in ensuring the Group will remain on course in delivering on the strengthened climate targets.

Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 28 February 2022

Members

The Members of the Nomination Committee are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(Independent Non-executive Director) (the Chairman)

The Hon Sir Michael David Kadoorie
(Non-executive Director)

Ms May Siew Boi Tan
(Independent Non-executive Director)

The Committee comprises a majority of Independent Non-executive Directors.

Biographies of the Members are set out in Board of Directors on page 98 and on our website.

In addition to the Members, the regular attendees at the Committee's meeting include:

- Chief Executive Officer – Mr Richard Lancaster; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

The Committee meets as frequently as required and the Committee met once during the reported period (full-year 2021 and for 2022 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Continued Focus on Board and Board Committees Composition and Succession

The long-term succession planning of the Board and Committees continued to be the focus of the Committee for 2021. The Committee considered the refreshment for the membership of the Board and Committees in both the short and medium term; having regard to a number of issues including long-serving Independent Non-executive Directors, the retirement age guideline threshold for some Directors, the skillsets required from Directors for CLP's strategic objectives, and the expectation for higher gender diversity on the Board and Board Committees. The Committee recognises that effective succession planning for the Board and Committees takes time and it involves identifying the strategic objectives for the Board and Committees, the search process and a gradual transition of the Board and Committees' membership. The Committee has endorsed a succession plan that would involve, potentially, recruiting two to three Independent Directors in the coming two years.

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

<table>
<tr><th colspan="2">Areas of Focus</th></tr>
<tr><td>Board nominations and Board refresh</td><td>The Committee considered and endorsed the nomination of Directors for re-election by shareholders at the 2022 AGM. The Committee paid particular attention to the proposed re-election for Sir Rod Eddington. Sir Rod, at age 72, is subject to the retirement requirement under CLP's retirement age guideline; however, as provided for under the guideline, this requirement may be waived by the Board if the Board considers such Director has the skills, experience or capabilities that cannot be replaced at the relevant time. The Committee considered this at length and endorsed for the Board's approval of the waiver of the retirement age requirement. In doing so, the Committee had due regard to the following:

◈ Sir Rod has a unique background with in-depth experience in Hong Kong and Australia and a thorough understanding of the strategic issues concerning the CLP Group and, in particular, EnergyAustralia, which is now undergoing a period where it will need to address a number of fundamental issues and challenges for the business;

◈ The Board would greatly benefit from Sir Rod's continued service on the Board at this very important juncture, with Sir Rod's insightful perspectives of the Australian business, the political and regulatory landscape and the strategic objectives of CLP and EnergyAustralia; and

◈ The alternative of replacing Sir Rod with a new Independent Director to match the skillsets required for these strategic objectives would be most challenging having regard to the complexities of the Australian business and regulatory environment and the appreciation of CLP's investment thesis and approach in the Group's overseas business and EnergyAustralia.

During 2021, Mr Geert Peeters retired as an Executive Director. On succession planning, an independent search process for potential Director candidate(s) had commenced.</td></tr>
</table>

Areas of Focus	
Board Committees refresh	The Committee considered the evolving demands of the Board Committees and having regard to the unique experience, expertise and background of all Directors, the Committee reviewed the Board Committees composition and no change was proposed in 2021, except for the change in the Provident & Retirement Fund Committee and the Finance & General Committee due to the change of role of Mr Geert Peeters and his subsequent retirement.
Board Diversity Policy and diversity aspects of the Board	Having regard to the recent amendment to the Corporate Governance Code, management proposed to **revise the Board Diversity Policy** to highlight CLP's views on independence and the approach to receiving views and input from Directors. The Committee reviewed and endorsed the amendments to the Board Diversity Policy for adoption by the Board. The Committee also considered management's findings on the **annual review of the existing diversity aspects** of the Board for 2021. It was noted that the continuous Board refresh exercise enhanced various aspects of the Board's diversity in terms of gender diversity, length of service, age distribution, independence and alignment between the Group's strategic direction and Directors' skills and experience. Full analysis of the diversity aspects of the Board can be found in the Corporate Governance Report on pages 125 and 126.
Internal Board review	The internal Board review was put for the Committee's consideration. The Committee reviewed and endorsed the questionnaire for the Board review. The internal Board review was through a survey and covered a broad range of topics including Board composition and dynamics, Board meeting cycle and Board materials, Board's focus and oversight of a range of issues.
Regulatory-related	The Committee undertook the review and assessment of the following regulatory-related matters: ◈ the nomination of Directors for re-election at the 2022 AGM, with assessment on the tenure, time commitment, overboarding and cross-directorships or significant links of the Independent Non-executive Directors; ◈ the independence of Independent Non-executive Directors; ◈ the training and continuous professional development of Directors; and ◈ Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing the Board structure and composition and Board Diversity Policy on an annual basis;
- making recommendations to the Board on Directors appointment and re-appointment and succession planning;
- assessing the independence of the Independent Non-executive Directors and whether Directors are spending sufficient time performing their duties; and
- reviewing and monitoring the training and continuous professional development of Directors.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors, having regard to the independence and quality of the nominees and ensuring that the nominations are fair and transparent.

Terms of Reference

The current terms of reference were adopted in January 2018 and are set out on the CLP's and the Hong Kong Stock Exchange's websites.

Nomination Policy

Embedded in the Committee's Terms of Reference is the Nomination Policy for Directors. The Policy (set out below) stipulates the key nomination criteria and principles of the Company for the nomination of Directors and provides what the Committee should do in order to give effect to this Policy:

1 review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

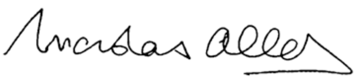
2 identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CLP Code in particular those described in paragraphs II.B.35 and 36 of the Code;

3 make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the CEO; and

4 make recommendations to the Board with particular regard to ensuring a substantial majority of the Directors on the Board being independent of management.

Looking Ahead

The Committee will continue to play a leading role in planning for the Board's succession and refreshment. The Committee is committed to ensuring that the Board will have the appropriate level of diversity and independence and the right composition that aligns strategically with the organisation.



Nicholas C. Allen
Chairman, Nomination Committee
Hong Kong, 28 February 2022

Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive Directors and as delegated by the Board, the determination of the remuneration of the Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Directors and Senior Management. This Report covering the full-year 2021 and for 2022 up to the date of this Report (the Period) has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 278, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's independent auditor:

- **"Non-executive Directors – Remuneration in 2021";**
- **"Change of Remuneration – Executive Directors and Senior Management in 2021";**
- **"Executive Directors – Remuneration in 2021";**
- **"Total Directors' Remuneration in 2021";**
- **"Senior Management – Remuneration in 2021"; and**
- **"The Five Highest Paid Individuals in 2021".**

Members

The Members of the HR&RC are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(Independent Non-executive Director) (the Chairman)

Mr William Mocatta
(Non-executive Vice Chairman)

Mrs Zia Mody
(Independent Non-executive Director)

Mrs Fanny Law
(Independent Non-executive Director)

Ms May Siew Boi Tan
(Independent Non-executive Director)

There is no Executive Director on the HR&RC and the HR&RC comprises a majority of Independent Non-executive Directors.

Biographies of the Members are set out in Board of Directors on page 98 and on our website.

In addition to the Members, the regular attendees at the HR&RC meetings include:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Human Resources Officer – Ms Eileen Burnett-Kant; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

During the Period, the HR&RC held four meetings in 2021 and one meeting in 2022.

Highlights of the Committee's Work

Developing Organisation Capability to align with Business Strategy

This year, the Committee spent a considerable amount of effort and time in reviewing and discussing the plan to transition and transform the organisation with the objective of embracing the challenges and opportunities associated with the energy transition. The Committee's work on this included an additional and dedicated meeting to discuss with management on the proposed plan.

The following table provides an overview of how the Committee spent its time during the Period:

	2021				**2022**
	Feb	Jul	Oct	Nov	**Feb**
Performance and Remuneration Review	■			■	■
Succession Planning and Organisation Capability Development		■		■	
People Strategy and Organisation Development		■	■		■
Staff Policies and Benefits		■			
Governance	■			■	■

Responsibilities and Summary of Work Done

The HR&RC considers major human resources and pay issues. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the HR&RC and the EnergyAustralia Nomination and Remuneration Committee.

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the HR&RC and how it discharged its responsibilities for the Period.

Areas of Focus	
Performance and Remuneration Review	
Remuneration review	The Committee scrutinised and approved: ◈ Group performance for 2020 and 2021 and Group targets for 2021 and 2022; ◈ 2020 and 2021 organisation performance for CLP Power Hong Kong, China and Apraava Energy, and targets for 2021 and 2022; ◈ Base pay for 2021 and 2022 for Hong Kong payroll staff, China and Apraava Energy; ◈ CEO's remuneration; and ◈ Remuneration of direct reports to the CEO, including annual incentive payments for 2020 and 2021 and pay review for 2021 and 2022.

Areas of Focus	
Succession Planning and Organisation Capability Development	
Enterprise leadership succession	The Committee reviewed and endorsed the succession plan for the enterprise leadership team and reviewed the initiatives to accelerate the readiness and capability for the leadership team's succession.
Talent development	The Committee reviewed and considered management's proposed plans and initiatives in ensuring that CLP has the organisation capability to implement the corporate strategy.
Diversity and inclusion	The Committee reviewed CLP's progress on the Group's gender diversity and inclusion plan, and noted that the sustained solid progress made towards the Group-wide related diversity and inclusion goals. The Committee also considered the opportunity for further improvement and to accelerate the progress on diversity and inclusion.
People Strategy and Organisation Development	
People Strategy and Organisation Development	The Committee reviewed management's long-term plans and initiatives to ensure sufficient organisation capability to enable the delivery of corporate strategy including operating model, talent development and culture.
Culture and engagement	The Committee discussed the outcome of the employee listening survey. In noting the strong frontline engagement, the Committee also considered the opportunities for improvement regarding employee experience and future culture.
Staff Policies and Benefits	
Human resources policies	The Committee reviewed the Human Resources Policy, and the key areas that have been strengthened, such as, health and wellbeing, family-friendly and flexible working, talent development and sustainability and governance.
Home Loan scheme	The Committee reviewed the progress of CLP's Home Loan scheme and endorsed the continuation of the scheme which is intended to support eligible staff in Hong Kong to purchase their first home.
Governance	
Training and professional development of Senior Management	The Committee considered the activities undertaken in 2020 and 2021 and the planned activities for 2021 and 2022 in respect of the training and continuous professional development of Senior Management.
Executive remuneration governance and disclosure	The Committee reviewed and approved the 2020 and 2021 HR&RC Reports. The Committee took note of management's findings from their regular reviews on the governance and disclosure requirements for executive remuneration and the associated trends and endorsed management's recommendation to strengthen CLP's remuneration disclosure.

Remuneration Policies

The main elements of CLP's remuneration policies have been in place for a number of years and are incorporated in the CLP Code:

- No individual or any of his or her close associates should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

Non-executive Directors – Principles of Remuneration

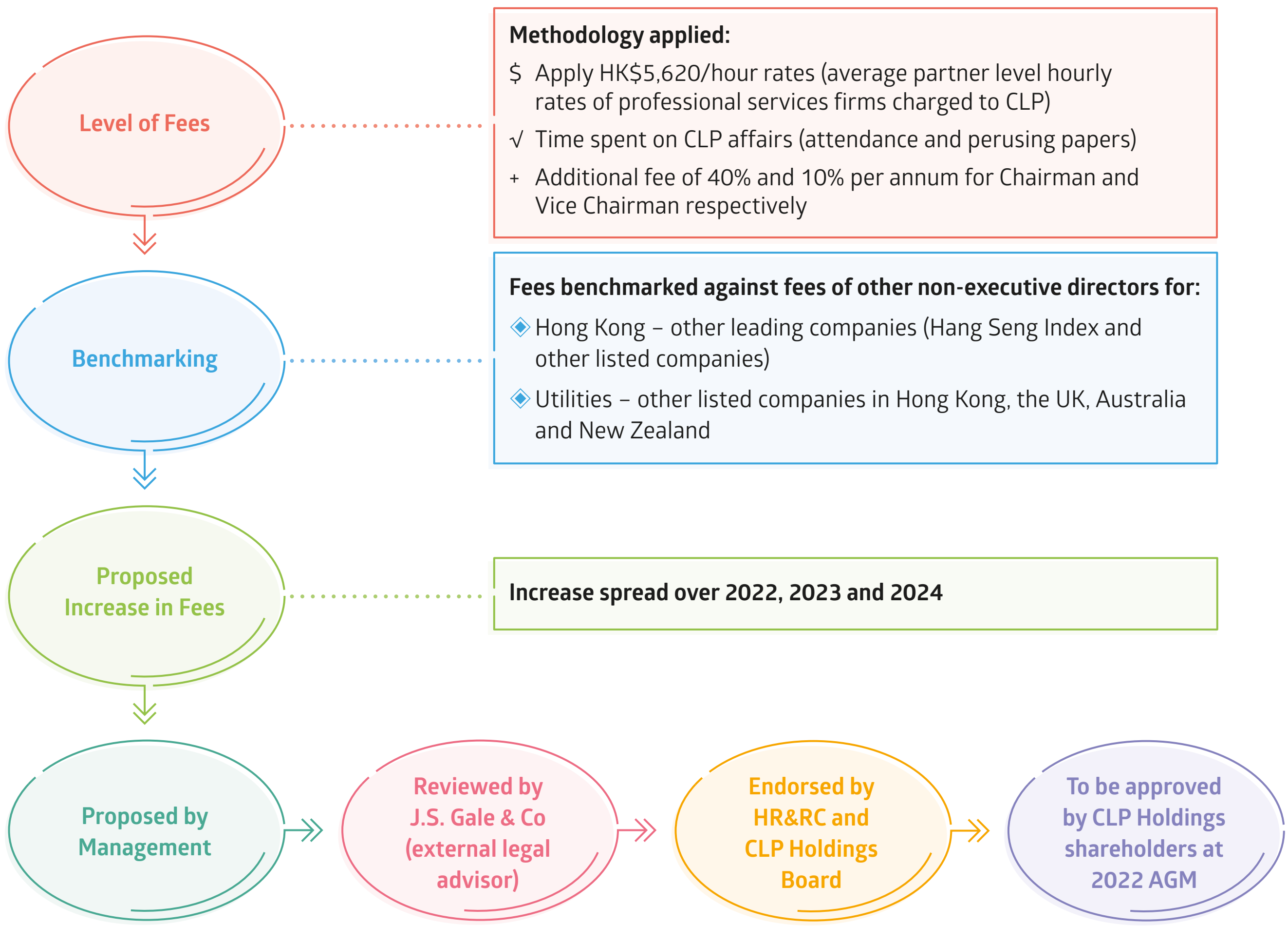
The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

In considering the level of remuneration payable to Non-executive Directors, we have referred to:

- "Report of the Committee on the Financial Aspects of Corporate Governance" of December 1992;
- "Review of the Role and Effectiveness of Non-executive Directors" of January 2003;
- The Financial Reporting Council's "The UK Corporate Governance Code" last published in July 2018; and
- The Corporate Governance Code and associated Listing Rules.

CLP's Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to oversee the running of a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2022 (the 2022 Review). The methodology adopted in the 2022 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code.

The 2022 Review and methodology applied are summarised as follows:



Having regard to the possible year-to-year fluctuations in the time spent by Non-executive Directors (based on the data CLP has collected since 2004), it has been recommended to maintain the approach of the 2019 Review by taking the average time spent by Non-executive Directors over a longer duration of three periods (i.e. nine years), rather than over the three years immediately preceding the review, in order to smooth out the effect of short-term fluctuations in workload.

The following are the key observations from the 2022 workload review over the nine-year period as against the 2019 Review:

- there has been a slight increase in the working hours of the Board;
- moderate increases were recorded in the working hours of the Audit & Risk Committee, Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee;
- the working hours of the Finance & General Committee decreased; and
- there was a slight decrease in the working hours of the Provident & Retirement Fund Committee.

Accordingly, the indicative fees show a slight reduction in fees for the Finance & General Committee. This is driven by the reduction in the average working hours of the Committee over the nine-year period. Over the review period, this reduction can be attributed to the delivery of more succinct board papers and enhanced efficiency in the Committee's work especially from the period of 2017 onwards. Although there is a reduction in the average working hours over the nine-year period, in respect of the more recent three-year period, the working hours have increased over the preceding two-year period (for full details please refer to the 2022 Review available on the CLP website). This is in line with the expected pick up in workload for the Finance & General Committee in the 2019-2021 period and is anticipated to continue in the coming years. In these circumstances, Management considers it appropriate to hold the current fees for the Financial & General Committee unchanged.

There is also a slight decrease in the working hours of the Provident & Retirement Fund Committee, and Management propose that a nominal fee be continued to be maintained for this Committee which, in any event, is less than the indicative fees for this Committee based on its working hours.

The review methodology results in a modest increase in the proposed fees of the Audit & Risk Committee, Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee. Management considers that these increases are well justified because of the increasing demands on these Committees in recent years; for the Audit & Risk Committee, in terms of increased oversight of risk management; for the Human Resources & Remuneration Committee, in terms of succession planning (both in the ordinary course and in anticipation of the business transformation-related changes and demands such as innovation and technology); for the Sustainability Committee, in terms of the rising need to manage the longer-term emerging sustainability issues concerning the Group, in particular, on climate change; and for the Nomination Committee, in terms of the growing demand on the continuous review of the composition, refreshment and independence of the Board, the monitoring of the nomination criteria and the ongoing application of the Board Diversity Policy.

The proposed fees represent a justifiable and measurable increase on those paid between 2019 and 2021. The proposed increase in the hourly rate of HK$220 is slightly less than the increase in Hong Kong's Composite Consumer Price Index over the past three years. The increase is in line with an ongoing increase in the workload shouldered by the Board and Board Committees in recent years.

We have applied the methodology in a conservative manner – the fee review takes place every three years and the methodology takes into account past and present data, rather than any forward-looking projections. In benchmarking fees against selected companies, we have not assumed that there will be any ongoing increases in directors' fees paid by those companies.

As with the 2013, 2016 and the 2019 Reviews, it is recommended to spread the proposed increase over a period of three years from 2022 to 2024, as opposed to a full increase in the first year.

In line with our policy that no individual or any of his or her close associates should determine his or her own remuneration, the level of fees set out in the following table was proposed by management, reviewed by J.S. Gale & Co (JSG), external legal advisor, and will be put for approval by our shareholders at the AGM on 6 May 2022. JSG have provided an opinion to the effect that the methodology adopted by CLP is reasonable and appropriate, has been fairly and consistently applied in all material respects and that the resulting proposed level of fees is reasonable and appropriate having regard to current corporate governance practices in Hong Kong and the UK. In this respect, CLP's approach goes beyond that required by laws or regulations in Hong Kong or the provisions of the Corporate Governance Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the 2022 Review and the opinion of JSG on that 2022 Review are placed on CLP's website.

	Current Annual Fees HK$	Proposed Annual Fees (w.e.f. 7 May 2022) HK$	Proposed Annual Fees (w.e.f. 7 May 2023) HK$	Proposed Annual Fees (w.e.f. 7 May 2024) HK$
Board				
Chairman	887,700	888,200	888,700	889,200
Vice Chairman	697,500	697,900	698,300	698,700
Non-executive Director	634,100	634,400	634,800	635,200
Audit & Risk Committee				
Chairman	673,100	688,200	703,700	719,500
Member	481,900	492,200	502,700	513,500
Finance & General Committee				
Chairman	449,900	449,900	449,900	449,900
Member	319,400	319,400	319,400	319,400
Human Resources & Remuneration Committee				
Chairman	140,700	142,300	143,900	145,500
Member	99,800	101,300	102,800	104,300
Sustainability Committee				
Chairman	141,500	145,500	149,700	154,100
Member	101,900	104,400	107,000	109,600
Nomination Committee				
Chairman	40,200	41,100	42,100	43,100
Member	28,700	29,400	30,100	30,800
Provident & Retirement Fund Committee*				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

* A nominal fee has been maintained for the Chairman and Members of the Provident & Retirement Fund Committee.

Note: Executive Director and management serving on the Board and Board Committees are not entitled to any Directors' fees.

Non-executive Directors – Remuneration in 2021 (Audited)

The fees paid to each of our Non-executive Directors in 2021 for their service on the CLP Holdings' Board and, where applicable, on its Board Committees are set out below. Higher level of fees was paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

There was a moderate increase in total Directors' fees compared to 2020, primarily due to an increase in the level of Non-executive Directors' fees which took effect on 7 May 2021 and the remuneration paid to the two Directors appointed in October 2020 for their full year of service during 2021.

In HK$	Board	Audit & Risk Committee	Finance & General Committee	HR&RC	Sustainability Committee	Nomination Committee	Provident & Retirement Fund Committee	Total 2021	Total 2020
Non-executive Directors									
The Hon Sir Michael David Kadoorie	872,960 (C)	-	-	-	-	25,731	-	898,691	848,930
Mr William Mocatta [1]	685,901 (VC)	-	449,900 (C)	94,898	-	-	14,000 (C)	1,244,699	1,198,099
Mr J. A. H. Leigh	623,571	-	-	-	-	-	-	623,571	593,502
Mr Andrew Brandler	623,571	-	319,400	-	99,035	-	-	1,042,006	1,003,831
Mr Philip Kadoorie	623,571	-	-	-	99,035	-	-	722,606	684,431
Independent Non-executive Directors									
Sir Rod Eddington	623,571	-	319,400	-	-	-	-	942,971	912,902
Mr Nicholas C. Allen	623,571	647,900 (C)	319,400	133,485 (C)	99,035	36,058 (C)	-	1,859,449	1,655,869
Mrs Fanny Law	623,571	463,501	-	94,898	99,035	-	-	1,281,005	1,177,984
Mrs Zia Mody	623,571	-	-	94,898	-	-	-	718,469	674,903
Ms May Siew Boi Tan	623,571	463,501	319,400	94,898	99,035	25,731	-	1,626,136	1,515,437
Ms Christina Gaw	623,571	-	319,400	-	99,035	-	-	1,042,006	202,764
Mr Chunyuan Gu	623,571	463,501	319,400	-	-	-	-	1,406,472	269,581
Mr Vernon Moore [2]	-	-	-	-	-	-	-	-	530,150
Mr Vincent Cheng [2]	-	-	-	-	-	-	-	-	356,274
							Total	13,408,081	11,624,657

Notes:

1 Mr William Mocatta received HK$300,000 as fee for his service on the board of CLP Power Hong Kong for each of 2020 and 2021.

2 The fees paid to Mr Vernon Moore and Mr Vincent Cheng (former Directors) were made on a pro rata basis in respect of their services up to 8 May 2020; and these are included in the table solely for the purpose of comparing the total fees paid to Non-executive Directors in 2020 with those in 2021.

Change of Remuneration – Executive Directors and Senior Management in 2021 (Audited)

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2021 are set out in the tables on page 178 (Executive Directors) and pages 185 and 186 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2021 and, for the annual and long-term incentives, service and performance in previous years.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management while non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 178 and pages 185 and 186 the "Total Remuneration" column for 2021 includes the following recurring items:

(i) base compensation, allowances & benefits paid;

(ii) 2021 annual incentive accrued based on previous year's Company performance and the 2020 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2021 for 2020 performance and the annual incentive accrual for 2020;

(iii) the 2018 long-term incentive award paid in January 2021 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2017 paid in 2020). Approximately 1% of the increase in the value of the phantom shares portion of 2018 long-term incentive payments resulted from the change in CLP Holdings' share price between 2018 and 2020, with dividends reinvested; and

(iv) provident fund contribution made.

The "Other Payments" column includes the following non-recurring items:

(i) relocation payments for newly hired Senior Management; and

(ii) approved acceleration of long-term incentive payments and any contractual termination payments for departed Executive Director and Senior Management members.

Performance Outcomes for the Year

In considering performance outcomes against the balanced scorecard of measures set for the 2021 performance year, the Committee reviewed progress made against a mix of financial, operational, safety, environmental, internal control and objectives reflecting strategic priorities and long-term sustainability.

In 2020, the Committee awarded a performance outcome reflecting resilient financial and operational performance, with improved safety and major project delivery despite unprecedented external challenges.

In 2021, the Committee balanced solid financial and operational performance in continued challenging conditions, improved safety, pleasing progress on major decarbonisation projects, with the need to accelerate progress on business transformation and growth initiatives. Having considered these outcomes, the Committee decided to award a lower performance outcome than in 2020. The Committee considers that this outcome appropriately aligns management remuneration with shareholder outcomes.

Executive Directors – Remuneration in 2021 (Audited)

The remuneration paid to the Executive Directors of the Company in 2021 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2021							
CEO (Mr Richard Lancaster)	10.4	9.4	5.4	2.7	27.9	-	27.9
Group Director & Chief Strategy & Transformation Officer (Mr Geert Peeters)[3]	4.6	3.9	4.1	0.7	13.3	13.2	26.5
	15.0	13.3	9.5	3.4	41.2	13.2	54.4

		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2020							
CEO (Mr Richard Lancaster)	10.1	7.6	6.3	2.6	26.6	-	26.6
Executive Director & Chief Financial Officer (Mr Geert Peeters)[3]	7.8	5.9	5.0	1.4	20.1	-	20.1
	17.9	13.5	11.3	4.0	46.7	-	46.7

Notes:

1 The value of non-cash benefits is included under the "Base Compensation, Allowances & Benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. The applicability of these benefits depends primarily on the location of the individual.

2 Performance Bonus consists of (a) annual incentive (2021 accrual and 2020 adjustment) and (b) long-term incentive (payment for 2018 award). The annual incentive payments and long-term incentive awards were approved by the HR&RC.

Payment of the annual incentive and granting of the long-term incentive awards relating to 2021 performance will be made in March 2022. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2021. Details of these will be published on the CLP website at the time that the 2021 Annual Report is published.

3 Mr Geert Peeters was appointed as Group Director & Chief Strategy & Transformation Officer with effect from 1 April 2021. He stepped down as Executive Director of the Company with effect from 31 July 2021 and retired from the Company as Group Director & Chief Strategy & Transformation Officer and a member of the Senior Management on 31 August 2021 for health reasons. His remuneration covered the period from 1 January 2021 to 31 August 2021. The annual incentive for 2021 was made on a pro rata basis for his service up to 31 August 2021. The Other Payments of HK$13.2 million included (a) accelerated payment of long-term incentive awards for 2019, 2020 and 2021 (HK$12.6 million) and (b) encashment of untaken annual leave (HK$0.6 million).

The Group does not have, and has never had, a share option scheme. No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of six months or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

Total Directors' Remuneration in 2021 (Audited)

The total remuneration of Non-executive and Executive Directors in 2021 was:

	2021 HK$M	2020 HK$M
Fees	**13.4**	11.6
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**15.0**	17.9
Performance Bonus [2]		
– Annual Incentive	**13.3**	13.5
– Long-term Incentive	**9.5**	11.3
Provident Fund Contribution	**3.4**	4.0
Non-recurring Remuneration Items		
Other Payments	**13.2**	–
	67.8	58.3

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178 for Executive Directors.

2 Refer to Note 2 on Performance Bonus on page 178 for Executive Directors.

Of the total remuneration paid to Directors, HK$10.2 million (2020: HK$11.0 million) has been charged to the SoC operation.

Linking Senior Management Pay with CLP's Purpose and Strategy

For the purposes of this section, Senior Management means the managers whose details are set out on pages 104 and 105.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of our culture. Our Policy is designed to be **sustainable, aligned with shareholders and simple**. Delivery of a highly-reliable supply of electricity today together with transforming our business into a Utility of the Future, is a commitment that requires long-term stewardship and a sustainable approach to remuneration. Ensuring fairness and internal equity; encouraging and rewarding appropriate behaviour while discouraging inappropriate behaviour; and balanced judgement of short- and long-term performance, aligned with shareholder outcomes, underpin this approach.

Fairness and internal equity are key elements of our approach. Depending on individual roles, Senior Management is responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a customer-focused energy business in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. We seek to fairly recognise the extent of Senior Management's assigned job responsibilities and capabilities demonstrated, and to ensure that our remuneration attracts, retains and motivates a diverse, high-performing executive team. The structure of our executive remuneration packages is assessed in terms of appropriateness to the role, and with reference to both local and international markets. We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions as we believe that a long-term career with the Group is an important asset to CLP. Consequently, external competitiveness of remuneration must be balanced with internal equity. While Senior Management pay reflects the scale and scope of their responsibilities, our policy is designed to ensure that remuneration structure and outcomes are aligned with our wider workforce, whose skills, values and commitment are essential to our success, and HR&RC decisions on executive pay outcomes are taken in the context of wider workforce considerations.

Senior Management pay is structured to seek to avoid excessive risk-taking in the achievement of performance targets and is governed by and compliant with relevant regulatory frameworks. In determining incentive payments and Total Remuneration, the HR&RC considers and balances a broad range of performance indicators including financial (e.g., long-term growth in the share price and dividends), operational, safety, environmental, social, business sustainability (including responding to climate change), governance and compliance-related factors linked to CLP's strategy. Decisions on pay reflect considerations of both **what** was achieved and **how** it was achieved. The determination of performance outcomes is not formulaic, as the HR&RC believes that their overriding responsibility is to exercise judgement and responsibility, ensuring alignment between shareholders and management.

CLP is committed to being simple and transparent in the way we do business. The HR&RC strives to keep remuneration arrangements simple, clear and consistent to enable effective stakeholder scrutiny. We have maintained our Remuneration Policy in line with prior years in part on the belief that the current arrangements remain fit for purpose, are embedded into our business and are well-understood both internally and externally. Mindful of continuing external interest and debate on executive pay, we have reshaped the structure of our reporting on Remuneration Policy in order that the links between policy, strategy and performance are more clearly and simply articulated.

Remuneration Policy

Executive Directors and Senior Management (excluding Managing Director – EnergyAustralia)

The illustration below summarises policy design and operation for members of Senior Management. The policy is set out in full on pages 180 to 184. The pay structure of Managing Director - EnergyAustralia is aligned with Australian market practice and is addressed on pages 183 and 184.

<table>
<tr><th>Remuneration Component</th><th>Fixed Pay</th><th>Annual Incentive Plan (AIP)</th><th>Long-Term Incentive (LTI)</th><th>Retirement Arrangements</th></tr>
<tr><td>Purpose</td><td>Attract and retain the capabilities needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.</td><td>Drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while avoiding excessive risk-taking.</td><td>Drive long-term value creation, support retention of Senior Management and encourage an owner's mindset.</td><td>Provide market-competitive and sustainable retirement benefits.</td></tr>
<tr><td>Delivery</td><td>Base salary.

Accounted for 34% of potential total remuneration in 2021.</td><td>Annual cash payment.

Accounted for 34% of potential total remuneration in 2021.</td><td>A minimum of 75% of the award is delivered in Phantom shares subject to a three-year vesting period. Up to 25% can be allocated to a notional cash deposit or to phantom shares.

Accounted for 23% of potential total remuneration in 2021.</td><td>Employer and employee contributions to the Group Provident Fund Scheme (a Defined Contribution Scheme).

A 17.5% contribution accounted for 9% of potential total remuneration in 2021.</td></tr>
<tr><td>Approach</td><td>Set with reference to local and international comparators, role scope and experience, and wider workforce considerations.

Intent to align target Total Remuneration to between median and upper quartile of the reference market.</td><td colspan="2">Balanced consideration by the HR&RC of a range of quantitative and qualitative performance measures including:

WHAT was achieved
– Financial and Operational performance

HOW it was achieved
– Safety, Environmental and Internal Control performance

ADDITIONAL OBJECTIVES reflecting strategic priorities and long-term sustainability of CLP's business model, people, environmental impact and community acceptance.</td><td>Set with reference to local and international comparators, wider workforce considerations and the cost to Company. Employer contribution rates for Senior Management are the same as for all employees.</td></tr>
</table>

Base Salary	
Purpose and link to strategy	To attract, motivate and retain capable Executives needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.
Operation	Base salaries are reviewed annually considering market data (including base pay and total remuneration opportunity for both local and international peer-group comparators, supplemented where necessary by peer data from published remuneration surveys) and the scope and responsibility of the role, including any changes in responsibility, individual skills and experience. Changes are usually effective from 1 April each year.
Maximum opportunity and alignment with wider workforce	Ordinarily, base salary increases in percentage terms will be in line with, or less than, increases awarded to other CLP employees. Increases may be made above this level for circumstances such as a significant change in responsibility or progression due to recent appointment. The HR&RC's intention is to align total remuneration between the median and upper quartile of the reference market.
Performance measures	Not applicable.

Annual Incentive	
Purpose and link to strategy	To drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while seeking to avoid excessive risk-taking in the achievement of performance targets.
Operation	AIP awards are determined by the HR&RC's assessment of organisational performance over each financial year. Awards are paid in cash in March following the relevant performance year. AIP awards for the CEO and Hong Kong based members of Senior Management are based on the performance of the CLP Group. For the Managing Director – India awards are based on India performance.
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum annual incentive opportunity of 100% of base salary. Half of the maximum is payable for target performance. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. All employees are eligible to participate in the AIP with target AIP percentage calculated as a percentage of base salary.

Annual Incentive	
Performance measures	In assessing organisational performance, the HR&RC considers a balanced scorecard of measures. Given the scale and complexity of our business operations, there are many such measures, including both quantitative and qualitative factors. There is not a formulaic mathematical determination of performance, rather it is a balanced judgement by the HR&RC taking all relevant factors into account. In reaching their decision, the HR&RC considers: **WHAT** was achieved – Financial and Operational performance: Operating EPS, Operating Earnings, Return on Equity, Asset Performance and Customer Minutes Lost **HOW** it was achieved – Safety performance: Fatalities, Lost Time Injury and Total Recordable Injury Rates – Climate risk stewardship: progress in meeting science-based greenhouse gas emissions intensity targets and phasing out coal-based assets, as set out in Climate Vision 2050 – Stewardship of other sustainability risks including the social and economic impacts of energy transition, health and wellbeing, and diversity and inclusion – Internal Control: number of Not Satisfactory Audits and Code of Conduct cases **ADDITIONAL OBJECTIVES** reflecting strategic priorities and long-term sustainability of the organisation in relation to five dimensions: customer and community engagement, business model, asset development, digitalisation, and culture and ways of working.

Long-Term Incentive	
Purpose and link to strategy	To drive long-term business value creation, aligning Senior Management incentives to key strategic objectives, support Senior Management retention and to encourage an owner's mindset.
Operation	LTI awards are based on the target LTI opportunity (50% of the maximum opportunity) set at the beginning of the year, multiplied by the organisational performance score for the preceding year. A minimum of 75% of the award is allocated to CLP Holdings phantom shares based on the average closing share price for the December prior to the making of the LTI award. At the individual's choice, up to 25% of the award can be allocated to either a notional cash deposit or to CLP Holdings phantom shares. Payment is subject to a three-year vesting period.
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum LTI opportunity of 66.6% of base salary. The final value of the award at the vesting date is determined based on initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements and interest earned over the three-year vesting period. Participation in the LTI Plan applies to Senior Management and other senior roles.
Performance measures	As per the AIP.

Retirement Benefits	
Purpose and link to strategy	To provide market-competitive and sustainable retirement benefits, supporting attraction and retention.
Operation	The Group Provident Fund Scheme is a Defined Contribution scheme which all members of Senior Management and Hong Kong based employees are eligible to join. Employer contributions to the retirement fund range from 10-17.5% of Base Salary plus target annual incentive.
Maximum opportunity and alignment with wider workforce	To receive the maximum 17.5% employer contribution, employees must have completed 10 or more years of service and are required to contribute 10% of their Base Salary. Employer contribution rates are the same for all employees.
Performance measures	Not applicable.

Managing Director – EnergyAustralia

Base Salary	
Purpose and link to strategy	To reflect responsibility and complexity of the role, the skills and experience of the individual and to support the attraction and retention of Executives to develop and deliver our strategy.
Operation	Fixed Annual Remuneration (FAR) includes base salary and employer contribution to the Australian statutory superannuation scheme. FAR is reviewed annually taking into consideration the competitive market position compared to peer companies, a range of listed companies with market capitalisation of 50% to 200% of EnergyAustralia's notional market capitalisation, market practice and individual performance. FAR accounted for 29% of Managing Director – EnergyAustralia (MD-EA)'s potential total remuneration in 2021.
Maximum opportunity and alignment with wider workforce	Ordinarily, FAR increases in percentage terms will be in line with or less than increases awarded to other EnergyAustralia employees.
Performance measures	Not applicable.

Short-Term Incentive	
Purpose and link to strategy	To reward individuals' performance based upon achievement of annual financial and operational targets which are linked to EnergyAustralia's strategy. This ensures that total remuneration received is consistent with organisation performance for which management can be held to account. Deferral of incentives facilitates clawback.
Operation	The EnergyAustralia Board determines the level of incentive at its absolute discretion considering key financial, operational and strategic performance indicators. Performance is assessed over a financial year. The actual payout of Ms Tanna's annual incentive in 2021 is approved by the Board of EnergyAustralia. 70% of the short-term Incentive (STI) award is paid in cash annually, with 30% deferred for two years.
Maximum opportunity and alignment with wider workforce	Maximum annual incentive opportunity is 150% of FAR which accounted for 43% of MD-EA's potential total remuneration in 2021. 100% of FAR is payable for on-target performance. All salaried employees are eligible to participate in the STI with target percentage calculated as a percentage of FAR.
Performance measures	STI awards are based on a mix of the corporate scorecard and specific Managing Director-level objectives related to the strategic performance of business. 60% of the STI is based on corporate performance and 40% on priorities set for the business.

Long-Term Incentive	
Purpose and link to strategy	To drive long-term business performance aligning Senior Management incentives to key strategic objectives and to achieve long-term value creation for shareholders.
Operation	LTI awards are based on performance over a three-year performance period. The EnergyAustralia Board determines the final value of LTI awards depending on the achievement of the LTI Performance Conditions. Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination and Remuneration Committee of EnergyAustralia) will be paid on the vesting date in the fourth year. A minimum of 50% of the Award must be taken in Notional Securities, with the balance taken as deferred cash. Notional Securities entitles the holder to receive a cash payment based on the value of CLP Holdings fully-paid ordinary shares at the time of vesting, ensuring linkage between EnergyAustralia and CLP performance. At the absolute discretion of the EnergyAustralia Board, subject to applicable laws, the Board may require MD-EA to repay a sum equal to the cash amount paid to him / her.
Maximum opportunity and alignment with wider workforce	Maximum LTI opportunity is equal to 100% of FAR which accounted for 28% of MD-EA's potential total remuneration in 2021. 50% of FAR is payable for on-target performance. The final value of the award at the vesting date is based on the subsequent impact of changes in share price. Participation in the LTI Plan applies to senior and selected other roles.
Performance measures	The LTI award is decided by the EnergyAustralia Board, depending on the achievement of LTI Performance Conditions.

Senior Management – Remuneration in 2021 (Audited)

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in "Executive Directors – Remuneration in 2021").

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2021							
Current:							
Chief Financial Officer (Mr Nicolas Tissot)[3]	4.8	4.1	-	0.9	9.8	-	9.8
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.9	4.4	2.6	1.2	13.1	-	13.1
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.8	5.3	3.0	1.5	15.6	-	15.6
Managing Director – China (Mr Chan Siu Hung)	4.8	4.3	2.5	1.2	12.8	-	12.8
Managing Director – EnergyAustralia (Mr Mark Collette)[4]	3.6	3.7	-	0.1	7.4	-	7.4
Managing Director – India (Mr Rajiv Mishra)[5]	4.2	3.3	2.1	1.1	10.7	-	10.7
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.7	5.1	2.9	1.4	15.1	-	15.1
Chief Corporate Development Officer (Ms Quince Chong)	5.6	5.1	2.9	1.2	14.8	-	14.8
Chief Human Resources Officer (Ms Eileen Burnett-Kant)[6]	4.9	4.4	-	0.8	10.1	0.2	10.3
Former:							
Chief Operating Officer (Mr David Smales)[7]	5.3	4.8	-	1.0	11.1	9.8	20.9
Managing Director – EnergyAustralia (Ms Catherine Tanna)[8]	8.0	9.5	9.3	0.1	26.9	1.2	28.1
Total	57.6	54.0	25.3	10.5	147.4	11.2	158.6

Notes 1 to 8 are set out on page 186.

Of the total remuneration paid to Senior Management, HK$47.5 million (2020: HK$42.6 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2021 (Audited) (continued)

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus [2]					
	Base Compensation, Allowances & Benefits [1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2020							
Group Director & Vice Chairman – CLP Power Hong Kong	4.8	3.6	3.1	1.2	12.7	–	12.7
Managing Director – CLP Power	5.6	4.2	3.1	1.5	14.4	–	14.4
Managing Director – China	4.7	3.5	2.9	1.2	12.3	–	12.3
Managing Director – India [5]	4.1	3.3	2.2	1.0	10.6	–	10.6
Group General Counsel & Chief Administrative Officer	5.5	4.1	3.5	1.4	14.5	–	14.5
Chief Corporate Development Officer	5.5	4.1	3.5	1.2	14.3	–	14.3
Chief Human Resources Officer [6]	4.8	3.8	–	0.7	9.3	–	9.3
Chief Operating Officer (Mr David Smales) [7]	5.5	4.3	–	1.0	10.8	0.2	11.0
Managing Director – EnergyAustralia (Ms Catherine Tanna) [8]	10.6	9.9	9.5	0.1	30.1	–	30.1
Total	51.1	40.8	27.8	9.3	129.0	0.2	129.2

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178.

2 Refer to Note 2 on Performance Bonus on page 178. For MD-EA, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.

3 Mr Nicolas Tissot joined the Company on 7 September 2020. He was appointed as Chief Financial Officer and has become a member of Senior Management with effect from 1 April 2021. His remuneration covered the period from 1 April 2021 to 31 December 2021.

4 Mr Mark Collette was appointed as Managing Director – EnergyAustralia with effect from 1 July 2021. His remuneration covered the period from 1 July 2021 to 31 December 2021. The remuneration of Mr Mark Collette is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

5 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 8.9 Rupees from 1 October 2019 to 30 September 2021. The arrangement has been extended for two years from 1 October 2021 to 30 September 2023 at an exchange rate of 1 HKD = 9.5 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

6 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. The Other Payments reflected the relocation payments of HK$0.2 million paid in 2021.

7 Mr David Smales left the Company on 10 December 2021. The annual incentive for 2021 was made on a pro rata basis for his service up to 10 December 2021. The Other Payments of HK$9.8 million included (a) accelerated payment of long-term incentive awards for 2019, 2020 and pro-rated 2021 (HK$6.7 million), (b) encashment of untaken annual leave (HK$0.4 million) and (c) payment-in-lieu of notice (HK$2.7 million). (2020: The Other Payments of HK$0.2 million reflected the relocation expenses).

8 Ms Catherine Tanna stepped down as Managing Director – EnergyAustralia with effect from 1 July 2021 and retired on 13 August 2021. Her remuneration covered the period from 1 January 2021 to 13 August 2021. The Other Payments of HK$1.2 million included encashment of untaken annual leave and long service leave. The long-term incentive awards for 2019, 2020 and 2021 are unvested subject to the EA LTI plan scheme rules. The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

The Five Highest Paid Individuals in 2021 (Audited)

The five highest paid individuals in the Group included two Directors (2020: two Directors) and three members of Senior Management (2020: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2021 HK$M	2020 HK$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**34.1**	39.6
Performance Bonus [2]		
– Annual Incentive	**32.9**	31.7
– Long-term Incentive	**21.8**	27.4
Provident Fund Contribution	**6.0**	7.0
Non-recurring Remuneration Items		
Other Payments	**24.2**	–
	119.0	105.7

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 178.

2 Refer to Note 2 on Performance Bonus on page 178.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals 2021	2020
HK$14,000,001 – HK$14,500,000	**–**	1
HK$14,500,001 – HK$15,000,000	**–**	1
HK$15,500,001 – HK$16,000,000	**1**	–
HK$20,000,001 – HK$20,500,000	**–**	1
HK$20,500,001 – HK$21,000,000	**1**	–
HK$26,000,001 – HK$26,500,000	**1**	–
HK$26,500,001 – HK$27,000,000	**–**	1
HK$27,500,001 – HK$28,000,000	**1**	–
HK$28,000,001 – HK$28,500,000	**1**	–
HK$30,000,001 – HK$30,500,000	**–**	1

Looking Ahead

The HR&RC remains committed to its core functions of the oversight of remuneration policies and levels as well as the work on succession planning and shaping the organisation's culture. The Committee acknowledges that management will continue to work on the plan to transition and transform the organisation and this will also be a key focus of the Committee.

Nicholas Allen

Nicholas C. Allen
Chairman, Human Resources & Remuneration Committee
Hong Kong, 28 February 2022

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 35 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associates. Details of the joint ventures and associates are provided under Notes 14 and 15 to the Financial Statements.

Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK$1.89 (2020: HK$1.89) per share totalling HK$4,775 million (2020: HK$4,775 million) during the year.

On 28 February 2022, the Directors declared the fourth interim dividend of HK$1.21 (2020: HK$1.21) per share totalling HK$3,057 million (2020: HK$3,057 million).

This fourth interim dividend will be paid on 24 March 2022.

Business Review and Performance

Summary of the Review

Discussions on the Group's businesses and performance can be found throughout this Annual Report and the cross references are set out below. These discussions form part of this Directors' Report.

	Topics	Sections
1	A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, including analysis using financial key performance indicators	◈ Financial Highlights (page 7) ◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Financial Review (page 24) ◈ Business Performance and Outlook (page 38) ◈ Capitals (page 64)
2	Description of the principal risks and uncertainties facing the Group	◈ Risk Management Report (page 138) ◈ Financial Risk Management (page 284)
3	Particulars of important events affecting the Group that have occurred since the end of the 2021 financial year	◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook (page 38) ◈ Capitals (page 64) ◈ Risk Management Report (page 138)
4	Outlook of the Group's business	◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook (page 38)
5	An account of the Group's relationships with its key stakeholders	◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook (page 38) ◈ Capitals (page 64)
6	Details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group	◈ Chairman's Statement (page 12) ◈ CEO's Strategic Review (page 16) ◈ Business Performance and Outlook (page 38) ◈ Capitals (page 64) ◈ Governance (page 96) ◈ Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data (page 302)

Board's Statement on ESG

The following is a statement from the Board of Directors explaining the Board's oversight of ESG issues and how CLP approaches the management of ESG issues.

Governance structure

The CLP Board has overall responsibility for CLP's ESG reporting and sustainability, and governance of sustainability is integrated into our corporate governance structure throughout the Group. The Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues. In 2021, the Sustainability Committee's role has been strengthened with a further focus on the impact of longer-term sustainability issues on the Group's strategy. It is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, retains oversight of material risks and assurance of the ESG data. For further details on the governance structure, please see "CLP's Approach to ESG Reporting" in the Corporate Governance Report.

How does CLP approach and manage material ESG issues?

CLP regularly reviews its strategic priorities against ESG risks and opportunities to ensure they remain fit-for-purpose. The COVID-19 pandemic has created significant social and economic disruption, led to myriad challenges and opportunities, and accelerated pre-existing trends.

In late 2021, CLP revised our approach to materiality by conducting our first double materiality assessment. This is based on best practice from global reporting standard setters and allows CLP to better reflect ESG risks and opportunities in its business strategy from both a financial and an impact perspective:

- Financially material topics, which potentially create or erode enterprise value, are covered in this Annual Report and are for reporting purposes under the Hong Kong Stock Exchange ESG Reporting Guide. The key audience is providers of financial capital.
- Impact material ESG topics, which reflect significant positive or negative impacts on people, the environment and the economy, are covered in the Sustainability Report. They address the concerns of a diverse range of stakeholders wanting to understand CLP's positive and negative contributions to sustainable development. SR

A key outcome of the process was the prioritisation of four financially material topics and three impact material topics. The CLP Sustainability Executive Committee considered the financially material topics to be most likely to create or erode enterprise value. These four topics are: (i) shaping and executing the transition to net zero; (ii) pursuing growth opportunities in Hong Kong and the Greater Bay Area; (iii) building an agile and innovative workforce; and (iv) reinforcing resilience in a changing operating environment. Further details can be found on Sustainability as Our Business Strategy on page 22.

The assessment process was conducted by management with active executive-level participation. These topics were then presented to the Sustainability Committee for their analysis and endorsement. For further details on how other ESG issues are addressed by the Sustainability Committee, please see the Sustainability Committee Report.

Climate Vision 2050

Climate change remains one of the material topics and our Climate Vision 2050 publication is a pledge from CLP on our climate action which sets out clear climate-related targets for the Group. In 2021, we strengthened our Climate Vision 2050 targets as outlined extensively in this Annual Report, the Sustainability Report and Climate-related Disclosures Report. The Board approved these long-term commitments after a thorough strategic review involving the Sustainability Committee and the Sustainability Executive Committee. SR

The Board recognises that climate change is one of the most material risks to CLP's business and will continue to provide oversight to ensure that the Group will continue to act in a responsible manner and will be able to pursue the opportunities that may arise from the energy transition.

Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Reserves

Distributable reserves of the Company amounted to HK$23,671 million as at 31 December 2021 (2020: HK$24,308 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2021 amounted to HK$58,215 million (2020: HK$54,348 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 67 to 73 of the Financial Capital.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.7% of the Group's total assets as at 31 December 2021.

Equity-linked Agreements

For the year ended 31 December 2021, the Company did not enter into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK$15,085,000 (2020: HK$27,088,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2021 and for the previous four financial years are on page 300. A ten-year summary is on the CLP website.

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on pages 104 and 105. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 170.

Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers, in aggregate, accounted for 44.76% of the Group's total purchases during the year and a breakdown of the purchases (as a percentage of the Group's total purchases) from each of the five largest suppliers are set out below in descending order:

1 11.95% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).

2 10.17% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases 80% of GNPS's output for supply of electricity to its customers in Hong Kong.

3 8.71% from PetroChina International South China Co., Ltd. (PCISC) in which the Group has no interest. CAPCO purchases natural gas from PCISC for its electricity generation.

4 8.36% from CNOOC China Limited (CNOOC) in which the Group has no interest. CAPCO purchases natural gas from CNOOC for its electricity generation.

5 5.57% from Ausgrid Operator Partnership (Ausgrid) in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.

As at 31 December 2021, none of the Directors, their close associates or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC and the Group's approximate 0.28% shareholding interest in CGN Power Co., Ltd. (the listed entity of which GNPJVC is a subsidiary).

Directors

As at the date of this Report, the Directors of the Company, who held their office for the full year ended 31 December 2021, together with their biographical details are set out on pages 98 to 103 of this Annual Report. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 170.

Mr Geert Peeters stepped down as an Executive Director on 31 July 2021 due to health reasons. Mr Peeters confirmed that he had no disagreement with the Board and that he was not aware of any matter in relation to his retirement that should be brought to the attention of the shareholders of the Company.

Under the Company's Articles of Association, Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 119 of the Company's Articles of Association, Mrs Zia Mody, Ms May Tan, Mr Philip Kadoorie, Sir Rod Eddington and Mr William Mocatta will retire by rotation at the 2022 AGM.

Sir Rod Eddington, who has served the Board for more than 16 years, reached the age of 72 before the 2022 AGM. The Board, based on the recommendation and endorsement of the Nomination Committee (please see the Nomination Committee Report on page 166), decided to waive the retirement age guideline in CLP Board Diversity Policy in relation to the re-election of Sir Rod Eddington; and concluded that Sir Rod is still independent and should be recommended for re-election. Details of the Board's considerations are included in the Notice of the 2022 AGM.

All the retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for re-election at the 2022 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

Directors' Interests in Transactions, Arrangements or Contracts

During the year ended 31 December 2021, none of the Directors or his / her connected entity had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

Alternate Director

During the year ended 31 December 2021 and up to the date of this Report (the Period), Mr Andrew Brandler is alternate to Mr William Mocatta.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the Period are available on the CLP website.

Permitted Indemnity Provisions

During the Period, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the Group-wide directors and officers liability insurance maintained by the Company in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors of the Company.

Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) (for reference, China Southern Power Grid Co., Ltd. (CSG) and its subsidiaries, collectively, the CSG Group) is a connected person of CLP Holdings (at the subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings. Accordingly, ongoing transactions entered into between members of the CSG Group and members of the CLP Group constitute continuing connected transactions (CCTs) for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's CCTs relating to the power purchase arrangements with the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2021, this was HK$1,522 million. The annual aggregate cap was approved by the Board of Directors in December 2020 and subsequently disclosed in the announcement dated 4 January 2021. The project level caps of the CCTs for 2021 set out in the table on pages 192 to 203 are for reference only and were used to derive the annual aggregate cap of HK$1,522 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, are also set out in the same table. The considerations for 2021, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2021.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
1	**CLP Power Hong Kong electricity sales to Mainland China**					
1.1	Energy Economy Interchange Agreement Original agreement entered into on 25 December 2015 and extended by way of further agreements. On 5 November 2018, a supplemental agreement was entered into to further extend the term to 24 December 2021. On 20 December 2019, a 2nd supplemental agreement was entered into under which the expiry date remains unchanged. On 23 December 2021, a 3rd supplemental agreement was entered into to further extend the term to 31 December 2023.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG)	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	The consideration will, under circumstances prescribed in the agreement, be settled either by cash payment or by CSG-GPG's supply of such volume of water to Guangzhou Pumped Storage Power Station (for which the CLP Group has contractual rights to use 50% of Phase 1 of the power station (600MW)) for the generation of electricity equivalent to the volume supplied by CLP Power Hong Kong. For the energy transfer settled by cash payment, it is based on the number of kWh sold multiplied by an arm's length tariff (unit rate of energy transfer) agreed between the parties. In addition, under the standby capacity support, the consideration settled by cash payment is based on the hours requested to standby multiplied by an arm's length tariff (hourly standby charge) agreed between the parties. The unit rate of energy transfer and hourly standby charge are determined after taking into account the available market information and the relevant cost.	30.14 (Note)
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China *(Project level cap for 2021 was HK$400.00 million)*					30.14
2	**Huaiji hydro project**					
2.1	Zelian Hydro Station Power Purchase Agreement (PPA) Agreement entered into on 24 September 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 23 September 2022.	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHX)	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-ZPB)	CLP-GHX sells electricity to CSG-ZPB which delegated the role of settlement to Zhaoqing Huaiji Power Bureau (CSG-ZHPB), another subsidiary of CSG.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Zhaoqing Development and Reform Commission (Zhaoqing DRC). This tariff is published at the Zhaoqing DRC Document ZhaoJia [2012] No. 67, supplemented by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC) Document YueJia [2013] No. 177 and is updated from time to time.	4.77
2.2	Supplemental Agreement to Zelian Hydro Station PPA Agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 18 April 2022.	CLP-GHX	CSG-ZPB	This is for the temporary arrangement for CSG-ZPB to supply electricity to CLP-GHX during the technical retrofit of Zelian Hydro Station and the upgrade of the local grid company.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2021] No. 331 and is updated from time to time.	–
2.3	Longzhongtan Hydro Station PPA Agreement entered into on 25 December 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 24 December 2022.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.06

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
2.4	Jiaoping Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2022.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.67
2.5	Xiazhu Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2022.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	3.81
2.6	Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2022.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	26.96
2.7	Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2022.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG) CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	93.93
2.8	Supplemental Agreement to Baishuihe Four Hydro Stations PPA Agreement entered into on 9 December 2020 for a two-year period to 8 December 2022.	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell / purchase electricity to / from CSG-ZPB.	As in item 2.1 above	0.34
2.9	Niuqi Hydro Station PPA Agreement entered into on 26 July 2016 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 25 July 2022.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	15.88
2.10	Zelian Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHX for station consumption.	Payment is based on the number of kWh sold / purchased multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2021] No. 331 and is updated from time to time.	–

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
2.11	Longzhongtan Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	–
2.12	Jiaoping Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	–
2.13	Xiazhu Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHX	CSG-ZHPB	As in item 2.10 above	As in item 2.10 above	–
2.14	Shuixia Hydro Station High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHW	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHW for station consumption.	As in item 2.10 above	–
2.15	Baishuihe Four Hydro Stations High Voltage Electricity Supply Contract New agreement entered into on 23 December 2021 for a one-year period with automatic renewals for successive one-year periods to 22 December 2022.	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX	CSG-ZHPB	CSG-ZHPB supplies electricity to CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX for station consumption.	As in item 2.10 above	–
	Aggregated total consideration for Huaiji hydro project *(Project level cap for 2021 was HK$358.00 million)*					149.42
3	**Meizhou solar project**					
3.1	Meizhou Solar Project PPA Agreement entered into on 1 March 2019 for a one-year period from 1 February 2019 to 1 February 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 1 February 2022.	Pingyuan Litian New Energy Power Company Limited, a wholly-owned subsidiary of the Company (CLP Meizhou)	Meizhou Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPB)	CLP Meizhou sells electricity to CSG-MPB.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2017] No. 3084 and is updated from time to time.	58.05
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract Agreement entered into on 10 July 2019 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 July 2022.	CLP Meizhou	Meizhou Pingyuan Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPPB)	CSG-MPPB supplies electricity to CLP Meizhou for power consumption at the project site.	As in item 2.2 above	0.33
	Aggregated total consideration for Meizhou solar project *(Project level cap for 2021 was HK$58.00 million)*					58.38

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
4	**Yang_er hydro project**					
4.1	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2022.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (Dali Yang_er)	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01
4.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2022.	Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity via a 10kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	–
4.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 March 2019 for a three-year period to 22 March 2022 with automatic renewals for successive three-year periods.	Dali Yang_er	Dali Power Bureau of Yunnan Power Grid Company Limited (CSG Yunnan), a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity via a 110kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	0.01
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2021 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 44% owned by CSG Yunnan	Dali Yang_er sells electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	Payment is based on the number of kWh sold multiplied by the tariff determined through competitive bidding processes conducted on Kunming PEC, an arm's length tariff agreed between the parties for market sales (as applicable), or set by Kunming PEC for interprovincial electricity sales (together with a transaction fee charged by Kunming PEC).	29.43
	Aggregated total consideration for Yang_er hydro project *(Project level cap for 2021 was HK$36.00 million)*					29.45
5	**Xicun solar project (Phases I and II)**					
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2022.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG Yunnan	CLP Xicun sells electricity to CSG Yunnan.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2021 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	49.47
5.2	Xicun Solar Project High Voltage Electricity Supply Contract (for project site) Agreement entered into on 2 January 2020 for a three-year period to 1 January 2023 which was subsequently replaced by another agreement signed on 23 May 2021 for a three-year period to 22 May 2024 with automatic renewals for successive three-year periods.	CLP Xicun	Dali Binchuan Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun for power consumption at the project site.	As in item 4.1 above	–

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 25 December 2019 for a three-year period to 24 December 2022 with automatic renewals for successive three-year periods.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity (110kV) to CLP Xicun for power consumption at the project site for equipment when the plant is not in generation status.	As in item 4.1 above	0.43
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) Agreement entered into on 2 January 2020 for a three-year period to 1 January 2023 which was subsequently replaced by another agreement signed on 23 May 2021 for a three-year period to 22 May 2024 with automatic renewals for successive three-year periods.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity (10kV) to CLP Xicun for use by the watering facilities.	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.03
5.5	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2021 for electricity sales for various durations.	CLP Xicun	CSG Yunnan and Kunming PEC	CLP Xicun sells electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	97.82
	Aggregated total consideration for Xicun solar project (Phases I and II) *(Project level cap for 2021 was HK$156.00 million)*					147.75
6	**Xundian wind project**					
6.1	Xundian Wind Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2022.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG Yunnan	CLP Xundian sells electricity to CSG Yunnan.	As in item 5.1 above	13.50
6.2	Xundian Wind Project High Voltage Electricity Supply Contract Agreement entered into on 1 September 2020 for a three-year period to 31 August 2023 with automatic renewals for successive three-year periods.	CLP Xundian	Kunming Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian for station consumption.	As in item 4.1 above	0.13
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 8 July 2019 for a three-year period to 7 July 2022 with automatic renewals for successive three-year periods.	CLP Xundian	Kunming Xundian Power Supply Company Limited of CSG Yunnan, a subsidiary of CSG (CSG-KXPSC)	CSG-KXPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the non-residential tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	–
6.4	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2021 for electricity sales for various durations.	CLP Xundian	CSG Yunnan and Kunming PEC	CLP Xundian sells electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	51.51
	Aggregated total consideration for Xundian wind project *(Project level cap for 2021 was HK$83.00 million)*					65.14

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2021 HK$M
7	**Sandu wind project**					
7.1	Sandu Wind Project PPA Agreement entered into on 31 December 2019 for a two-year period from 1 January 2020 to 31 December 2021.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	CLP Sandu sells electricity to CSG Guizhou.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guizhou Provincial Development and Reform Commission (Guizhou PDRC). The tariff is published at the Guizhou PDRC Document QianJiaGe [2017] No. 1113 and is updated from time to time.	134.51
7.2	Sandu Wind Project Electricity High Voltage Supply Contract Agreement entered into on 8 December 2015 for a three-year period to 7 December 2018 with automatic renewals for successive one-year periods. A supplemental agreement was entered into on 21 March 2018 for a one-year period from 18 August 2018 to 17 August 2019 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 17 August 2022.	CLP Sandu	Duyun Sandu Power Bureau of CSG Guizhou, a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou PDRC. This tariff is published at the Guizhou PDRC Document QianFaGaiJiaGe [2020] No. 1025 and is updated from time to time.	0.43
7.3	Sandu Wind Project Electricity Supply Contract (10kV) Agreement entered into on 23 March 2018 for a three-year period to 22 March 2021 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 22 March 2024.	CLP Sandu	CSG-DSPB	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by the resident life use tariff for resident users determined by the Guizhou PDRC. The tariff is published at the Guizhou PDRC Document QianFaGaiJiaGe [2020] No. 1025 and is updated from time to time.	0.04
	Aggregated total consideration for Sandu wind project *(Project level cap for 2021 was HK$171.00 million)*					134.98
Total Consideration for 2021						**615.26** (Note)

Note: Besides the transaction value shown in the table, CLP Power Hong Kong also supplied electricity to CSG-GPG in 2021 under this agreement with consideration settled by CSG-GPG in full by the supply of water to Guangzhou Pumped Storage Power Station to generate the same quantity of power equivalent to the power supplied by CLP Power Hong Kong without any cash settlement. For the purpose of disclosure for this particular arrangement, the notional transaction value has been calculated as if all transactions had been settled in cash in accordance with this agreement; the notional value derived was equivalent to HK$162.8 million in 2021 for power supply carried out. This equivalent amount is also the reference used to monitor whether all transactions fall within the Annual Aggregate Cap and is excluded from the above total consideration for 2021.

Pursuant to Rule 14A.55 of the Listing Rules, all the Independent Non-executive Directors of the Company have reviewed the CCTs and confirmed that the CCTs have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better to CLP; and

(iii) according to the relevant agreement governing each of the CCTs on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's independent auditor, PwC, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

PwC has reviewed these transactions and, pursuant to Rule 14A.56 of the Listing Rules, confirmed to the Board of the Company that nothing has come to their attention that causes them to believe that:

(i) the transactions have not been approved by the Board of the Company;

(ii) the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) the transactions have exceeded the annual aggregate cap.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Financial Statements. None of these constitutes a discloseable connected transaction as defined under the Listing Rules.

Interests of Directors and Chief Executive Officer

The interests / short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2021, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1 Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2021 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael David Kadoorie	Note 1	410,524,882	16.24908
Mr William Mocatta	Note 2	401,243	0.01588
Mr J. A. H. Leigh	Note 3	218,823,096	8.66129
Mr Andrew Brandler	Note 4	10,600	0.00042
Mr Philip Kadoorie	Note 5	410,524,882	16.24908
Mr Nicholas C. Allen	Note 6	41,000	0.00162
Mrs Fanny Law	Beneficial Owner	6,800	0.00027
Ms May Siew Boi Tan	Beneficial Owner	20,000	0.00079
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

1 The Hon Sir Michael David Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:
   - a 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
   - b 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
   - c 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.
   - d 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and the founder.

2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 401,243 shares in the Company. These shares were held in the following capacity:
   - a 250,000 shares were held in the capacity as the founder of a discretionary trust.
   - b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.
   - c 1,243 shares were held in the capacity as joint executors of the estate of Lady Betty Kadoorie.

3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,823,096 shares in the Company. These shares were held in the following capacity:
   a 170,000 shares were held in a beneficial owner capacity.
   b 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.
   c 1,243 shares were held in the capacity as joint executors of the estate of Lady Betty Kadoorie.

4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

5 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:
   a 233,044,212 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
   b 170,180,670 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
   c 1,300,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
   d 2,000,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.
   e 2,000,000 shares were ultimately held by each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.

6 41,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Sir Rod Eddington, Mrs Zia Mody, Ms Christina Gaw and Mr Chunyuan Gu have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2021.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2021.

2 Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2021.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors and the CEO of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2021, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1 Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 31 December 2021:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company		% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	305,591,730	Note 1	12.10
Guardian Limited	Beneficiary / Interest of controlled corporation	218,651,853	Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882	Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212	Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212	Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882	Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853	Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporation	218,651,853	Note 4	8.65
The Hon Sir Michael David Kadoorie	Note 5	410,524,882	Note 5	16.25
Mr J. A. H. Leigh	Notes 6 & 7	218,823,096	Notes 6 & 7	8.66
Mr Philip Kadoorie	Note 8	410,524,882	Note 8	16.25
Mr R. Parsons	Trustee	218,651,853	Note 7	8.65

Notes:

1 Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies.

2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael David Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.

4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited was deemed to be interested, either in the capacity as trustee of a discretionary trust and / or by virtue of having direct or indirect control over such company.

5 See Note 1 under "Interests of Directors and Chief Executive Officer".

6 See Note 3 under "Interests of Directors and Chief Executive Officer".

7 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

8 See Note 5 under "Interests of Directors and Chief Executive Officer".

As at 31 December 2021, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

2 Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2021, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 31 December 2021, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 106 of this Annual Report.

Auditor

The Financial Statements for the year have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment, at the AGM of the Company.

On behalf of the Board

The Honourable Sir Michael David Kadoorie
Chairman
Hong Kong, 28 February 2022

Financials

We aim to provide our stakeholders with a comprehensive, clear and concise view of our financial position and performance.

Contents

Approaching Our Financial Statements

The objective of financial statements is to communicate the Group's financial information to our stakeholders, especially shareholders, investors and lenders, for making economic decisions. To achieve this objective, it is always our aim to present the financial information of CLP as clearly and concisely as possible. This overview helps you understand how information is organised and presented in our financial statements. Hopefully, this will bring you a more insightful reading experience.

01

Accounting Mini-series

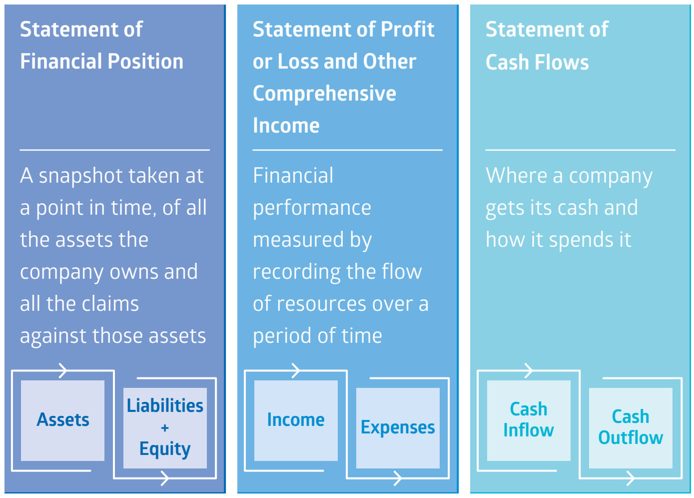
We believe that understanding financial statements is a right, not a privilege. To help those unfamiliar with accounting terms read our financial statements, we have developed an Accounting Mini-series to **explain topical and difficult accounting concepts in a way that is easier to understand**. A number of topics have been discussed since 2007, the content of which can be found in our website.

Read our accounting mini-series

02

Essential Financial Statements

Financial statements start with summaries of the financial position, performance and changes in resources of the Group. **These summaries are presented in three essential financial statements with different objectives as shown in the diagram**. The relationships between these statements and the interactions with the Group's stakeholders are set out in our website.



03

Significant Accounting Policies

Financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). You do not need to be familiar with all the requirements of HKFRS because **the accounting policies which are significant and relevant to the Group are disclosed in the financial statements**. The disclosures include specific principles and procedures selected and applied by management in preparing the financial statements, as well as the methods, measurement basis and procedures to account for the transactions.

Look for light gold boxes

04

Critical Accounting Estimates and Judgements

Management makes judgements and estimates in preparing the financial statements, some of which will have a significant effect on the reported results and financial position. HKAS 1 specifies that an entity shall disclose (1) the key judgements that have the most significant effect on amounts recognised; and (2) the assumptions and other sources of estimation uncertainty at period end that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year. You should pay attention to **our disclosures under "critical accounting estimates and judgements" which help you assess CLP's financial position and performance and understand the sensitivities to changes in assumptions**.

Look for gold boxes

05

Tips & Hints

Tips & Hints are our initiatives to **facilitate you to understand the content of a particular disclosure or complicated accounting concepts or terms**.

Look for light bulb

Useful Lives and Residual Values of Fixed Assets

What is the challenge?

As part of becoming a Utility of the Future, CLP is committed to achieving net-zero greenhouse gas emissions by 2050. Therefore, we are progressively phasing out coal for power generation while investing in renewable and other non-carbon emitting energy, as well as developing other streams of business, including power transmission, distribution and retail; and energy and infrastructure services.

This global trend of transitioning towards a low carbon economy, if not properly managed, could challenge the financial stability of companies, and it has resulted in the inclusion of climate change as one of the key risks reported by most organisations. No matter this, the accounting standard does not refer explicitly to climate-related matters, however these may affect the financial statements in various areas. One of the affected areas is related to the estimation of the useful life and the residual value of an asset.

In this accounting mini-series, we will check out what factors shall be considered in the determination and estimation of the useful life and the residual value of an asset and how climate-related risks may affect the decisions.

What is useful life?

Useful life is defined as the period over which the company expects the asset to be available for use, or the number of production or similar units expects to be obtained from the asset. It is typically referred to as the length of time the asset can reasonably be used to generate income and be of benefit to the company, and therefore may be shorter than the design life of the asset.

As the useful life of an asset is an accounting estimate and the underlying assumptions may change over time, the accounting standard requires companies to review the estimated useful life of the assets at least every financial year end. The change in the estimated useful life of an asset affects the amount of depreciation recognised each year.

In the past, when reviewing or determining estimated useful lives, management mostly focused on existing guidelines in the accounting standard. Nowadays, with the evolving trends in climate change, climate-related factors shall also be taken into consideration. Details of both general and climate-related factors are set out in the adjacent table.

Factors	Accounting standard guidelines	Climate-related considerations
Expected usage of the asset	Usage is assessed by reference to the asset's expected capacity or physical output.	Company's climate-related decisions or strategies, such as commitments to transit to lower-carbon emission.
Expected physical wear and tear	It depends on operational factors such as the number of shifts the asset is to be used for, the repair and maintenance programme of the company, and the care and maintenance of the asset when idle.	Climate change may affect the repair and maintenance programme. Capital expenditure to protect operations and supply chains, or repair damage caused by climate change-related weather events may increase to maintain the useful life of the asset.
Technical obsolescence	Arises from changes or improvements in production. Expected future reductions in the selling prices of an item produced using an asset could indicate the technical obsolescence of the asset.	New technologies that support the transition to a lower-carbon economy such as the development or emergence of new environmentally friendly technologies can impact the demand for existing products.
Commercial obsolescence	Arises from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling prices of an item produced using an asset could indicate the commercial obsolescence of the asset.	Change of consumer preferences towards green processes or products can lead to reduced demand for existing products or services.
Legal or other limitations on the use of an asset	Such as the expiry dates of related leases on buildings or properties.	Policy actions by governments such as introducing climate-related regulations and carbon taxes, forcing company to abandon the asset sooner than expected or implementing caps on the use of resources. All of these can reduce demand for products or increase operating costs. An increase in climate-related legal claims also heightens legal risks.

What is residual value?

Residual value of an asset is the estimated amount that a company would currently receive from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Thus, residual values take account of changes in prices up to the reporting date, but not of expected future changes. Residual values are not based on prices prevailing at the date of acquisition of an asset.

An asset is depreciated to its residual value, hence a change in the residual value affects its depreciation expense. Same as with the useful life, as uncertainty is associated with the estimates, the residual value of an asset is to be reviewed, as a minimum, at each financial year end. The common approaches to derive the residual value are set out in the adjacent table.

Approaches	Insignificant or no value	Comparables	Company's policy
Basis	It is assumed that the assets will be scrapped at the end of the useful life.	The residual value is compared to the value of comparable assets, which are traded in a well-organised market.	A company policy that sets out a unified residual value to each class of assets.
Pros	A very efficient method that simplifies the depreciation calculation.	An objective approach, more defensible.	Facilitates management evaluation of the performance of the assets in the same class.
Cons	Changes in the estimated residual value could cause volatility in the depreciation expense.	Not all assets have comparables in a well-organised market, including specific assets like power plant.	Less supportive approach. Likely to be challenged especially if the company set the residual value higher than the market value, which results in lower depreciation expense.

> **The residual value and the useful life of an asset shall be reviewed at least at each financial year-end.** (HKAS 16.51)

How to account for changes in useful lives and residual values?

A change in the useful life and / or the residual value of an asset is accounted for as a change in estimate, thus it has to be incorporated in a prospective manner i.e. the change will be implemented from the date of revision forward. Previous periods are not adjusted for changes in estimates.

A significant reduction in the estimated useful life of an asset may also indicate that the carrying amount of the asset is impaired as the period of income generation would be reduced significantly.

What to disclose?

A change in estimates affect the depreciation expense for the current period as well as for each future period until the end of the asset's useful life. The company shall disclose the nature and amount of the change in these estimates.

The accounting standard does require disclosure of climate-related matters, including the exposure of the value of the assets to climate-related risks that could result in a material adjustment to the carrying amounts within the next financial year and / or could influence investors' decision-making process. The company shall disclose the nature of the assumptions applied in the estimates and the year-end balance of those assets.

CLP Group case studies

CLP reviews and reassesses the useful lives and residual values of its assets not only at every financial year end, but also on a timely manner when certain circumstances arise. In recent years, management has paid special attention and consideration to climate-related matters during the revision of useful lives and residual values of the generation assets. The table below lists out some of our recent revisions, which illustrates how CLP applies vividly the accounting standard requirements as discussed in this accounting mini-series.

	Asset	Changes	Factors driving changes
Hong Kong	Black Point Power Station	**Extension of useful life** Useful lives of the generating plants have been extended by 5 years in 2018.	After mid-life refurbishments, useful lives of the assets are prolonged.
Australia	Yallourn Power Station	**Early retirement** In March 2021, EnergyAustralia announced it would close Yallourn power station in mid-2028, four years earlier than planned.	The early closure is the result of rapidly changing market dynamics as well as the age of the plant. EnergyAustralia is committed to delivering in the cleaner energy transition, and accordingly has announced the early retirement of its largest coal-based generating plant.
Australia	Mount Piper Power Station	**Accelerated exit** In September 2021, EnergyAustralia announced the early closure of Mount Piper coal-fired power plant in New South Wales to 2040, three years earlier than the previous indicated closure in 2043.	EnergyAustralia plans to reach net-zero greenhouse gas emissions by 2050, and to transition out of coal assets by 2040. The accelerated exit is part of a commitment to exit all coal generation by 2040 as part of the revised emissions reduction strategy.
India	Jhajjar Power Station	**The assumption of non-renewal of power purchase agreements (PPAs)** In 2021, management has restricted the time period to the contractual period of the PPAs in forecasting cash flows for impairment assessment.	Apraava Energy expects that the current PPAs with the offtakers would unlikely be renewed after their expiry in 2037.

pwc

To the Members of CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CLP Holdings Limited (the "Company") and its subsidiaries (the "Group") ("the Group Financial Statements") set out on pages 224 to 296, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2021;
- the Consolidated Statement of Profit or Loss for the year then ended;
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Significant Accounting Policies, Notes to the Financial Statements and Financial Risk Management.

Our opinion

In our opinion, the Group Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group Financial Statements of the current period. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Unbilled retail revenue;
- The carrying values of EnergyAustralia's energy retail business and generation business, and Apraava Energy's Jhajjar power station;
- Fixed asset accounting and the calculation of the Scheme of Control permitted return;
- Recoverability of trade receivables; and
- Asset retirement obligations (AROs).

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Unbilled retail revenue Refer to note 2 to the Group Financial Statements Retail electricity and gas revenues are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured on the basis of periodic cycle meter readings and include an estimated accrual for the value of electricity and gas consumed from the meter reading date to the end of the reporting period. Unbilled retail revenue of the Group totalled HK$3,186 million as at 31 December 2021. CLP Power Hong Kong Limited (CLP Power Hong Kong) calculates unbilled revenue using estimates including: consumption quantity based on the electricity sent-out adjusted by loss factors, the pattern of residential and non-residential consumption, weather and certain other factors. EnergyAustralia Holdings Limited (EnergyAustralia) calculates unbilled retail revenue based on the electricity purchased and the applicable tariffs for the mass market customer segment, as well as the actual meter readings and the contracted rates for commercial and industrial customers. The amount is adjusted for physical energy loss and other measurable factors. This is a Key Audit Matter because the calculation of unbilled retail revenue involves a high degree of estimation.	Our procedures in relation to unbilled revenue included: ◈ Understanding of and testing the key controls in place to determine the estimate of unbilled revenue for both CLP Power Hong Kong and EnergyAustralia; ◈ Testing the volume of electricity sent-out by CLP Power Hong Kong to supporting information; ◈ Assessing the reasonableness of estimates by comparing them against historical trends; ◈ Testing the volume of electricity purchased by EnergyAustralia from the wholesale electricity market to the underlying Australian Energy Market Operator invoices on a sample basis and reconciling the total purchase volumes to revenue volumes; and ◈ Understanding the estimates made relating to loss factors and tariffs used in determining the level of unbilled revenue for both CLP Power Hong Kong and EnergyAustralia and assessing their reasonableness by comparing them against historical trends and against the weighted average tariff for prices. Based on the work performed, we found that the Group's unbilled revenue amount is supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*

The carrying values of EnergyAustralia's energy retail business and generation business, and Apraava Energy's Jhajjar power station

Refer to notes 10 and 13 to the Group Financial Statements

The carrying value of EnergyAustralia's energy retail business

EnergyAustralia has goodwill of HK$8,854 million relating to the energy retail business in Australia.

The recoverable amount of EnergyAustralia's energy retail business is determined based on a value in use calculation. Cash flow projections are derived from EnergyAustralia's approved business plan which includes cost saving initiatives and an appropriate reflection of future cash flows from potential legislative, regulatory and structural changes in the industry.

The key assumptions used in the value in use calculation include retail tariffs, electricity and gas volumes, network distribution costs, the customer account growth rate and the discount rate.

The results of the value in use calculation of EnergyAustralia's energy retail business indicates that marginal headroom remains.

Our procedures in relation to management's assessment of the carrying value of EnergyAustralia's energy retail business and generation business, and Apraava Energy's Jhajjar power station included:

- Assessing the appropriateness of the valuation methodologies used in the assessment of each of the recoverable amounts;
- Reconciling input data to supporting evidence, such as each of the approved business plans and where possible to publicly available market data;
- Challenging the reasonableness of the key assumptions based on our knowledge of each business and industry;
- Assessing the discount rates used in each assessment which has included the involvement of in-house valuation experts where appropriate;
- Verifying the integrity of formulae and mathematical accuracy of management's valuation models;
- Assessing the potential impact of reasonably possible changes in key assumptions including possible future regulatory policy changes with respect to generation and retail sales of electricity in Australia;
- Reviewing the recognition and allocation of the impairment charge to the fixed assets of Jhajjar power station; and
- Reviewing the appropriateness of the Group's disclosures with respect to the impairment assessments.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
The carrying values of EnergyAustralia's energy retail business and generation business, and Apraava Energy's Jhajjar power station (continued)	
The carrying values of EnergyAustralia's generation business and Apraava Energy's Jhajjar power station The Group has substantial investments in fixed assets. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The key estimates and assumptions used in EnergyAustralia's generation business value in use calculation include a pre-tax discount rate, forward electricity pool prices, generation volumes, retail volumes, gas prices, long term assumptions around market movements, growth rates and forecasted operating costs. EnergyAustralia's generation business value in use model indicates minimal headroom. Any adverse shift in a key assumption is likely to result in a potential impairment. During 2021 management determined it is unlikely that the power purchase agreements with the offtakers at Apraava Energy Private Limited (Apraava Energy)'s Jhajjar power station will be renewed after their expiry in 2037. An impairment test for Jhajjar power station was performed using a value in use calculation and an impairment provision for fixed assets of HK$330 million was recognised as at 31 December 2021. The key assumptions used in the value in use calculation include a pre-tax discount rate and the time period of the power purchase agreement. This is a Key Audit Matter, because inputs to the value in use models require significant management judgements and a high degree of estimation. Changes in these key assumptions would have a direct impact on the valuations.	Based on the work performed we found: ◈ that the carrying value of EnergyAustralia's energy retail and generation businesses are supported by the available evidence and the key assumptions have been appropriately disclosed in notes 10 and 13 to the Group Financial Statements. ◈ that the impairment charge recorded and the 31 December 2021 carrying value of Apraava Energy's Jhajjar fixed assets is supported by the available evidence and the key assumptions have been appropriately disclosed in notes 5(d) and 10 to the Group Financial Statements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Fixed asset accounting and the calculation of the Scheme of Control permitted return Refer to notes 10 and 11 to the Group Financial Statements Consolidated fixed assets and right-of-use assets were HK$161.2 billion at 31 December 2021. This includes fixed assets and leasehold land relating to CLP Power Hong Kong and Castle Peak Power Company Limited (CAPCO) (together the SoC Companies) (SoC fixed assets) which are the base used in the calculation of the permitted return under the Scheme of Control (SoC) Agreement. The annual permitted return is 8% of the SoC Companies' average net fixed assets. If the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, the permitted return and the taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund (TSF). In any period, the amount of deduction from or addition to the TSF is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss. This is a Key Audit Matter because of the significance of the balance and its importance to the SoC Companies. The accuracy of SoC fixed asset additions, disposals and depreciation charges is important to ensure the SoC fixed asset balance is appropriate and the permitted return is calculated correctly.	Our procedures in relation to the Group's SoC fixed assets and the calculation of the SoC permitted return included: ◈ Assessing the control environment and testing controls over SoC fixed assets additions, disposals and depreciation charges; ◈ Testing the SoC fixed asset additions in the year to supporting evidence on a sample basis and assessing whether the items have been appropriately capitalised; ◈ Assessing the appropriateness of SoC capital accruals made by management for large projects by agreeing assumptions to audit evidence from the Group's vendors; ◈ Assessing the estimated useful lives of the SoC fixed assets for compliance with the SoC; ◈ Testing depreciation charges by performing depreciation reasonableness tests; ◈ Obtaining management's reconciliation of SoC fixed assets from the opening balance at the beginning of the year to the closing balance at the end of the year and reconciling this to the general ledger and supporting records; ◈ Recalculating the SoC permitted return for the year; and ◈ Recalculating the SoC adjustment to revenue for the year. Based on the work performed, we found that the Group's SoC fixed asset accounting and the SoC permitted return calculation are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Recoverability of trade receivables Refer to note 19 to the Group Financial Statements CLP Power Hong Kong and EnergyAustralia have significant retail businesses with many individual customers. The offtakers for the Group's other generation businesses are mainly a small number of state grid operators. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. Expected credit losses in CLP Power Hong Kong are close to zero as the trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default. EnergyAustralia has trade receivables of HK$5,429 million at 31 December 2021 against which provisions for expected credit losses of HK$987 million are held. Management estimated the level of expected losses, by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying that weighting to the receivables held at year end. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers. As at 31 December 2021, the Group had total receivables of HK$2,302 million relating to unpaid Renewable National Subsidies in its Mainland China business. The expected credit loss is close to zero as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance. Apraava Energy's renewable projects have trade receivables of HK$883 million of which HK$809 million are past due at 31 December 2021. Management has assessed the recoverability of past due amounts and concluded that the expected credit loss is close to zero as there is no recent history of default and continuous payments are received. This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.	Our procedures in relation to trade receivables included: ◈ Testing controls over the billing and collection cycles in CLP Power Hong Kong and EnergyAustralia; ◈ Testing the system calculated trade receivables ageing analysis used to assess the recoverability of receivables in CLP Power Hong Kong and EnergyAustralia; ◈ Assessing the appropriateness of the credit loss provisioning methodologies used by the Group; ◈ Assessing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and assessing the reasonableness of forward-looking factors included in the expected credit loss model; ◈ Reviewing the allocation of deposits to customer balances as a part of CLP Power Hong Kong's expected credit loss assessment; ◈ Reviewing the accuracy of management's judgements by comparing historical provisions against actual write-offs; ◈ Reviewing minutes of the boards of directors' meetings relating to the recoverability of trade receivables; ◈ Discussion with management to understand the nature and the judgement involved in their determination that the expected credit loss on unpaid Renewable National Subsidies is close to zero, assessing the regulatory eligibility for the Group's projects and considering subsidies collected to-date; and ◈ Discussion with management to understand the nature and the judgement involved in estimating the expected credit loss provision on trade receivables from the state grid operators of Apraava Energy's renewable projects and corroborating with correspondence with the customers. Based on the work performed, we found that management's assessments of the recoverability of trade receivables are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Asset retirement obligations (AROs)	

Refer to note 26 to the Group Financial Statements

Provisions are held for estimated remediation costs, discounted to present value, where the Group has a legal or constructive obligation for remediation and the likelihood of an economic outflow is probable. Estimating the amount and timing of the obligation requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates.

Management's key ARO judgements are as follows:

The Group's ARO provision of HK$2,950 million mainly relates to land remediation and decommissioning of generation assets in Australia. The provisions are based on estimates by external and internal experts that are discounted using internally determined end of plant lives. Other significant judgements also include the timing of the asset removal and costs to remove infrastructure, remediate soil and groundwater, water usage and technological developments.

CLP Power Hong Kong expects that its transmission and distribution network will continue to be used for the distribution of electricity supply to its customers and considers it remote that the network will be removed from the existing land sites. Therefore, AROs have not been recognised for transmission and distribution assets.

CAPCO will retire the coal-fired generation units at Castle Peak "A" Station (CPA) between 2022 to 2025. Management considers that the dismantling obligation for the CPA units is covered by the asset decommissioning liability accrued under the SoC as at 31 December 2021.

No provision for AROs has been recognised for the other generation units of CAPCO as the removal of CAPCO's other fossil-fuel generation units is possible and it is expected that should such obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

This is a Key Audit Matter because significant judgement is required in determining whether an ARO exists and estimating the amount and timing of the obligation.

Our procedures in relation to AROs included:

- Assessing the appropriateness of the Group's accounting policy;
- Evaluating management's judgement that it is remote that the Hong Kong transmission and distribution network would be removed from the existing land sites; it is probable that the CPA units will be removed; and it is possible but not probable that CAPCO's other fossil-fuel generation units may be removed at some point in time in the future;
- Assessing management's judgements as to whether a contractual or constructive obligation exists based on the respective power purchase agreements, lease agreements, local laws and regulations and past practice;
- Assessing the independence, objectivity and competence of management's external experts involved in respect of the future cost estimates for those assets where a provision has been recognised; and
- Testing the appropriateness of management's estimates of future costs, the timing of payments and the discount rates where management has concluded that a legal or constructive obligation exists.

Based on the work performed, we found that the ARO provisions are supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the Group Financial Statements and our auditor's report thereon.

Our opinion on the Group Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit & Risk Committee for the Group Financial Statements

The directors of the Company are responsible for the preparation of the Group Financial Statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit & Risk Committee is responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group Financial Statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

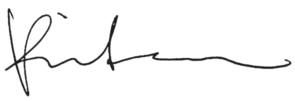
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group Financial Statements, including the disclosures, and whether the Group Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the Group Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Shia Yuen.



PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 February 2022

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021

	Note	2021 HK$M	2020 HK$M
Revenue	2	**83,959**	79,590
Expenses			
Purchases and distributions of electricity and gas		**(28,752)**	(27,183)
Staff expenses		**(5,107)**	(4,844)
Fuel and other operating expenses		**(28,581)**	(24,371)
Depreciation and amortisation		**(9,308)**	(8,476)
		(71,748)	(64,874)
Other charge	4	**(1,110)**	–
Operating profit	5	**11,101**	14,716
Finance costs	6	**(1,744)**	(1,873)
Finance income	6	**108**	136
Share of results, net of income tax			
Joint ventures	14	**(97)**	797
Associates	15	**2,071**	1,725
Profit before income tax		**11,439**	15,501
Income tax expense	7	**(1,965)**	(2,993)
Profit for the year		**9,474**	12,508
Earnings attributable to:			
Shareholders		**8,491**	11,456
Perpetual capital securities holders		**138**	138
Other non-controlling interests		**845**	914
		9,474	12,508
Earnings per share, basic and diluted	9	**HK$3.36**	HK$4.53

The notes and disclosures on pages 230 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	2021 HK$M	2020 HK$M
Profit for the year	**9,474**	12,508
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(879)**	3,651
Cash flow hedges	**934**	(820)
Costs of hedging	**(109)**	153
Share of other comprehensive income of joint ventures	**(4)**	2
	(58)	2,986
Items that cannot be reclassified to profit or loss		
Fair value gains / (losses) on investments	**100**	(58)
Remeasurement gains / (losses) on defined benefit plans	**77**	(5)
	177	(63)
Other comprehensive income for the year, net of tax	**119**	2,923
Total comprehensive income for the year	**9,593**	15,431
Total comprehensive income attributable to:		
Shareholders	**8,660**	14,527
Perpetual capital securities holders	**138**	138
Other non-controlling interests	**795**	766
	9,593	15,431

This statement of profit or loss and other comprehensive income includes not only the conventional profit for the year, but also "other comprehensive income". Further details of other comprehensive income attributable to shareholders are presented in Note 28.

The notes and disclosures on pages 230 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2021

	Note	2021 HK$M	2020 HK$M
Non-current assets			
Fixed assets	*10*	**154,058**	148,454
Right-of-use assets	*11*	**7,130**	7,061
Investment property	*12*	**966**	1,000
Goodwill and other intangible assets	*13*	**19,710**	20,559
Interests in and loans to joint ventures	*14*	**10,602**	11,017
Interests in associates	*15*	**8,769**	9,181
Deferred tax assets	*24*	**376**	571
Derivative financial instruments	*16*	**2,007**	1,697
Other non-current assets	*17*	**2,303**	1,300
		205,921	200,840
Current assets			
Inventories – stores and fuel		**2,941**	2,872
Renewable energy certificates		**1,166**	1,019
Property under development	*18*	**2,980**	2,976
Trade and other receivables	*19*	**15,404**	12,864
Income tax recoverable		**546**	138
Fuel clause account	*21*	**1,116**	–
Derivative financial instruments	*16*	**1,475**	1,816
Short-term deposits and restricted cash	*20*	**360**	1,550
Cash and cash equivalents	*20*	**7,900**	10,158
		33,888	33,393
Current liabilities			
Customers' deposits	*19(a)*	**(6,254)**	(5,908)
Fuel clause account	*21*	**–**	(346)
Trade payables and other liabilities	*22*	**(18,381)**	(18,141)
Income tax payable		**(1,349)**	(1,699)
Bank loans and other borrowings	*23*	**(10,512)**	(8,747)
Derivative financial instruments	*16*	**(1,302)**	(1,166)
		(37,798)	(36,007)
Net current liabilities		**(3,910)**	(2,614)
Total assets less current liabilities		**202,011**	198,226

	Note	2021 HK$M	2020 HK$M
Financed by:			
Equity			
Share capital	*27*	**23,243**	23,243
Reserves	*28*	**89,791**	88,957
Shareholders' funds		**113,034**	112,200
Perpetual capital securities	*29*	**3,887**	3,887
Other non-controlling interests	*29*	**9,788**	9,885
		126,709	125,972
Non-current liabilities			
Bank loans and other borrowings	*23*	**47,703**	45,601
Deferred tax liabilities	*24*	**15,886**	15,429
Derivative financial instruments	*16*	**1,364**	2,135
Scheme of Control (SoC) reserve accounts	*25*	**3,440**	2,374
Asset decommissioning liabilities and retirement obligations	*26*	**4,346**	3,963
Other non-current liabilities		**2,563**	2,752
		75,302	72,254
Equity and non-current liabilities		**202,011**	198,226

The Company's statement of financial position is presented in Note 34.

The Hon Sir Michael David Kadoorie
Chairman
Hong Kong, 28 February 2022

Richard Lancaster
Chief Executive Officer

Nicolas Tissot
Chief Financial Officer

The notes and disclosures on pages 230 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Attributable to Shareholders			Perpetual	Other Non-	
	Share Capital HK$M	Reserves HK$M	Total HK$M	Capital Securities HK$M	controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2020	23,243	82,212	105,455	3,887	9,987	119,329
Profit for the year	–	11,456	11,456	138	914	12,508
Other comprehensive income for the year	–	3,071	3,071	–	(148)	2,923
Dividends paid						
2019 fourth interim	–	(3,007)	(3,007)	–	–	(3,007)
2020 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Distributions to perpetual capital securities holders	–	–	–	(138)	–	(138)
Dividends paid to other non-controlling interests	–	–	–	–	(868)	(868)
Balance at 31 December 2020	23,243	88,957	112,200	3,887	9,885	125,972
Balance at 1 January 2021	23,243	88,957	112,200	3,887	9,885	125,972
Profit for the year	–	8,491	8,491	138	845	9,474
Other comprehensive income for the year	–	169	169	–	(50)	119
Transfer to fixed assets	–	6	6	–	2	8
Dividends paid						
2020 fourth interim	–	(3,057)	(3,057)	–	–	(3,057)
2021 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Distributions to perpetual capital securities holders	–	–	–	(138)	–	(138)
Dividends paid to other non-controlling interests	–	–	–	–	(894)	(894)
Balance at 31 December 2021	**23,243**	**89,791**	**113,034**	**3,887**	**9,788**	**126,709**

The notes and disclosures on pages 230 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 HK$M	2021 HK$M	2020 HK$M	2020 HK$M
Operating activities					
Net cash inflow from operations	*30(A)*	**20,495**		24,418	
Interest received		**104**		138	
Income tax paid		**(2,521)**		(2,182)	
Net cash inflow from operating activities			**18,078**		22,374
Investing activities					
Capital expenditure		**(12,431)**		(10,586)	
Capitalised interest and other finance costs paid		**(298)**		(324)	
Proceeds from disposal of fixed assets		**104**		220	
Additions of other intangible assets		**(512)**		(451)	
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)		**(698)**		(196)	
Litigation settlement related to disposal of Iona Gas Plant		**(1,110)**		–	
Deposits paid for purchase of a property		**(338)**		–	
Increase in other financial assets		**(184)**		(74)	
Increase in investments in and loans to joint ventures		**(219)**		(458)	
Proceeds from disposal of a subsidiary and a joint venture		**362**		208	
Dividends received from					
Joint ventures		**835**		578	
Associates		**1,721**		1,742	
Equity investments		**15**		13	
Decrease / (increase) in bank deposits with maturities of more than three months		**931**		(753)	
Net cash outflow from investing activities			**(11,822)**		(10,081)
Net cash inflow before financing activities			**6,256**		12,293
Financing activities	*30(B)*				
Proceeds from long-term borrowings		**7,796**		14,004	
Repayment of long-term borrowings		**(5,329)**		(12,309)	
Increase / (decrease) in short-term borrowings		**314**		(959)	
Payment of principal portion of lease liabilities		**(271)**		(200)	
Interest and other finance costs paid		**(1,575)**		(1,820)	
Settlement of derivative financial instruments		**(366)**		149	
Decrease in advances from other non-controlling interests		**(189)**		(323)	
Distributions paid to perpetual capital securities holders		**(138)**		(103)	
Dividends paid to shareholders		**(7,832)**		(7,782)	
Dividends paid to other non-controlling interests		**(894)**		(868)	
Net cash outflow from financing activities			**(8,484)**		(10,211)
Net (decrease) / increase in cash and cash equivalents			**(2,228)**		2,082
Cash and cash equivalents at beginning of year			**10,158**		7,881
Effect of exchange rate changes			**(30)**		195
Cash and cash equivalents at end of year	*20*		**7,900**		10,158

The notes and disclosures on pages 230 to 296 are an integral part of these consolidated financial statements.

Significant Accounting Policies

Significant accounting policies are included in the corresponding notes to the financial statements or set out below.

1. Basis of Preparation

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and requirements of the Hong Kong Companies Ordinance (Cap.622).

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements, are disclosed in relevant notes to the financial statements.

2. Changes in Significant Accounting Policies

(A) Amendments of standards first time adopted in 2021

The Group has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16) from 1 January 2021. The amendments provide practical reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative risk-free benchmark rate (the "Reform").

Up to the reporting date, no derivative or non-derivative financial instruments of the Group for which the benchmark rate had been replaced with an alternative benchmark rate. The amendments had no impact on the consolidated financial statements. The Reform also has no material impact on interest rate risk management strategy of the Group.

Negotiations with counterparties are ongoing to evaluate the appropriate changes and resetting of rates where necessary. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the Reform.

The Phase 2 amendments also provide a series of temporary exceptions from certain hedge accounting requirements when a change required by the Reform occurs to a hedged item and / or hedging instrument that permits the hedging relationship to be continued without interruption. The Group will apply the following reliefs as and when uncertainty arising from the Reform is no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Group will amend the designation of a hedging relationship to reflect changes that are required by the Reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the Reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2. Changes in Significant Accounting Policies (continued)

Transition to Phase 2 of the Reform

The Group's assessment of primary exposure to the Reform is related to the debt related cash flow and fair value hedges with cross currency interest rate swaps and / or interest rate swaps based on hedged risk of US dollar London Interbank Offered Rate (LIBOR). At 31 December 2021, it is still not certain when hedged items and hedging instruments will be amended to alternative interest rates, or how this will change the fair values and cash flows on these instruments, which casts uncertainty on the prospective assessment of the effectiveness of hedge accounting. Therefore, in assessing the hedge effectiveness requirements on a forward-looking basis, the Group has assumed that US dollar LIBOR interest rates are not altered by the Reform and has not discontinued the hedges.

The Group has established a project team to manage the transition for any of its contracts that could be affected. Fallback clauses have been introduced to the Group's key contracts as a mitigation measure.

The Group assumes that cash flows associated with designated hedge relationships will continue to be highly probable if LIBOR is replaced with an alternative interest rate. Outstanding interest rate swaps and cross currency interest rate swaps with an aggregate notional amount of HK$5,773 million equivalent are impacted by the Reform as at 31 December 2021. These swaps have been designated as hedging instruments to hedge against same notional amount of loans as the hedged items. 56% of that notional amount will mature after 30 June 2023 when the Group's applicable US dollar LIBOR rates will either cease or no longer be representative immediately after that date.

(B) Amendments to standards effective after 2021

The following amendments to standards, which may be applicable to the Group, have been issued and are effective after 2021. The Group has not elected to early adopt these amendments in 2021. The adoption of these amendments is not expected to have any significant impact on the results or the financial position of the Group.

- Amendments to HKFRS 3 Reference to the Conceptual Framework
- Amendments to HKFRS 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to HKAS 1 Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to HKAS 8 Definition of Accounting Estimates
- Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- HK Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

3. Consolidation and Equity Accounting

(A) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries up to 31 December and include the Group's interests in joint ventures and associates on the basis set out in (B) below.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries, joint ventures and associates.

(B) Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence but not control nor joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures/ associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income, until the date on which joint control or significant influence ceases. Distributions received from an investee reduce the carrying amounts of the investments.

(C) Joint operations

A joint operation is an arrangement in which the Group has joint control (as explained in (B) above), whereby the Group has rights to the assets and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under a joint operation, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of the joint operation. They are incorporated in the financial statements under appropriate headings.

(D) Change in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received, and the reattribution of other comprehensive income to non-controlling interests are recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequent accounting for the retained interest as a joint venture, associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss. Gains or losses on disposals are recognised in profit or loss.

3. Consolidation and Equity Accounting (continued)

(D) Change in ownership interests (continued)

If the ownership interest in a joint venture or associate is reduced, it is possible that joint control or significant influence is retained or a joint venture becomes an associate. As the Group continues to apply the equity method under both cases, the retained interest is not remeasured. However, a proportionate share of the amounts previously recognised in other comprehensive income of the investment is reclassified to profit or loss where appropriate.

A quick guide to the classification of equity investments:

Control → Subsidiary
Joint control → Joint venture / joint operation
Significant influence → Associate
Less than significant influence → Equity investment

4. Impairment of Non-Financial Assets

Non-financial assets that have indefinite useful lives are not subject to amortisation. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, in any case, at least annually. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units (CGUs)). Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised for the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset or a CGU less costs of disposal and its value in use.

An impairment loss recognised in prior years for an asset other than goodwill shall be reversed if, and only if, there is a favourable change in the estimates used to determine the recoverable amount of an asset. A reversal of the impairment loss is limited to the asset's carrying amount (net of accumulated amortisation or depreciation) that would have been determined had no impairment loss been recognised in prior years.

5. Inventory

Inventory comprises stores and fuel and is stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

6. Renewable Energy Products

Renewable energy and energy efficiency schemes operate through the creation, trade and surrender of energy products. Renewable energy certificates are recognised upon the risks and rewards being transferred to the Group and are measured at the lower of cost or net realisable value. Cost is calculated on a weighted average basis.

7. Employee Benefits

(A) Defined contribution plans

The Group operates and / or participates in a number of defined contribution plans. The assets of these plans are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by participating companies of the Group, and provide benefits linked to contributions and investment returns on the plans. The Group has no further legal or constructive payment obligations if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods, once the contributions have been paid.

7. Employee Benefits (continued)

(A) Defined contribution plans (continued)

Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) are not used to offset existing contributions but are credited to a reserve account of that provident fund, and are available for distribution at the discretion of the relevant employers.

Contributions to the defined contribution plans are recognised as expenses in the year to which the contributions relate, except to the extent that they are capitalised as part of the cost of qualifying assets.

(B) Defined benefit plans

The Group, through its subsidiaries, operates funded defined benefit plans for qualifying employees in Australia and India. Under the plans, the employees are entitled to lump sum benefits on retirement, death, disablement and withdrawal. The level of benefits provided depends on employees' years of service and final average salary. Plan assets held in trusts are governed by local regulations and practice in each country.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Past service costs are recognised immediately in profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

The defined benefit asset recognised in the consolidated statement of financial position represents the surplus of the fair value of plan assets over the present value of the defined benefit obligation at the end of the reporting period.

Information of our defined benefit plans can be found in Note 17(c).

(C) Incentive bonus and employee leave entitlement

Provisions are made for the estimated liability for incentive bonus and employee leave entitlement as a result of services rendered by employees up to the end of the reporting period, where there is a contractual obligation or past practice that has created a constructive obligation.

8. Foreign Currency Translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollar, which is the Group's presentation currency.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies by using the exchange rates at the end of the reporting period are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

For subsidiaries, joint ventures and associates that have a functional currency different from the Group's presentation currency for the purpose of consolidation, assets and liabilities for each statement of financial position presented are translated using the closing rates at the end of the reporting period, and income and expenses for each statement of profit or loss and other comprehensive income presented are translated at the average exchange rates for the reporting period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity. Reclassifications of gains or losses previously recognised in other comprehensive income to profit or loss are translated by using the exchange rate at the date of reclassification. The remaining reserve balances are translated using the closing rates at the end of the reporting period. Any exchange differences arising from these are taken to retained profits directly.

8. Foreign Currency Translation (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rates at the end of the reporting period.

Upon disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary/ loss of joint control over a joint venture/ loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in a joint venture or associate that do not result in the Group losing joint control or significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Monetary assets and liabilities are assets to be received and liabilities to be paid in fixed amounts. For example, a trade receivable is a monetary asset (the amount to be received is fixed) but a fixed asset is not a monetary asset because it is uncertain how much you will receive if the fixed asset is sold.

An entity can have both functional currency and presentation currency, however, a consolidation group can only have presentation currency but not functional currency. This is because presentation currency is a matter of choice but functional currency is based on the different primary economic environment in which each group entity operates.

9. Leases

The Group assesses at contract inception whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A contract conveys the right to control the use of an identified asset if the customer has both the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

For the Group as a lessor, leases in which the Group does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset to the customer, are classified as operating lease arrangements. The respective lease assets are included in the financial statements according to their nature. Operating lease payments which vary with operation parameters are recognised as revenue in the period in which they are earned.

For the Group as a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised as expenses on a straight-line basis over the lease terms. The Group recognises lease liabilities representing the obligation to make lease payments and right-of-use assets representing the right to use the underlying assets.

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are generation and supply of electricity in Hong Kong, Mainland China, Australia and India, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO) (collectively referred to as SoC Companies), are governed by a SoC Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the current SoC are summarised on pages 297 and 298, which are unaudited.

These financial statements were approved for issue by the Board of Directors on 28 February 2022.

2. Revenue

Accounting Policy

(A) Revenue from contracts with customers

Revenues from sales of electricity and gas are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured at the amounts billed to the customers based on the periodic cycle meter readings and the estimated accruals for the value of electricity and gas consumed from the meter reading date to the end of the reporting period ("unbilled revenue").

(B) Other revenue

Revenue from power purchase agreements represents operating lease income comprising capacity charge and energy charge. Capacity charge is recognised to the extent that capacity has been made available to the offtakers during the year. Energy charge is recognised when electricity is supplied.

Critical Accounting Estimates and Judgements: Unbilled Retail Revenue

The Group records revenues from retail energy sales using the accrual accounting method. In Hong Kong, the unbilled retail revenue is calculated using estimates including consumption quantity based on electricity sent-out adjusted by loss factors, pattern of residential and non-residential consumption, weather and certain other factors. In Australia, the unbilled retail revenue is calculated based on the electricity purchased and applicable tariffs for the mass market customers, as well as actual meter readings and contracted rates for commercial and industrial customers. The amount is adjusted for physical energy loss and other measurable factors. Unbilled retail revenue of the Group (included in trade and other receivables) totalled HK$3,186 million at 31 December 2021 (2020: HK$3,478 million).

2. Revenue (continued)

The Group's revenue primarily represents sales of electricity and gas, which is recognised over time, and is disaggregated as follows:

	2021 HK$M	2020 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**45,222**	41,798
Transfer for SoC from revenue (Note 25(A))	**(1,183)**	(660)
SoC sales of electricity	**44,039**	41,138
Sales of electricity outside Hong Kong	**29,719**	29,747
Sales of gas in Australia	**5,121**	5,077
Others	**1,174**	811
	80,053	76,773
Other revenue		
Power purchase agreements (note)		
Fixed capacity charge	**593**	607
Variable capacity charge	**267**	284
Energy charge	**2,704**	1,587
Others	**342**	339
	3,906	2,817
	83,959	79,590

Note: Revenue from power purchase agreements (PPAs) relate to 25-year offtake contracts between Jhajjar Power Limited (JPL) and its offtakers. PPAs are accounted for as operating leases with contract prices mainly comprising capacity and energy charges. Certain capacity charge is considered as in-substance fixed payment as it is payable for maintaining availability of the plant for the dispatch of electricity. Energy charge varies according to the amount of fuel consumed in the production of electricity.

The following table sets out a maturity analysis of lease payments, showing the total undiscounted fixed capacity charge to be received by JPL's PPAs after the reporting date:

	2021 HK$M	2020 HK$M
Within one year	**421**	597
Between one and two years	**418**	426
Between two and three years	**410**	422
Between three and four years	**406**	415
Between four and five years	**423**	410
Over five years	**3,646**	4,115
	5,724	6,385

3. Segment Information

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is the chief operating decision-maker of the Group. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions.

Segment revenue is based on the geographical region in which the electricity is generated and / or services are rendered. Segment capital additions represent the total costs incurred during the year to acquire fixed assets and other segment assets that are expected to be used for more than one year. Unallocated items comprise mainly corporate expenses, corporate assets, and the Company's liquid funds and borrowings.

Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

The Group operates, through its subsidiaries, joint ventures and associates, in five major geographical regions – Hong Kong, Mainland China, Australia, India and Southeast Asia and Taiwan.

3. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2021							
Revenue from contracts with customers	44,869	1,747	32,215	1,218	4	–	80,053
Other revenue	125	53	56	3,648	–	24	3,906
Revenue	44,994	1,800	32,271	4,866	4	24	83,959
EBITDAF	17,471	1,539	1,230	1,189	296	(819)	20,906
Share of results, net of income tax							
Joint ventures	(20)	(271)	–	–	194	–	(97)
Associates	–	2,071	–	–	–	–	2,071
Consolidated EBITDAF	17,451	3,339	1,230	1,189	490	(819)	22,880
Depreciation and amortisation	(5,507)	(807)	(2,327)	(617)	–	(50)	(9,308)
Fair value adjustments	(20)	–	(477)	–	–	–	(497)
Finance costs	(907)	(253)	(133)	(436)	–	(15)	(1,744)
Finance income	39	14	7	42	–	6	108
Profit / (loss) before income tax	11,056	2,293	(1,700)	178	490	(878)	11,439
Income tax (expense) / credit	(2,040)	(329)	524	(52)	(68)	–	(1,965)
Profit / (loss) for the year	9,016	1,964	(1,176)	126	422	(878)	9,474
Earnings attributable to							
Perpetual capital securities holders	(138)	–	–	–	–	–	(138)
Other non-controlling interests	(789)	(3)	–	(53)	–	–	(845)
Earnings / (loss) attributable to shareholders	8,089	1,961	(1,176)	73	422	(878)	8,491
Excluding: Items affecting comparability	34	–	1,093	148	(249)	–	1,026
Operating earnings	8,123	1,961	(83)	221	173	(878)	9,517
Capital additions	10,443	826	2,666	174	–	47	14,156
Impairment provisions							
Fixed assets	–	–	–	330	–	–	330
Receivables and others	11	–	214	31	–	–	256
At 31 December 2021							
Fixed assets, right-of-use assets and investment property	126,255	9,960	14,551	11,175	–	213	162,154
Goodwill and other intangible assets	5,545	3,675	10,476	14	–	–	19,710
Interests in and loans to joint ventures	1,191	7,531	–	–	1,880	–	10,602
Interests in associates	–	8,769	–	–	–	–	8,769
Deferred tax assets	5	88	246	37	–	–	376
Other assets	12,737	5,375	12,566	3,985	72	3,463	38,198
Total assets	145,733	35,398	37,839	15,211	1,952	3,676	239,809
Bank loans and other borrowings	46,351	5,856	–	6,008	–	–	58,215
Current and deferred tax liabilities	15,655	1,220	7	318	35	–	17,235
Other liabilities	24,291	1,252	11,153	467	2	485	37,650
Total liabilities	86,297	8,328	11,160	6,793	37	485	113,100

EBITDAF stands for earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on non-debt related derivative financial instruments relating to transactions not qualifying for hedge accounting and ineffectiveness of cash flow hedges.

Our investments in Mainland China are mainly through joint ventures and associates, whereby under equity method of accounting, CLP shares its proportionate earnings but not the revenues and expenses.

3. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2020							
Revenue from contracts with customers	41,776	1,672	32,265	1,054	6	–	76,773
Other revenue	117	36	92	2,562	–	10	2,817
Revenue	41,893	1,708	32,357	3,616	6	10	79,590
EBITDAF	16,288	1,590	4,117	1,481	(13)	(731)	22,732
Share of results, net of income tax							
Joint ventures	(19)	493	(76)	–	399	–	797
Associates	–	1,725	–	–	–	–	1,725
Consolidated EBITDAF	16,269	3,808	4,041	1,481	386	(731)	25,254
Depreciation and amortisation	(5,082)	(747)	(2,000)	(597)	–	(50)	(8,476)
Fair value adjustments	20	–	440	–	–	–	460
Finance costs	(1,012)	(255)	(110)	(486)	–	(10)	(1,873)
Finance income	16	18	22	46	–	34	136
Profit / (loss) before income tax	10,211	2,824	2,393	444	386	(757)	15,501
Income tax expense	(1,870)	(314)	(703)	(106)	–	–	(2,993)
Profit / (loss) for the year	8,341	2,510	1,690	338	386	(757)	12,508
Earnings attributable to							
Perpetual capital securities holders	(138)	–	–	–	–	–	(138)
Other non-controlling interests	(744)	(7)	–	(163)	–	–	(914)
Earnings / (loss) attributable to shareholders	7,459	2,503	1,690	175	386	(757)	11,456
Excluding: Items affecting comparability	121	–	–	–	–	–	121
Operating earnings	7,580	2,503	1,690	175	386	(757)	11,577
Capital additions	8,322	238	3,649	42	–	117	12,368
Impairment provisions							
Fixed assets	–	–	–	68	–	–	68
Goodwill	–	–	–	12	–	–	12
Receivables and others	19	–	490	10	–	–	519
At 31 December 2020							
Fixed assets, right-of-use assets and investment property	121,874	9,375	14,917	10,118	–	231	156,515
Goodwill and other intangible assets	5,545	3,936	11,064	14	–	–	20,559
Interests in and loans to joint ventures	693	8,104	–	–	2,220	–	11,017
Interests in associates	–	9,181	–	–	–	–	9,181
Deferred tax assets	3	88	460	20	–	–	571
Other assets	10,337	3,699	14,147	4,316	40	3,851	36,390
Total assets	138,452	34,383	40,588	14,468	2,260	4,082	234,233
Bank loans and other borrowings	43,257	5,769	–	5,322	–	–	54,348
Current and deferred tax liabilities	15,515	1,204	104	305	–	–	17,128
Other liabilities	22,886	1,016	11,940	460	2	481	36,785
Total liabilities	81,658	7,989	12,044	6,087	2	481	108,261

Items affecting comparability refer to significant unusual events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, provision for legal disputes and change in law or natural catastrophe. They have no impact in assessing the underlying operating performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 30.

4. Other Charge

On 11 March 2021, EnergyAustralia Holdings Limited (EnergyAustralia) and certain subsidiaries reached a settlement agreement (the Settlement) with Lochard Energy (Iona Operations Holding) Pty Ltd (Lochard Energy) together with certain of its related entities, and QIC Private Capital Pty Ltd (QPC), who acted for Lochard Energy on the relevant transaction and against whom EnergyAustralia made a third party claim. The Settlement was for the full and final settlement of all claims made by Lochard Energy against EnergyAustralia arising from the disposal of Iona Gas Plant. The Settlement included, mainly, payments made by EnergyAustralia to Lochard Energy and QPC (which amounted to HK$1,110 million (A$185 million) (after tax: HK$777 million (A$130 million))) and secondly, an extension of the existing long term commercial relationship regarding the provision of gas storage services at Iona Gas Plant for EnergyAustralia.

5. Operating Profit

Operating profit is stated after charging / (crediting) the following:

	2021 HK$M	2020 HK$M
Charging		
Retirement benefits costs [(a)]	**510**	462
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**41**	39
Other auditor [(b)]	**2**	2
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**10**	11
Other auditor [(b)]	**–**	–
Variable lease expenses	**15**	10
Net losses on disposal of fixed assets	**386**	358
Impairment of		
Fixed assets [(d)]	**330**	68
Goodwill	**–**	12
Inventories – stores and fuel	**12**	8
Trade receivables	**244**	511
Revaluation loss on investment property	**34**	121
Morwell River Diversion solution [(e)]	**452**	–
Crediting		
Gain on sale of a subsidiary	**(79)**	–
Gain on sale of a joint venture [(f)]	**(307)**	–
Rental income from investment property	**(25)**	(26)
Dividends from equity investments	**(15)**	(13)
Net fair value (gains) / losses on non-debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve and cost of hedging reserve to		
Purchases and distributions of electricity and gas	**(1,182)**	66
Fuel and other operating expenses	**(39)**	196
Ineffectiveness of cash flow hedge	**(100)**	(2)
Not qualified for hedge accounting	**631**	(579)
Fair value (gains) / losses on investments at fair value through profit or loss	**(163)**	16
Net exchange gains	**(8)**	(102)

5. Operating Profit (continued)

Notes:

(a) Retirement benefits costs for the year amounted to HK$652 million (2020: HK$606 million), of which HK$142 million (2020: HK$144 million) was capitalised.

(b) KPMG India has been the statutory auditor of Apraava Energy Private Limited (Apraava Energy) and its subsidiaries (Apraava Energy group) since April 2017. The Group does not regard KPMG India as a principal auditor of the Group given the relative small quantum of the audit fees, which reflect the scale of operations of Apraava Energy group. Our policy with regard to non-principal auditors for providing non-audit services is to ensure that, within country, the non-audit fees are not paid out of proportion to the audit fees so as to compromise in-country independence. The figure of audit related and non-audit services represented KPMG India's fees charged to Apraava Energy group. Other KPMG offices have also provided services to our businesses in other regions which amounted to HK$14 million during the year (2020: HK$16 million).

(c) Permissible audit related and non-audit services provided by PricewaterhouseCoopers comprised Sustainability Report limited assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, audits of CLP's provident funds, auditor's attestation and other advisory services.

(d) During the year, management's view on the long-term outlook of Jhajjar Power Station (Jhajjar) has changed. In particular, management viewed it unlikely that Jhajjar's PPAs with the offtakers would be renewed after their expiry in 2037. An impairment test for Jhajjar was performed and an impairment provision for fixed assets of HK$330 million (Rs3,145 million) (after tax: HK$247 million or Rs2,353 million) was recognised as at 31 December 2021 (2020: nil). The recoverable amount tested for impairment has been determined based on a value in use calculation. An estimated pre-tax discount rate of 11.13% was used in estimating Jhajjar's value in use. In forecasting cash flows, management has restricted the time period of the PPAs. Management does not consider that reasonably possible changes in assumptions would have a material impact on the recoverable amount.

(e) During June 2021, exceptionally heavy rainfall was recorded throughout the Latrobe Valley region where the Yallourn coal-fired power station and mine are located. The rain resulted in heightened water flows through the Morwell River Diversion (MRD) which runs through the Yallourn mine site. While there was no flooding in the mine, cracks were discovered in the MRD structures. Examination of the extent of the damage to the MRD along with potential rectification options is being progressed and is expected to be completed by mid-2022. Total expenditure of HK$452 million (A$78 million) (after tax: HK$316 million or A$54 million) was recognised for immediate repairs and damage assessment. At 31 December 2021, although longer-term rectification works were still dependent on the outcome following completion of dewatering assessment activities and the respective agreement with the government, no material outflow of economic benefit was expected.

(f) Upon the financial close of Vung Ang II, a legacy coal-fired project in Vietnam, in November 2021, the Group received the contingent and remaining consideration from the sale of its entire interest in a joint venture, OneEnergy Asia Limited, and a gain of HK$307 million (after tax: HK$249 million) was recognised.

6. Finance Costs and Income

Accounting Policy

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

Interest and other finance income is recognised on a time proportion basis using the effective interest method.

6. Finance Costs and Income (continued)

	2021 HK$M	2020 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**522**	738
Other borrowings	**1,118**	1,106
Tariff Stabilisation Fund [(a)]	**3**	18
Customers' deposits and fuel clause over-recovery	**–**	32
Lease liabilities	**57**	37
Net fair value changes on debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve	**316**	(261)
Reclassified from cost of hedging reserve	**(8)**	5
Ineffectiveness of cash flow hedges	**1**	2
Fair value hedge		
Net fair value losses / (gains)	**193**	(303)
Reclassified from cost of hedging reserve	**14**	14
Ineffectiveness of fair value hedges	**–**	1
Not qualified for hedge accounting	**10**	36
Net fair value (gains) / losses on hedged items in fair value hedges	**(193)**	303
Net exchange (gains) / losses on financing activities	**(175)**	247
Finance charges	**203**	204
	2,061	2,179
Less: amount capitalised [(b)]	**(317)**	(306)
	1,744	1,873
Finance income		
Interest income on		
Bank deposits	**59**	108
Loans to joint ventures and others	**49**	28
	108	136

Notes:

(a) In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund (Note 25(B)).

(b) Finance costs of the Group's general borrowings have been capitalised at average interest rates of 2.64% – 4.32% (2020: 2.92% – 4.81%) per annum.

7. Income Tax Expense

Income tax in the consolidated statement of profit or loss represents the income tax of the Company and subsidiaries and is analysed below:

	2021 HK$M	2020 HK$M
Current income tax	1,720	2,529
Deferred tax	245	464
	1,965	2,993

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021 HK$M	2020 HK$M
Profit before income tax	11,439	15,501
Less: Share of results of joint ventures and associates, net of income tax	(1,974)	(2,522)
	9,465	12,979
Calculated at an income tax rate of 16.5% (2020: 16.5%)	1,562	2,142
Effect of different income tax rates in other countries	14	529
Income not subject to tax	(115)	(90)
Expenses not deductible for tax purposes*	616	286
Revenue adjustment for SoC not subject to tax	195	109
(Over)/under-provision in prior years*	(312)	11
Tax losses not recognised	5	6
Income tax expense	1,965	2,993

* Included the tax implication of HK$333 million in relation to the settlement of claims arising from the disposal of Iona Gas Plant (Note 4). The Settlement is treated as a non-deductible expense in current year with a corresponding adjustment to the prior year's tax return when the initial sales proceeds were recognised in 2015.

8. Dividends

	2021 HK$ per Share	2021 HK$M	2020 HK$ per Share	2020 HK$M
First to third interim dividends paid	1.89	4,775	1.89	4,775
Fourth interim dividend declared	1.21	3,057	1.21	3,057
	3.10	7,832	3.10	7,832

At the Board meeting held on 28 February 2022, the Directors declared the fourth interim dividend of HK$1.21 per share (2020: HK$1.21 per share). The fourth interim dividend is not reflected as a dividend payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2021	2020
Earnings attributable to shareholders (HK$M)	**8,491**	11,456
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**3.36**	4.53

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the years ended 31 December 2021 and 2020.

10. Fixed Assets

Accounting Policy

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the fixed asset. Cost may also include transfer from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For any asset replacement, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the period in which they are incurred.

Depreciation of fixed assets is calculated, using the straight-line method, to allocate their costs to their estimated residual values over their estimated useful lives. The estimated useful lives of the fixed assets are set out below:

	SoC fixed assets	Non-SoC fixed assets
Freehold land	not applicable	not depreciable
Cable tunnels	100 years	30 years
Buildings and civil structures at power stations	35 years	20 – 50 years
Ash lagoon	35 years	20 – 40 years
Other buildings and civil structures	60 years	10 – 60 years
Generating plants	25 – 45 years*	10 – 41 years
Overhead lines (33kV and above)	60 years	20 – 40 years
Overhead lines (below 33kV)	45 years	18 – 20 years
Cables	60 years	10 – 30 years
Switchgear and transformers	50 years	15 – 35 years
Substation miscellaneous	25 years	15 – 20 years
Meters	15 years	10 – 15 years
Other equipment, furniture and fittings, motor vehicles and marine crafts	5 – 10 years	2 – 30 years

* Useful lives of certain generating plants have been extended by 10 – 20 years after mid-life refurbishments

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. For plant under construction, no depreciation is provided until the construction is completed and the assets are ready for their intended use. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

10. Fixed Assets (continued)

Critical Accounting Estimates and Judgements

(A) Assessment of the Carrying Value of Generation Assets in Australia

Given continued changes in the National Electricity Market (NEM) in Australia and changes in the supply and demand equilibrium, risk is introduced in market modelling which heightens the criticality of this judgement area. As part of making these critical judgements, risks do exist in the assumptions made around supply and demand with regard to the Group's generation assets in Australia. In certain circumstances, where demand expectations and supply side responses vary substantially from the assumptions made, particularly in regard to the transition to renewable energy sources and uses, significant changes in the value of the assets could eventuate.

When determining the recoverable amount of the generation assets, scenarios are produced which reflect a range of economic conditions that could exist over the life of the CGU. The scenarios consider a broad range of outcomes including increased renewable generation, emissions reduction and carbon pricing schemes, potential regulatory changes and the impact to the useful lives of the Group's generation assets. The scenarios are then considered in terms of likelihood to arrive at management's best estimate of recoverable amount.

Key estimates and assumptions for assessing the carrying value of the generation assets are as follows:

- Critical judgement exists in estimating forward electricity pool prices (the forward curve), generation volumes, retail volumes, gas prices and long-term assumptions around market movements and growth rates. A terminal growth rate, informed by expectations around the lives of generation assets and market expectations, has been used when estimating cash flows beyond a period of ten years. The forward curve has a significant impact on the accounting for certain items including value in use calculations for impairment purposes.
- Operating costs are escalated by relevant cost drivers using activity-based costing principles. Non-contracted fuel costs are based on management's estimate of future fuel prices.

The impairment testing result of the Group's generation CGU in Australia suggests that minimal headroom remains. As a result, any material adverse shift in a key assumption is likely to result in a potential impairment. The Group will continually perform the generation CGU valuation as the market and the Group transition towards a cleaner energy future.

Management particularly considers the generation CGU to be highly sensitive to a weakening of expected long-term wholesale prices and a further accelerated exit for the Mount Piper power station. A further shortening of Mount Piper power station's expected life or decrease in long-term wholesale prices whilst holding all other assumptions static, could result in the carrying value of the CGU no longer being supported.

(B) Assessment of the Carrying Values of Fixed Assets and Right-of-use Assets in Other Regions

The Group has also made substantial investments in fixed assets and right-of-use assets (mainly leasehold land and land use rights) in other regions. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Determining whether an asset or a CGU should be impaired requires an estimation of the recoverable amount, which requires the Group to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Group operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the present value of the expected cash flows is less than the asset's carrying amount, an impairment loss may arise. During 2021, after reviewing the business environment as well as the Group's strategies and past performance of the investments, management concluded that there was an impairment for fixed assets of HK$330 million relating to Jhajjar (Note 5(d)).

10. Fixed Assets (continued)

Fixed assets included assets under construction with book value of HK$14,744 million (2020: HK$9,769 million). The movements during the year are set out below:

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2020	1,181	21,264	121,170	143,615
Acquisitions of subsidiaries	49	–	532	581
Additions	–	1,325	9,363	10,688
Transfers and disposals	(91)	(44)	(483)	(618)
Depreciation	–	(738)	(6,458)	(7,196)
Impairment charge	(11)	–	(57)	(68)
Exchange differences	6	181	1,265	1,452
Net book value at 31 December 2020	1,134	21,988	125,332	148,454
Cost	1,247	36,574	230,720	268,541
Accumulated depreciation and impairment	(113)	(14,586)	(105,388)	(120,087)
Net book value at 31 December 2020	1,134	21,988	125,332	148,454
Net book value at 1 January 2021	1,134	21,988	125,332	148,454
Acquisition of a subsidiary (note)	–	1	1,910	1,911
Disposal of a subsidiary	–	–	(10)	(10)
Additions	–	1,304	11,846	13,150
Transfers and disposals	(1)	(78)	(430)	(509)
Depreciation	–	(816)	(7,327)	(8,143)
Impairment charge	–	(44)	(286)	(330)
Exchange differences	(25)	53	(493)	(465)
Net book value at 31 December 2021	**1,108**	**22,408**	**130,542**	**154,058**
Cost	1,215	37,795	240,885	279,895
Accumulated depreciation and impairment	(107)	(15,387)	(110,343)	(125,837)
Net book value at 31 December 2021	**1,108**	**22,408**	**130,542**	**154,058**

Note: In December 2021, the Group acquired 49% interest in Kohima-Mariani Transmission Limited (KMTL) for a consideration of HK$342 million (Rs3,331 million), with an option to acquire the remaining 51% interest in subsequent years. KMTL owns and operates 251km of 400kV transmission lines in Manipur, Nagaland and Assam States, India. KMTL is treated as a subsidiary because the Group has control over the company from an accounting perspective. The Group considers that the combination of call and put options gives the Group access to the returns over the remaining 51% interest in KMTL. The transaction is accounted for as an asset acquisition since substantially all of the fair value of the gross assets acquired was primarily concentrated in the transmission assets.

On 9 March 2021, EnergyAustralia entered into an agreement with the State Government of Victoria, Australia on the advanced retirement of the Yallourn coal-fired power station to mid-2028 (four years prior to the end of its technical life). In September 2021, EnergyAustralia announced the accelerated exit of the Mount Piper coal-fired power station in New South Wales by three years, as part of a plan to accelerate its exit from coal generation. As a result, the estimated useful lives of relevant fixed assets were revised with an increase of depreciation of HK$191 million (A$33 million) charged to profit or loss in 2021.

11. Right-of-Use Assets

Accounting Policy

The Group as a lessee recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

The Group has lease contracts for land and buildings and various items of plant, machinery and equipment used in its operations. The movements during the year are set out below:

	Prepaid Leasehold Land [(a)] HK$M	Land and Buildings [(b)] HK$M	Plant, Machinery and Equipment [(b)] HK$M	Total HK$M
Net book value at 1 January 2020	5,782	187	81	6,050
Acquisition of a subsidiary	–	1	3	4
Additions	7	618	604	1,229
Depreciation	(196)	(129)	(27)	(352)
Exchange differences	10	51	69	130
Net book value at 31 December 2020	5,603	728	730	7,061
Net book value at 1 January 2021	5,603	728	730	7,061
Acquisition of a subsidiary	3	–	–	3
Additions	456	19	19	494
Transfers and disposals	–	–	(23)	(23)
Depreciation	(202)	(96)	(44)	(342)
Exchange differences	4	(33)	(34)	(63)
Net book value at 31 December 2021	**5,864**	**618**	**648**	**7,130**

Notes:

(a) Prepaid leasehold land represents upfront lease payments, including land premium, on lease of land with the tenure of 20 to 75 years.

(b) The Group has leased several assets including a water treatment plant, offices and battery storage facilities. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 2 to 30 years.

12. Investment Property

Accounting Policy

Investment properties include properties that are being constructed or developed for future use as investment properties. Land held under an operating lease is accounted for as an investment property when the rest of the definition of an investment property under the accounting standard is met. Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Any gains and losses arising from changes in the fair value or from the retirement or disposal of an investment property are recognised in profit or loss in the period in which they arise.

12. Investment Property (continued)

	2021 HK$M	2020 HK$M
At 1 January	**1,000**	1,121
Revaluation loss	**(34)**	(121)
At 31 December	**966**	1,000

Investment property represents the commercial interest of the retail portion of the Laguna Mall in Hong Kong, which is leased out by the Group under operating leases.

Investment property was valued by Cushman & Wakefield Limited (Cushman), an independent qualified valuer, who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment property valued.

Cushman has valued the property at 31 December 2021 by using the income capitalisation approach, cross-referenced with comparable market transactions. The income capitalisation approach is based on the capitalisation of the existing rental / licence income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate capitalisation rates that by reference to the yields achieved in analysed market sales transactions and as expected by investors. The significant unobservable input is the capitalisation rates adopted for the valuation which are ranging from 3.90% to 4.15% (2020: 3.90% to 4.15%). The fair value is negatively correlated to the capitalisation rate.

The fair value measurement of the Group's investment property is categorised within Level 3 of the fair value hierarchy at 31 December 2021 and 2020.

13. Goodwill and Other Intangible Assets

Accounting Policy

(A) Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and cannot be subsequently reversed.

(B) Other intangible assets

Intangible assets other than goodwill are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment

The recoverable amounts of CGUs with allocated goodwill are determined based on value in use calculations, which use cash flow projections as at 31 December 2021. These cash flow projections are derived from the approved business plan which has considered ongoing cost optimisation initiatives and a forecast covering a period of ten years which have incorporated necessary updates. Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long-dated nature of our generation and electricity supply assets and a more appropriate reflection of future cash flows from potential legislative, regulatory and structural changes in the industry.

Energy retail business in Australia

Key assumptions for value in use calculations

The key assumptions used in the value in use calculations reflect a combination of internal and external factors impacting gross margin, number of customer accounts and discount rates.

The assumptions impacting gross margin include:

- Retail tariffs are sensitive to regulatory changes including regulation and deregulation, and based on management estimates and expectations of current and expected market conditions arising from known and potential regulatory outcomes.
- Electricity and gas volumes for purchases and sales in the short term represent the forecast projections in EnergyAustralia's Business Plan. External information is used to verify and align internal estimates.
- Electricity and gas network (transmission and distribution) cost assumptions are based on published regulated prices. When no estimates are available, network costs are assumed to escalate by the relevant consumer price index.
- Electricity pool prices, generation volumes, dispatch levels and gas prices were derived using modelling of the electricity and gas wholesale markets. NEM modelling is prepared internally using, where possible, observable inputs. The modelling used for the electricity and gas wholesale markets is based on experience and observable market activity.

Other assumptions include:

- The number of customer accounts in the short term for electricity and gas aligns with EnergyAustralia's Business Plan.
- The cash flow projections are discounted using a pre-tax discount rate of 9.9% (2020: 9.9%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.
- A long term growth rate of 2.8% (2020: 2.5%) is applied in the terminal value calculation after the first ten years of cash flows.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment (continued)

Energy retail business in Australia (continued)

Sensitivity analysis for the energy retail CGU valuation

When undertaking the value in use calculation of our retail CGU at year end, the results indicate that marginal headroom remains. The energy retail CGU valuation is sensitive to certain key assumptions, in particular, gross margin and customer accounts growth. Both retail tariffs and customer account growth assumptions are judgemental and have a direct impact on our CGU valuation. Movements in discount rates, whilst driven by different assumptions, would also have an impact.

- A 5% decrease in long term gross margin would decrease the recoverable amount by HK$1,896 million (A$335 million).
- A 1% decrease in long term annual customer growth rate would decrease the recoverable amount by HK$1,823 million (A$322 million).
- An increase in the discount rate of 0.5% would decrease the recoverable amount by HK$1,783 million (A$315 million).

These sensitivities are based on a change in the relevant assumption while holding other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. As a result of the marginal headroom, any material adverse shift in a key assumption without any favourable valuation movement is likely to result in a potential impairment. Up to the date of this report, there were no confirmed material changes in any of the key assumptions mentioned above that would have caused the recoverable amount to be less than its carrying value.

Hong Kong electricity business

The key assumptions used in the value in use calculation are as follows:

- Goodwill arising from the CAPCO acquisition has been allocated to CLP Power Hong Kong and CAPCO as a combined CGU as the acquisition is considered beneficial to the whole SoC business.
- The electricity tariff for the supply of electricity in meeting the demand of customers in Hong Kong over the forecast periods is determined with reference to the rate-setting mechanism under the SoC.
- The forecast for electricity demand is based on the load forecast to support local infrastructure development and meeting customer load requirements, maintaining safety and supply reliability, and meeting environmental requirements.
- Expenditures for the supply of electricity in meeting the forecast demand are based on committed purchase contracts where applicable, and inputs on cost trends specific to the electricity business in Hong Kong. Such forecast aligns with the projection in the Business Plan for our Hong Kong electricity business, with capital expenditures for the periods to year 2023 aligned with those forecasted in the approved Development Plan.
- Terminal value of the CGU is adopted to estimate the cash flows to be generated for the periods beyond ten years. This is expressed as a multiple of net asset values which corresponds to our return model based on fixed assets investment. The terminal value is a multiple of 1.2 times of the net asset values forecasted as at the end of 2031.
- The cash flow projections are discounted using a pre-tax discount rate of 9.82% (2020: 9.80%), or a post-tax return of 8.00% (2020: 8.00%) which reflects the SoC return rate applicable to the electricity business in Hong Kong.

Up to the date of this report, there were no reasonably possible changes in any of the key assumptions mentioned above that would have caused the recoverable amount of this CGU to be less than its carrying value.

13. Goodwill and Other Intangible Assets (continued)

	Goodwill [(a)] HK$M	Capacity Right [(b)] HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2020	14,128	4,166	1,817	20,111
Acquisition of a subsidiary	42	–	–	42
Additions	–	11	440	451
Disposals	–	–	(35)	(35)
Amortisation	–	(276)	(652)	(928)
Impairment charge	(12)	–	–	(12)
Exchange differences	788	–	142	930
Net carrying value at 31 December 2020	14,946	3,901	1,712	20,559
Cost	22,033	5,727	8,276	36,036
Accumulated amortisation and impairment	(7,087)	(1,826)	(6,564)	(15,477)
Net carrying value at 31 December 2020	14,946	3,901	1,712	20,559
Net carrying value at 1 January 2021	14,946	3,901	1,712	20,559
Additions	–	16	496	512
Disposals	–	–	(2)	(2)
Amortisation	–	(279)	(544)	(823)
Exchange differences	(455)	–	(81)	(536)
Net carrying value at 31 December 2021	**14,491**	**3,638**	**1,581**	**19,710**
Cost	21,232	5,743	6,286	33,261
Accumulated amortisation and impairment	(6,741)	(2,105)	(4,705)	(13,551)
Net carrying value at 31 December 2021	**14,491**	**3,638**	**1,581**	**19,710**

Notes:

(a) Goodwill mainly arose from the acquisitions of energy retail business in Australia of HK$8,854 million (2020: HK$9,308 million) and the acquisition of CAPCO under Hong Kong electricity business of HK$5,545 million (2020: HK$5,545 million).

(b) Capacity right represents the right to use 50% of the pumped storage capacity of Phase I of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.

14. Interests in and Loans to Joint Ventures Accounting Policy No. 3(B)

The table below lists the material joint ventures of the Group at 31 December 2021:

Name	% of Ownership Interest at 31 December 2020 and 2021	Place of Incorporation / Business	Principal Activity
CSEC Guohua International Power Company Limited (CSEC Guohua) [(a)]	30	Mainland China	Generation of electricity
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) [(b)]	70 [(c)]	Mainland China	Generation of electricity
Hong Kong LNG Terminal Limited (HKLTL)	49 [(d)]	Hong Kong	Development, construction, operation, maintenance and owning of LNG terminal and provision of related services
OneEnergy Taiwan Ltd (OneEnergy Taiwan) [(e)]	50	British Virgin Islands / Taiwan	Investment holding
ShenGang Natural Gas Pipeline Company Limited (SNGPC) [(b)]	40	Mainland China	Natural gas transportation
Shandong Zhonghua Power Company, Ltd. (SZPC) [(f)]	29.4	Mainland China	Generation of electricity

Notes:

(a) Registered as Sino-Foreign Joint Stock Company under People's Republic of China (PRC) law

(b) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law

(c) Under the joint venture agreement, none of the joint venture partners has unilateral control over the economic activities of Fangchenggang and hence, the Group's interest is accounted for as a joint venture

(d) HKLTL is 70% owned by CAPCO which is 70% owned by CLP Power Hong Kong

(e) OneEnergy Taiwan indirectly owns 40% interest in Ho-Ping Power Company

(f) Registered as Sino-Foreign Cooperative Joint Venture Enterprise under PRC law

More detailed information of our joint ventures can be found on "Our Portfolio" on pages 308 to 311 of the Annual Report.

14. Interests in and Loans to Joint Ventures (continued)

Summarised financial information of joint ventures and the Group's share of results and net assets are as follows:

	CSEC Guohua HK$M	Fang-chenggang HK$M	HKLTL HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	SZPC HK$M	Others HK$M	Total HK$M
For the year ended 31 December 2021								
Revenue	**14,433**	**4,395**	**1**	**–**	**1,115**	**5,892**	**1,356**	**27,192**
Depreciation and amortisation	**(1,411)**	**(250)**	**–**	**–**	**(194)**	**(1,173)**	**(480)**	**(3,508)**
Interest income	**11**	**12**	**–**	**–**	**2**	**1**	**2**	**28**
Interest expense	**(199)**	**(232)**	**–**	**–**	**(17)**	**(85)**	**(48)**	**(581)**
Other expenses	**(14,151)**	**(4,106)**	**(1)**	**(3)**	**(177)**	**(5,919)**	**(374)**	**(24,731)**
Share of results of joint ventures	**–**	**–**	**–**	**252**	**–**	**–**	**(29)**	**223**
(Loss) / profit before income tax	**(1,317)**	**(181)**	**–**	**249**	**729**	**(1,284)**	**427**	**(1,377)**
Income tax credit / (expense)	**393**	**46**	**–**	**–**	**(184)**	**167**	**(113)**	**309**
(Loss) / profit for the year	**(924)**	**(135)**	**–**	**249**	**545**	**(1,117)**	**314**	**(1,068)**
Non-controlling interests	**431**	**–**	**–**	**–**	**–**	**–**	**–**	**431**
(Loss) / profit for the year attributable to shareholders	**(493)**	**(135)**	**–**	**249**	**545**	**(1,117)**	**314**	**(637)**
(Loss) / profit for the year	**(924)**	**(135)**	**–**	**249**	**545**	**(1,117)**	**314**	**(1,068)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Total comprehensive income	**(924)**	**(135)**	**–**	**249**	**545**	**(1,117)**	**294**	**(1,088)**
Group's share								
(Loss) / profit for the year attributable to shareholders	**(148)**	**(95)**	**–**	**124**	**218**	**(328)**	**132**	**(97)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Total comprehensive income	**(148)**	**(95)**	**–**	**124**	**218**	**(328)**	**128**	**(101)**
Dividend income from joint ventures	**13**	**46**	**–**	**501**	**91**	**72**	**158**	**881**
For the year ended 31 December 2020								
Revenue	11,688	3,934	1	–	949	4,662	1,516	22,750
Depreciation and amortisation	(1,368)	(230)	–	–	(179)	(964)	(433)	(3,174)
Interest income	9	9	–	–	2	1	3	24
Interest expense	(198)	(242)	–	–	(29)	(101)	(63)	(633)
Other expenses	(9,933)	(3,025)	(1)	(2)	(163)	(3,525)	(789)	(17,438)
Share of results of joint ventures	–	–	–	732	–	–	(2)	730
Profit before income tax	198	446	–	730	580	73	232	2,259
Income tax expense	(77)	(113)	–	–	(145)	(105)	(119)	(559)
Profit / (loss) for the year	121	333	–	730	435	(32)	113	1,700
Non-controlling interests	(123)	–	–	–	–	–	–	(123)
(Loss) / profit for the year attributable to shareholders	(2)	333	–	730	435	(32)	113	1,577
Profit / (loss) for the year	121	333	–	730	435	(32)	113	1,700
Other comprehensive income	–	–	–	–	–	–	4	4
Total comprehensive income	121	333	–	730	435	(32)	117	1,704
Group's share								
(Loss) / profit for the year attributable to shareholders	(1)	234	–	365	174	(9)	34	797
Other comprehensive income	–	–	–	–	–	–	2	2
Total comprehensive income	(1)	234	–	365	174	(9)	36	799
Dividend income from joint ventures	43	252	–	9	140	52	125	621

14. Interests in and Loans to Joint Ventures (continued)

	CSEC Guohua HK$M	Fang-chenggang HK$M	HKLTL HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	SZPC HK$M	Others HK$M	Total HK$M
At 31 December 2021								
Non-current assets	**20,691**	**7,811**	**2,105**	**3,302**	**3,848**	**4,187**	**4,664**	**46,608**
Current assets								
Cash and cash equivalents	**1,647**	**473**	**1**	**7**	**251**	**–**	**297**	**2,676**
Other current assets	**1,811**	**1,085**	**1**	**2**	**75**	**1,202**	**1,292**	**5,468**
	3,458	**1,558**	**2**	**9**	**326**	**1,202**	**1,589**	**8,144**
Current liabilities								
Financial liabilities [a]	**(3,528)**	**(642)**	**–**	**–**	**(169)**	**(2,649)**	**(175)**	**(7,163)**
Other current liabilities [a]	**(1,942)**	**(758)**	**(517)**	**–**	**(276)**	**(2,679)**	**(444)**	**(6,616)**
	(5,470)	**(1,400)**	**(517)**	**–**	**(445)**	**(5,328)**	**(619)**	**(13,779)**
Non-current liabilities								
Financial liabilities [a]	**(2,645)**	**(4,917)**	**–**	**–**	**(146)**	**(50)**	**(686)**	**(8,444)**
Shareholders' loans	**–**	**–**	**(1,590)**	**–**	**–**	**–**	**(30)**	**(1,620)**
Other non-current liabilities [a]	**(1,934)**	**(58)**	**–**	**–**	**(702)**	**(11)**	**(19)**	**(2,724)**
	(4,579)	**(4,975)**	**(1,590)**	**–**	**(848)**	**(61)**	**(735)**	**(12,788)**
Non-controlling interests	**(6,150)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,150)**
Net assets	**7,950**	**2,994**	**–**	**3,311**	**2,881**	**–**	**4,899**	**22,035**
Group's share of net assets	**2,385**	**2,095**	**–**	**1,655**	**1,152**	**–**	**2,152**	**9,439**
Goodwill	**–**	**–**	**–**	**–**	**–**	**–**	**35**	**35**
Interests in joint ventures	**2,385**	**2,095**	**–**	**1,655**	**1,152**	**–**	**2,187**	**9,474**
Loans to joint ventures	**–**	**–**	**1,113** [b]	**–**	**–**	**–**	**15**	**1,128**
	2,385	**2,095**	**1,113**	**1,655**	**1,152**	**–**	**2,202**	**10,602**
At 31 December 2020								
Non-current assets	20,619	7,780	699	3,459	3,796	3,490	5,613	45,456
Current assets								
Cash and cash equivalents	1,158	696	–	535	143	70	440	3,042
Other current assets	1,328	779	231	2	32	916	1,148	4,436
	2,486	1,475	231	537	175	986	1,588	7,478
Current liabilities								
Financial liabilities [a]	(1,991)	(421)	–	–	(323)	(1,314)	(424)	(4,473)
Other current liabilities [a]	(1,521)	(799)	(3)	–	(254)	(822)	(402)	(3,801)
	(3,512)	(1,220)	(3)	–	(577)	(2,136)	(826)	(8,274)
Non-current liabilities								
Financial liabilities [a]	(2,944)	(4,862)	–	–	–	(951)	(1,052)	(9,809)
Shareholders' loans	–	–	(927)	–	(161)	–	(18)	(1,106)
Other non-current liabilities [a]	(1,842)	(58)	–	–	(734)	(16)	(19)	(2,669)
	(4,786)	(4,920)	(927)	–	(895)	(967)	(1,089)	(13,584)
Non-controlling interests	(6,529)	–	–	–	–	–	–	(6,529)
Net assets	8,278	3,115	–	3,996	2,499	1,373	5,286	24,547
Group's share of net assets	2,483	2,181	–	1,997	999	404	2,188	10,252
Goodwill	–	–	–	–	–	–	43	43
Interests in joint ventures	2,483	2,181	–	1,997	999	404	2,231	10,295
Loans to joint ventures	–	–	649 [b]	–	65	–	8	722
	2,483	2,181	649	1,997	1,064	404	2,239	11,017

14. Interests in and Loans to Joint Ventures (continued)

Notes:

(a) Financial liabilities exclude trade and other payables and provisions which are included in other current and non-current liabilities.

(b) Pursuant to agreement between shareholders of HKLTL, shareholders' loan facilities are provided to HKLTL by the shareholders pro-rata to their shareholdings to finance the construction of the LNG terminal. The loans to HKLTL are unsecured, carry interest at rates which are benchmarked to market interest rates. Instalment repayment of the loans will commence after the commissioning of the LNG terminal with final maturity at the end of the related asset lives of the LNG terminal. As at 31 December 2021, outstanding committed shareholder's loan facilities by the Group as 70% shareholder of HKLTL amounted to HK$518 million (2020: HK$982 million).

The expected credit loss of loans to joint ventures is close to zero.

	2021 HK$M	2020 HK$M
Share of capital commitments	**419**	952
Share of lease and other commitments*	**3,800**	2,713
Share of contingent liabilities	**59**	58

* Representing the share of lease and other commitments in relation to the use and operation of a floating storage and regasification unit and related support vessels

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 31(C).

15. Interests in Associates Accounting Policy No. 3(B)

The table below lists the associates of the Group at 31 December 2021:

Name	**% of Ownership Interest at 31 December 2020 and 2021**	**Place of Incorporation / Business**	**Principal Activity**
Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) [(a)]	25	Mainland China	Generation of electricity
Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) [(a)]	17	Mainland China	Generation of electricity

More detailed information of our associates can be found on "Our Portfolio" on page 308 of the Annual Report.

15. Interests in Associates (continued)

Summarised financial information of the associates and the Group's share of results and net assets are as follows:

	GNPJVC HK$M	Yangjiang Nuclear [b] HK$M	Total HK$M
For the year ended 31 December 2021			
Revenue	**8,183**	**21,668**	**29,851**
Profit and total comprehensive income	**4,050**	**6,228**	**10,278**
Group's share of profit and total comprehensive income	**1,012**	**1,059**	**2,071**
Dividend income from associates	**1,959**	**728**	**2,687**
For the year ended 31 December 2020			
Revenue	7,979	16,861	24,840
Profit and total comprehensive income	3,926	4,370	8,296
Group's share of profit and total comprehensive income	982	743	1,725
Dividend income from associates	977	726	1,703
At 31 December 2021			
Non-current assets	**6,973**	**103,589**	**110,562**
Current assets	**7,410**	**14,033**	**21,443**
Current liabilities	**(5,946)**	**(21,643)**	**(27,589)**
Non-current liabilities	**(5,154)**	**(49,229)**	**(54,383)**
Net assets	**3,283**	**46,750**	**50,033**
Group's share of net assets	**821**	**7,948**	**8,769**
At 31 December 2020			
Non-current assets	6,608	104,555	111,163
Current assets	7,553	13,136	20,689
Current liabilities	(2,373)	(15,218)	(17,591)
Non-current liabilities	(4,763)	(58,796)	(63,559)
Net assets	7,025	43,677	50,702
Group's share of net assets	1,756	7,425	9,181

At 31 December 2021, the Group's share of capital commitments of its associates was HK$782 million (2020: HK$692 million).

Notes:

(a) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law

(b) The share of results of Yangjiang Nuclear included amortisation of the fair value adjustment on fixed assets

16. Derivative Financial Instruments

Accounting Policy

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value gain or loss arising from derivatives not designated or not qualified for hedge accounting are recognised immediately in profit or loss.

The Group designates certain derivatives as either fair value hedges, which are hedges of the fair value of recognised financial assets or financial liabilities or firm commitments (e.g. fixed interest rate loans and foreign currency trade receivables) or cash flow hedges, which are hedges of the cash flows of recognised financial assets or financial liabilities or highly probable forecast transactions (e.g. floating interest rate loans and future purchases of fuels denominated in US dollar).

The Group documents at the inception of the transaction the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

(A) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, which offset any changes in the fair values recognised in profit or loss of the corresponding hedged asset or liability that are attributable to the hedged risk and achieve the overall hedging result.

(B) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result. However, when the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset at the time of acquisition. The deferred amounts are ultimately recognised in fuel costs in the case of inventory or in depreciation in the case of fixed assets.

For cash flow hedges affected by the IBOR reform, the Group retains the cumulative gain or loss in the cash flow hedge reserve, even though there is uncertainty arising from the IBOR reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider that the hedged future cash flows are no longer expected to occur due to reasons other than the IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss remains in equity at that time is accounted for according to the nature of the underlying transactions (as discussed above) once the hedged cash flow occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is reclassified to profit or loss immediately.

16. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(C) Costs of hedging

Time value of options, forward element of forward contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements are recognised in a separate component of equity. For time-period related hedged items, these elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the hedging period. For transaction related hedged items, the cumulative change of these elements is included in the initial carrying amount of any non-financial asset recognised when the hedged transaction occurs or is recognised in profit or loss if the hedged transaction affects profit or loss.

(D) Rebalancing of hedge relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

	2021		2020	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	**74**	**126**	22	115
Foreign exchange options	**1**	**–**	7	–
Cross currency interest rate swaps	**51**	**987**	230	1,144
Interest rate swaps	**–**	**80**	–	166
Energy contracts	**2,256**	**314**	2,108	1,412
Fair value hedges				
Cross currency interest rate swaps	**129**	**59**	279	68
Interest rate swaps	**14**	**7**	55	17
Not qualified for hedge accounting				
Forward foreign exchange contracts	**82**	**61**	107	60
Interest rate swaps	**5**	**–**	14	2
Energy contracts	**870**	**1,032**	691	317
	3,482	**2,666**	3,513	3,301
Current	**1,475**	**1,302**	1,816	1,166
Non-current	**2,007**	**1,364**	1,697	2,135
	3,482	**2,666**	3,513	3,301

At 31 December 2021, the contractual maturity profile of the hedging instruments from the end of the reporting period is summarised below:

Forward foreign exchange contracts	Up to 5 years
Foreign exchange options	Up to 3 years
Cross currency interest rate swaps	Up to 15 years
Interest rate swaps	Up to 11 years
Energy contracts	Up to 9 years

17. Other Non-current Assets

Accounting Policy

(A) Investments

Investments classified at fair value through other comprehensive income are initially recognised at fair value and are elected to present subsequent changes in fair value in other comprehensive income. The gains or losses on such investments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained profits on disposal of the investment. Dividends on the investments are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are deducted from the carrying amounts of the investments directly.

Investments classified at fair value through profit or loss (mainly investments in funds) are initially recognised at fair value and are subsequently measured at fair value through profit or loss.

(B) Contract acquisition costs

Incremental costs to obtain a contract with a customer are capitalised if they are expected to be recoverable. Costs capitalised are amortised on a straight-line basis over the expected benefit periods of the contracts. Non-incremental costs, i.e. costs that would have been incurred regardless of whether the contract is obtained, are expensed when incurred.

(C) Service concession receivables

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction. Such financial assets are initially measured at fair value and are subsequently measured at amortised cost.

	2021 HK$M	2020 HK$M
Investments at fair value through other comprehensive income	**373**	273
Investments at fair value through profit or loss	**542**	291
Deposits paid for purchase of a property [a]	**338**	–
Contract acquisition costs	**180**	154
Service concession receivables [b]	**234**	243
Defined benefit asset [c]	**221**	130
Others	**415**	209
	2,303	1,300

Notes:

(a) On 6 December 2021, the Group and Far East Consortium Limited entered into a sale and purchase agreement to purchase a target company which currently owns a land situated in Kai Tak, Hong Kong, for a development divided into a hotel portion and a non-industrial portion (including an office portion) ("the Office Portion"). At completion, the target company will hold only the Office Portion which will become CLP's new Head Office. A coordination agreement was signed on the same date to facilitate the construction and development of the Office Portion directed by CLP. The consideration under the sale and purchase agreement amounted to HK$3.38 billion subject to post completion adjustments including additional costs in respect of any add-on designs required by the Group. At 31 December 2021, total deposits of HK$338 million were paid and the remaining amount is included in capital commitments under Note 31(A). The transaction is expected to complete by 2024.

(b) Satpura Transco Private Limited operates 400kV transmission lines in Madhya Pradesh, India, on Design, Build, Finance, Operate and Transfer basis which is considered as a service concession arrangement under HK(IFRIC) Interpretation 12. The current portion of HK$6 million (2020: HK$7 million) is included under the Group's trade and other receivables. The expected credit loss is close to zero.

17. Other Non-current Assets (continued)

Notes (continued):

(c) The most recent actuarial valuation of the defined benefit plans for the Group's Australian subsidiaries, as at 31 December 2021, was prepared by Mr Mark Samuels of Mercer Consulting (Australia) Pty Ltd, a fellow of the Institute of Actuaries of Australia. In respect of the plans for the Group's Australian subsidiaries: (i) the principal actuarial assumptions used include discount rate of 2.9% (2020: 1.6%), long-term salary increase rate of 2.5% (2020: 2.5%) and pension increase rate of 2.0% (2020: 2.0%); (ii) the level of funding is 145% (2020: 122%).

The most recent actuarial valuation of the defined benefit plans for the Indian subsidiaries, as at 31 March 2021, was prepared by Mr Saurabh Kochrekar of Kapadia & Kochrekar, a fellow of the Institute of Actuaries of India. No actuarial valuation was performed as at 31 December 2021 as the Indian subsidiaries have a different financial year end.

The costs for these defined benefit plans represent an immaterial portion to the Group's total retirement benefit costs. For the year ended 31 December 2021, the associated costs represented 1.5% (2020: 1.5%) of the Group's total retirement benefit costs.

18. Property under Development

Accounting Policy

Property under development comprises leasehold land and construction-in-progress and is carried at the lower of cost and net realisable value. Property under development is included in current assets when it is expected to be realised or is intended for sale in the normal operating cycle.

On 18 December 2017, the Group and Sino Land Company Limited (Sino Land) agreed to collaborate on redeveloping the Group's former headquarters at Argyle Street for residential purposes and to preserve the Clock Tower building for community use. Under the development arrangement, Sino Land is fully responsible for all development costs such as land premium, construction costs, professional fees etc. and paid a non-refundable upfront payment of HK$3 billion to the Group. When the property is completed and sold, the Group is entitled to share a percentage of the sale proceeds.

The arrangement entered into by the Group and Sino Land does not involve an establishment of a separate legal entity and is considered as a joint operation under HKFRS 11 Joint Arrangements. The non-refundable upfront payment forms part of the proceeds from the property development and is recorded as deferred revenue (Note 22(e)). When legal titles of the units in the developed property are passed to the purchasers, deferred revenue and the percentage share of the sale proceeds to which the Group is entitled will be credited to the profit or loss as revenue, while property under development will be charged to the profit or loss as cost of development.

19. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at transaction price and are subsequently stated at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses.

19. Trade and Other Receivables (continued)

Critical Accounting Estimates and Judgements: Recoverability of Trade Receivables

Provision for expected credit losses is made when the Group does not expect to collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

	2021 HK$M	2020 HK$M
Trade receivables [(a)]	11,707	10,868
Deposits, prepayments and other receivables	2,526	1,722
Dividend receivables from		
Joint ventures	190	139
An associate	975	–
Loan to and current accounts with [(b)]		
Joint ventures	5	134
An associate	1	1
	15,404	12,864

Notes:

(a) Trade receivables

The ageing analysis of the trade receivables at 31 December based on invoice date is as follows:

	2021 HK$M	2020 HK$M
30 days or below*	9,285	8,559
31 – 90 days	670	601
Over 90 days	1,752	1,708
	11,707	10,868

* Including unbilled revenue

Movements in provision for impairment

	2021 HK$M	2020 HK$M
Balance at 1 January	1,602	1,583
Provision for impairment	246	512
Receivables written off during the year as uncollectible	(332)	(564)
Amounts reversed	(2)	(1)
Exchange differences	(58)	72
Balance at 31 December	1,456	1,602

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Credit risk management

The Group has no significant concentrations of credit risk with respect to the trade receivables in Hong Kong and Australia as their customer bases are widely dispersed in different sectors and industries. The Group has established credit policies for customers in each of its retail businesses.

In Hong Kong, electricity bills are due within two weeks after issuance. To limit the credit risk exposure, customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. For all the deposits held, customers are paid a floating market interest rate equivalent to the HSBC bank saving rate. The customers' deposits are treated on the statement of financial position as current liabilities on the basis that they are repayable on demand. At 31 December 2021, such cash deposits amounted to HK$6,251 million (2020: HK$5,895 million) and the bank guarantees stood at HK$835 million (2020: HK$854 million).

In Australia, customers are allowed to settle their electricity bills in no more than 45 days after issue. EnergyAustralia has policies in place to ensure that sales of products and services are made to retail customers (including residential and commercial customers) of an appropriate credit quality and collectability is reviewed on an ongoing basis.

Trade receivables arising from sales of electricity to the offtakers in Mainland China and India are due for settlement within 30 to 90 days and 15 to 60 days after bills issuance respectively. The offtakers of these regions are mainly state-owned enterprises. Management has closely monitored the credit qualities and the collectability of these trade receivables and considers that the expected credit risks of them are close to zero.

Expected credit losses

For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. CLP Power Hong Kong and EnergyAustralia determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions and forward looking assumptions.

CLP Power Hong Kong

CLP Power Hong Kong classifies its trade receivables by nature of customer accounts. These include active accounts and terminated accounts.

	Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2021				
Active accounts				
Provision on individual basis	**100%**	**14**	**(8)**	**6**
Provision on collective basis	**0%***	**2,203**	**(9)**	**2,194**
Terminated accounts				
Provision on individual basis	**100%**	**3**	**(3)**	**–**
Provision on collective basis	**28%**	**6**	**(2)**	**4**
		2,226	**(22)**	**2,204**
At 31 December 2020				
Active accounts				
Provision on individual basis	100%	7	(5)	2
Provision on collective basis	0%*	1,960	(8)	1,952
Terminated accounts				
Provision on individual basis	100%	6	(6)	–
Provision on collective basis	25%	5	(1)	4
		1,978	(20)	1,958

* Expected credit loss is close to zero as these trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

EnergyAustralia

EnergyAustralia categorises its trade receivables based on their ageing. EnergyAustralia recognises lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying that weighting to the receivables held at year end. The determining factor impacting collectability is customer attributes. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.

	Weighted Average Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2021				
Current	**1%**	**3,290**	**(22)**	**3,268**
1 – 30 days	**7%**	**408**	**(29)**	**379**
31 – 60 days	**18%**	**221**	**(39)**	**182**
61 – 90 days	**22%**	**139**	**(31)**	**108**
Over 90 days	**63%**	**1,371**	**(866)**	**505**
		5,429	**(987)**	**4,442**
At 31 December 2020				
Current	1%	3,886	(22)	3,864
1 – 30 days	7%	466	(34)	432
31 – 60 days	17%	218	(37)	181
61 – 90 days	26%	165	(43)	122
Over 90 days	64%	1,582	(1,019)	563
		6,317	(1,155)	5,162

Mainland China

As at 31 December 2021, the Group had total receivables of HK$2,302 million (2020: HK$1,774 million) relating to unpaid Renewable National Subsidies. The application, approval and settlement of the Renewable National Subsidy are governed by the relevant policies issued by the Central People's Government. All of the relevant wind and solar projects are qualified for renewable energy subsidy in accordance with the prevailing government policies. There is no due date for the settlement of Renewable National Subsidies as the collection is subject to the allocation of funds by relevant government authorities to local grid companies, which takes a relatively long time for settlement. The expected credit loss is close to zero as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance.

India

(i) Renewable receivables

At 31 December 2021, Apraava Energy's renewable projects had trade receivables of HK$883 million (2020: HK$771 million) of which HK$809 million (2020: HK$680 million) were past due. The expected credit loss is close to zero as there are no history of default and continuous payments received. Trade receivables in dispute are assessed individually for impairment allowance in order to determine whether specific provisions are required.

(ii) Disputed charges with offtakers

JPL has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit losses. At 31 December 2021, total disputed amounts were Rs3,347 million (HK$351 million) (2020: Rs3,105 million (HK$329 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

In September 2013, JPL filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers. In 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. The offtakers filed an appeal against the CERC's order in the Appellate Tribunal for Electricity (APTEL) and JPL filed an appeal challenging certain findings of the CERC. The APTEL hearing concluded on 16 June 2020 and the matter was reserved for judgment. However, the tenure of the Technical Member on the APTEL's bench expired before the judgment was passed and the APTEL's bench had to be reconstituted in 2021. The matter will be reheard by the APTEL and the next hearing is scheduled in end-March 2022.

Other disputed receivables of HK$185 million (2020: HK$165 million) were provided in full as there is no reasonable expectation of recovery.

19. Trade and Other Receivables (continued)

Notes (continued):

(b) The loan to and current accounts with joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

20. Bank Balances, Cash and Other Liquid Funds

Accounting Policy

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible to cash, subjected to insignificant risk of change in value and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

	2021 HK$M	2020 HK$M
Trust accounts restricted under TRAA [(a)]	**299**	536
Deposits with banks	**5,968**	8,627
Cash at banks and on hand	**1,993**	2,545
Bank balances, cash and other liquid funds [(b)]	**8,260**	11,708
Excluding:		
Cash restricted for specific purposes [(a)]	**(299)**	(536)
Bank deposits with maturities of more than three months	**(61)**	(1,014)
Short-term deposits and restricted cash	**(360)**	(1,550)
Cash and cash equivalents	**7,900**	10,158

Notes:

(a) Pursuant to Trust and Retention Account Agreements (TRAA) of Apraava Energy group with their corresponding lenders, various trust accounts are set up for designated purposes.

(b) The Group's bank balances, cash and other liquid funds are denominated in the following currencies:

	2021 HK$M	2020 HK$M
Hong Kong dollar	**6,119**	6,434
Renminbi	**1,011**	898
Australian dollar	**335**	2,799
Indian rupee	**669**	1,528
Others	**126**	49
	8,260	11,708

The Group's bank balances, cash and other liquid funds denominated in the currencies other than the functional currencies of the corresponding Group entities amounted to HK$409 million (2020: HK$352 million) which were mostly denominated in Renminbi (2020: Renminbi).

21. Fuel Clause Account

The cost of fuel consumed by CLP Power Hong Kong is passed on to the customers. Any variations between the actual cost of fuel and the fuel cost billed to customers are captured in the fuel clause account. The balance on the account (inclusive of interest) represents amounts over-recovered or under-recovered and is treated as an amount due to or from customers. CLP Power Hong Kong may adjust fuel related tariff from time to time, including on a monthly basis, in accordance with the SoC, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity. As at 31 December 2021, the fuel clause account asset balance represented the right of CLP Power Hong Kong to collect the under-recovered fuel costs from the customers under the SoC.

22. Trade Payables and Other Liabilities

Accounting Policy

(A) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(B) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable; variable lease payments that depend on an index or a rate; and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease, if this cannot be readily determined, an incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amounts to reflect the lease payments made. Lease liabilities are remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options under certain conditions.

	2021 HK$M	2020 HK$M
Trade payables [(a)]	**6,119**	6,077
Other payables and accruals	**7,504**	7,136
Lease liabilities [(b)]	**217**	219
Advances from non-controlling interests [(c)]	**832**	1,021
Current accounts with [(d)]		
Joint ventures	**1**	1
An associate	**564**	583
Deferred revenue [(e)]	**3,144**	3,104
	18,381	18,141

Notes:

(a) The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2021 HK$M	2020 HK$M
30 days or below	**5,800**	5,852
31 – 90 days	**219**	123
Over 90 days	**100**	102
	6,119	6,077

At 31 December 2021, trade payables denominated in currencies other than the functional currencies of the corresponding Group entities amounted to HK$1,073 million (2020: HK$941 million), of which HK$897 million (2020: HK$786 million) were denominated in US dollar (2020: US dollar).

22. Trade Payables and Other Liabilities (continued)

Notes (continued):

(b) Maturity profile of the lease liabilities at 31 December is as follows:

	2021 HK$M	2020 HK$M
Within one year	**217**	219
Between one and two years	**213**	210
Between two and five years	**346**	476
Over five years	**393**	506
	1,169	1,411
Less: amount due after one year included under other non-current liabilities	**(952)**	(1,192)
	217	219

(c) The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (CSGHK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSGHK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and repayable on demand. The advances are denominated in Hong Kong dollar.

(d) The amounts payable to joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

(e) Deferred revenue included the non-refundable upfront payment for the property development at Argyle Street of HK$3 billion (2020: HK$3 billion) (Note 18) and payments received in advance for other services. Non-current deferred revenue of HK$1,459 million (2020: HK$1,434 million) was included under other non-current liabilities.

23. Bank Loans and Other Borrowings

Accounting Policy

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss or capitalised as cost of the qualifying assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group's bank loans and other borrowings at 31 December were repayable as follows:

	Bank Loans		**Other Borrowings***		**Total**	
	2021 HK$M	2020 HK$M	**2021 HK$M**	2020 HK$M	**2021 HK$M**	2020 HK$M
Within one year	**8,893**	5,299	**1,619**	3,448	**10,512**	8,747
Between one and two years	**3,068**	4,321	**3,410**	1,536	**6,478**	5,857
Between two to five years	**3,657**	4,708	**6,253**	7,755	**9,910**	12,463
Over five years	**3,555**	3,115	**27,760**	24,166	**31,315**	27,281
	19,173	17,443	**39,042**	36,905	**58,215**	54,348

* Other borrowings mainly included Medium Term Notes of HK$37,472 million (2020: HK$35,587 million) and bonds of HK$1,274 million (2020: HK$1,296 million).

Another presentation of the Group's liquidity risk is set out on pages 287 to 289.

23. Bank Loans and Other Borrowings (continued)

Total borrowings at 31 December included secured liabilities of HK$11,484 million (2020: HK$10,676 million), analysed as follows:

	2021 HK$M	2020 HK$M
Apraava Energy group [(a)]	**6,008**	5,322
Subsidiaries in Mainland China [(b)]	**5,476**	5,354
	11,484	10,676

Notes:

(a) Bank loans and bonds for Apraava Energy group are secured by fixed and floating charges over their immovable and movable properties and current assets with total carrying amounts of HK$12,878 million (2020: HK$11,918 million).

(b) Bank loans for subsidiaries in Mainland China are secured by rights of receipt of tariff and by fixed assets and land use rights with carrying amounts of HK$11,069 million (2020: HK$10,014 million).

At 31 December 2021 and 2020, all of the Group's borrowings are either in the functional currencies of the corresponding Group entities or hedged into those currencies.

At 31 December 2021, the Group had undrawn bank loans and overdraft facilities of HK$28,076 million (2020: HK$25,737 million).

An analysis of borrowings by currencies is shown in "Financial Review" on page 34 of the Annual Report.

24. Deferred Tax

Accounting Policy

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2021 HK$M	2020 HK$M
Deferred tax assets	**376**	571
Deferred tax liabilities	**(15,886)**	(15,429)
	(15,510)	(14,858)

Deferred tax asset = income tax recoverable in the future
Deferred tax liability = income tax payable in the future

24. Deferred Tax (continued)

The gross movement on the deferred tax account is as follows:

	2021 HK$M	2020 HK$M
Balance at 1 January	(14,858)	(14,593)
Acquisition of a subsidiary	–	(9)
Charged to profit or loss (Note 7)	(245)	(464)
(Charged) / credited to other comprehensive income	(398)	164
Exchange differences	(9)	44
Balance at 31 December	(15,510)	(14,858)

The movements in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year are as follows:

Deferred tax assets (prior to offset)

	Tax Losses [a]		Accruals and Provisions		Others [b]		Total	
	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M
Balance at 1 January	415	489	1,609	1,303	1,436	834	3,460	2,626
Acquisition of a subsidiary	36	3	–	–	–	–	36	3
Credited / (charged) to profit or loss	22	(63)	238	177	(127)	520	133	634
(Charged) / credited to other comprehensive income	–	–	(33)	4	(20)	5	(53)	9
Exchange differences	(5)	(14)	(75)	125	(43)	77	(123)	188
Balance at 31 December	468	415	1,739	1,609	1,246	1,436	3,453	3,460

Deferred tax liabilities (prior to offset)

	Accelerated Tax Depreciation		Withholding Tax		Intangibles		Others [b]		Total	
	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M	2021 HK$M	2020 HK$M
Balance at 1 January	(15,829)	(15,312)	(322)	(284)	(720)	(795)	(1,447)	(828)	(18,318)	(17,219)
Acquisition of a subsidiary	(36)	(12)	–	–	–	–	–	–	(36)	(12)
(Charged) / credited to profit or loss	(737)	(492)	(20)	(32)	43	74	336	(648)	(378)	(1,098)
(Charged) / credited to other comprehensive income	–	–	–	(1)	–	–	(345)	156	(345)	155
Exchange differences	42	(13)	–	(5)	–	1	72	(127)	114	(144)
Balance at 31 December	(16,560)	(15,829)	(342)	(322)	(677)	(720)	(1,384)	(1,447)	(18,963)	(18,318)

Notes:

(a) The deferred tax asset arising from tax losses mainly related to the electricity business in Australia and India (2020: India). There is no expiry on tax losses recognised.

(b) Others mainly related to temporary differences arising from derivative financial instruments, right-of-use assets and corresponding lease liabilities, and Minimum Alternate Tax credit in India.

25. SoC Reserve Accounts

Critical Accounting Estimates and Judgements: Classification of SoC-related Accounts

As stipulated in the SoC, the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve shall represent liabilities in the financial statements of CLP Power Hong Kong and shall not accrue to the benefit of its shareholders save as provided for by the SoC. The Group considers that CLP Power Hong Kong is required under the SoC to discharge its obligations arising from the SoC upon the expiry of the SoC Agreement such that these account balances meet the definition of a liability.

Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Refunds of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2021 HK$M	2020 HK$M
Tariff Stabilisation Fund (A)	**3,109**	2,019
Rate Reduction Reserve (B)	**3**	18
Rent and Rates Refunds (C)	**328**	337
	3,440	2,374

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2021 HK$M	2020 HK$M
At 1 January	**2,019**	1,478
Transfer from Rate Reduction Reserve	**18**	22
Transfer under the SoC [(a)]		
– transfer for SoC from revenue (Note 2)	**1,183**	660
– charge for asset decommissioning [(b)]	**(111)**	(141)
At 31 December	**3,109**	2,019

Notes:

(a) Under the SoC Agreement, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss.

(b) Under the SoC, a periodic charge to accrue for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies. The balance of the asset decommissioning liabilities account of HK$1,421 million (2020: HK$1,320 million) (Note 26) recognised under the SoC represents a liability of the Group.

25. SoC Reserve Accounts (continued)

(B) Rate Reduction Reserve

	2021 HK$M	2020 HK$M
At 1 January	**18**	22
Transfer to Tariff Stabilisation Fund	**(18)**	(22)
Interest expense charged to profit or loss (Note 6)	**3**	18
At 31 December	**3**	18

(C) Rent and Rates Refunds

CLP Power Hong Kong has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While CLP Power Hong Kong had reached settlement with the Hong Kong Government of the appeals up to 2017/18, final resolution for the remaining appeals from 2018/19 onwards is still to be completed.

Using the total amount of refunds received from the Hong Kong Government for all appeal years up to 2017/18 of HK$2,791 million, CLP Power Hong Kong has, in previous years, provided customers with the Rent and Rates Special Rebate with an aggregate amount of HK$2,463 million.

The refunds are classified within the SoC reserve accounts. The Rent and Rates Special Rebate paid to customers was offset against the refunds received.

26. Asset Decommissioning Liabilities and Retirement Obligations

Accounting Policy

When the Group has a legal and / or constructive obligation for remediation and the likelihood of economic outflow is probable, provisions for asset retirement obligations are recorded for estimated remediation costs of reclamation, plant closure, dismantling and waste disposal. A provision for asset retirement costs is determined by estimating the expected costs associated to remediate the site based on the current legal requirements and technologies and is discounted to its present value with an unwind adjustment recognised in finance costs. An asset is recognised on initial recognition of the provision and is depreciated over the useful life of the facility. The asset retirement costs are reviewed annually and adjustments are made to the carrying amount of the assets to reflect changes made to these estimated discount rates or future costs.

26. Asset Decommissioning Liabilities and Retirement Obligations (continued)

Critical Accounting Estimates and Judgements

Estimating the amount and timing of the obligation to be recorded requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates.

CLP Power Hong Kong has been investing in the transmission and distribution network to supply electricity to the customers in its supply area in Hong Kong. As CLP Power Hong Kong expects that the land sites being used for the transmission and distribution network will continue to be used for the distribution of electricity supply to its customers, it is currently considered remote that the network would be removed from the existing land sites. Therefore in accordance with applicable accounting standards, asset retirement obligations for these assets have not been recognised by CLP Power Hong Kong.

As part of the current development plan agreed with the Hong Kong Government in 2018, CAPCO will retire the coal-fired generation units at Castle Peak "A" Station (CPA) between 2022 to 2025. Following this retirement, the removal of CPA's coal-fired generation units has become probable. In support of the Government's net-zero carbon emissions targets in the "Hong Kong's Climate Action Plan 2050" announced in October 2021, CAPCO will be in discussion with the Government to phase out the use of coal for daily electricity generation in Castle Peak "B" Station and work on ways to convert its gas-fired generation facilities to operate on green fuels. While it is envisaged that these remaining generation units will have their roles in supporting the Government's Climate Action Plan 2050, with the continuous development in decarbonisation technologies, the removal of these units and replacement by alternative facilities is possible. Under the SoC, CAPCO makes a periodic charge to accrue in the statement of financial position a liability balance to be utilised in discharging asset decommissioning costs if and when incurred. CAPCO considers that the dismantling obligation for the CPA units is covered under the asset decommissioning liability accrued under the SoC as at 31 December 2021. While no provision for asset retirement obligations for the other generation units of CAPCO has been recognised, it is expected that if such an obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

Asset retirement obligations of EnergyAustralia as at 31 December 2021 amounted to HK$2,950 million (2020: HK$2,704 million) which mainly related to the provision for land remediation and decommissioning of generation assets. The provisions are largely based on estimates by external and internal experts that are discounted using internally determined end of plant lives. The calculation of the provision requires management judgement with respect to estimating the timing of asset removal, costs to remove infrastructure, remediate soil and groundwater, water usage and technological developments. The terms associated with the decommissioning of certain assets including site restoration plans are yet to be agreed with the relevant regulators. Any future agreements with regulators or changes to regulatory requirements could impact the cost estimates used in the decommissioning provision. On an ongoing basis, we continually review and update underlying assumptions relating to forward rehabilitation estimates and timelines.

26. Asset Decommissioning Liabilities and Retirement Obligations (continued)

	2021 HK$M	2020 HK$M
Asset decommissioning liabilities (Note 25(A)(b))	**1,421**	1,320
Provisions for land remediation and restoration costs (note)	**2,925**	2,643
	4,346	3,963

Note: The movements of the balances, including the current portion of HK$25 million (2020: HK$61 million) under the Group's trade payables and other liabilities, are as follows:

	2021 HK$M	2020 HK$M
Balance at 1 January	**2,704**	2,411
Disposal of a subsidiary	**(52)**	–
Additional provisions	**216**	59
Effect of changes in discount rate	**207**	16
Amounts used	**(33)**	(40)
Unused amounts reversed	**–**	(27)
Unwinding of discount	**51**	56
Exchange differences	**(143)**	229
Balance at 31 December	**2,950**	2,704

27. Share Capital

	2021		2020	
	Number of Ordinary Shares	**Amount HK$M**	Number of Ordinary Shares	Amount HK$M
Issued and fully paid, at 31 December	**2,526,450,570**	**23,243**	2,526,450,570	23,243

28. Reserves

The movements in reserves attributable to shareholders during the year are shown as follows:

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2020	(8,282)	831	(39)	1,622	88,080	82,212
Earnings attributable to shareholders	–	–	–	–	11,456	11,456
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2,655	35	–	–	(35)	2,655
Joint ventures	647	–	–	–	–	647
Associates	446	–	–	–	–	446
Cash flow hedges						
Net fair value losses	–	(886)	–	–	–	(886)
Reclassification to profit or loss	–	(41)	–	–	–	(41)
Tax on the above items	–	176	–	–	–	176
Costs of hedging						
Net fair value gains	–	–	132	–	–	132
Reclassification to profit or loss	–	–	31	–	–	31
Tax on the above items	–	–	(26)	–	–	(26)
Fair value losses on investments	–	–	–	(58)	–	(58)
Remeasurement losses on defined benefit plans	–	–	–	–	(7)	(7)
Share of other comprehensive income of joint ventures	–	2	–	–	–	2
Total comprehensive income attributable to shareholders	3,748	(714)	137	(58)	11,414	14,527
Transfer to fixed assets	–	1	(1)	–	–	–
Appropriation of reserves	–	–	–	(35)	35	–
Dividends paid						
2019 fourth interim	–	–	–	–	(3,007)	(3,007)
2020 first to third interim	–	–	–	–	(4,775)	(4,775)
Balance at 31 December 2020	(4,534)	118	97	1,529	91,747 (note)	88,957

Translation reserve – exchange rates movements arising from the consolidation of Group entities with different reporting currencies

Cash flow hedge / Cost of hedging reserve – deferred fair value gains / losses on derivative financial instruments which are qualified for hedge accounting; reclassify to profit or loss upon settlement of derivatives or amortisation of costs of hedging

Other reserves – mainly comprise revaluation reserve, other consolidated reserve arising from change in ownership interests in a subsidiary, and other legal reserves allocated from retained profits to meet local statutory and regulatory requirements of Group entities

28. Reserves (continued)

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2021	(4,534)	118	97	1,529	91,747	88,957
Earnings attributable to shareholders	–	–	–	–	8,491	8,491
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(1,241)	(46)	–	–	46	(1,241)
Joint ventures	204	–	–	–	–	204
Associates	199	–	–	–	–	199
Cash flow hedges						
Net fair value gains	–	2,249	–	–	–	2,249
Reclassification to profit or loss	–	(930)	–	–	–	(930)
Tax on the above items	–	(385)	–	–	–	(385)
Costs of hedging						
Net fair value losses	–	–	(143)	–	–	(143)
Reclassification to profit or loss	–	–	23	–	–	23
Tax on the above items	–	–	20	–	–	20
Fair value gains on investments	–	–	–	100	–	100
Remeasurement gains on defined benefit plans	–	–	–	–	77	77
Share of other comprehensive income of joint ventures	–	(1)	–	(3)	–	(4)
Total comprehensive income attributable to shareholders	(838)	887	(100)	97	8,614	8,660
Transfer to fixed assets	–	6	–	–	–	6
Appropriation of reserves	–	–	–	16	(16)	–
Dividends paid						
2020 fourth interim	–	–	–	–	(3,057)	(3,057)
2021 first to third interim	–	–	–	–	(4,775)	(4,775)
Balance at 31 December 2021	**(5,372)**	**1,011**	**(3)**	**1,642**	**92,513** (note)	**89,791**

Note: The fourth interim dividend declared for the year ended 31 December 2021 was HK$3,057 million (2020: HK$3,057 million). The balance of retained profits after the fourth interim dividend of the Group was HK$89,456 million (2020: HK$88,690 million).

29. Perpetual Capital Securities and Redeemable Shareholder Capital

(A) Perpetual Capital Securities

A total of US$500 million perpetual capital securities was issued by the wholly owned subsidiary, CLP Power HK Finance Ltd. in 2019. The securities are perpetual, non-callable in the first 5.25 years (with issuer call option at par at any time in the 3 months before 5 February 2025) and entitle the holders to receive distributions at a distribution rate of 3.55% per annum in the first 5.25 years, floating thereafter and with fixed step up margins at year 10.25 and at year 25.25, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, as long as the issuer and CLP Power Hong Kong, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period.

29. Perpetual Capital Securities and Redeemable Shareholder Capital (continued)

(B) Other Non-controlling Interests

Other non-controlling interests included CSGHK's pro-rata share of HK$5,115 million (2020: HK$5,115 million) of redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032.

As both the perpetual capital securities and redeemable shareholder capital do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and regarded as part of non-controlling interests for accounting purpose.

30. Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2021 HK$M	2020 HK$M
Profit before income tax	**11,439**	15,501
Adjustments for:		
Finance costs	**1,744**	1,873
Finance income	**(108)**	(136)
Dividend income from equity investments	**(15)**	(13)
Share of results of joint ventures and associates, net of income tax	**(1,974)**	(2,522)
Depreciation and amortisation	**9,308**	8,476
Impairment charge	**586**	599
Other charge	**1,110**	–
Net losses on disposal of fixed assets	**386**	358
Revaluation loss on investment property	**34**	121
Gains on sales of a subsidiary and a joint venture	**(386)**	–
Fair value changes of non-debt related derivative financial instruments and net exchange difference	**(1,805)**	(1,150)
SoC items		
Increase in customers' deposits	**356**	218
Decrease in fuel clause account	**(1,455)**	(817)
Net (decrease) / increase in rent and rates refunds	**(9)**	337
Transfer for SoC	**1,183**	660
	75	398
Increase in trade receivables and other current assets	**(2,347)**	(144)
Decrease / (increase) in cash restricted for specific purposes	**272**	(257)
Changes in non-debt related derivative financial instruments	**2,068**	660
Increase in trade and other payables	**128**	535
(Decrease) / increase in current accounts due to joint ventures and associates	**(20)**	119
Net cash inflow from operations	**20,495**	24,418

30. Notes to the Consolidated Statement of Cash Flows (continued)

(B) Reconciliation of liabilities arising from financing activities

	Bank Loans and Other Borrowings HK$M	Interest and Other Finance Costs Payables HK$M	Lease Liabilities HK$M	Debt-related Derivative Financial Instruments HK$M	Advances from Non-controlling Interests HK$M	Total HK$M
Balance at 1 January 2020	52,349	225	307	574	1,344	54,799
Cash flows changes						
Proceeds from long-term borrowings	14,004	–	–	–	–	14,004
Repayment of long-term borrowings	(12,309)	–	–	–	–	(12,309)
Decrease in short-term borrowings	(959)	–	–	–	–	(959)
Payment of principal portion of lease liabilities	–	–	(200)	–	–	(200)
Interest and other finance costs paid	–	(1,820)	–	–	–	(1,820)
Settlement of derivative financial instruments	–	–	–	149	–	149
Decrease in advances from non-controlling interests	–	–	–	–	(323)	(323)
Non-cash changes						
Acquisitions of subsidiaries	473	5	5	–	–	483
Fair value losses of derivative financial instruments charged to equity	–	–	–	424	–	424
Additions of leases	–	–	1,146	–	–	1,146
Net exchange and translation differences	754	3	124	(24)	–	857
Interest and other finance costs charged / (credited) to profit or loss	–	1,684	37	(293)	–	1,428
Other non-cash movements	36	37	(8)	–	–	65
Balance at 31 December 2020	54,348	134	1,411	830	1,021	57,744
Balance at 1 January 2021	54,348	134	1,411	830	1,021	57,744
Cash flows changes						
Proceeds from long-term borrowings	7,796	–	–	–	–	7,796
Repayment of long-term borrowings	(5,329)	–	–	–	–	(5,329)
Increase in short-term borrowings	314	–	–	–	–	314
Payment of principal portion of lease liabilities	–	–	(271)	–	–	(271)
Interest and other finance costs paid	–	(1,575)	–	–	–	(1,575)
Settlement of derivative financial instruments	–	–	–	(366)	–	(366)
Decrease in advances from non-controlling interests	–	–	–	–	(189)	(189)
Non-cash changes						
Acquisition of a subsidiary	1,049	17	–	–	–	1,066
Fair value losses of derivative financial instruments charged to equity	–	–	–	376	–	376
Additions of leases	–	–	29	–	–	29
Net exchange and translation differences	(278)	(1)	(57)	–	–	(336)
Interest and other finance costs charged to profit or loss	–	1,536	57	98	–	1,691
Other non-cash movements	315	3	–	–	–	318
Balance at 31 December 2021	**58,215**	**114**	**1,169**	**938**	**832**	**61,268**

31. Commitments

(A) Capital expenditure contracted for but not yet incurred at the end of the year is as follows:

	2021 HK$M	2020 HK$M
Fixed assets and leasehold land	**13,150**	7,909
Intangible assets	**–**	21
	13,150	7,930

(B) The Group has entered into a long-term Energy Storage Services Agreement (ESSA) to be the market operator of the 250MW Kidston pumped hydro energy storage facility in Queensland, which will be accounted for as a lease arrangement on the lease commencement date. This facility is currently under construction and the ESSA is subject to a number of conditions precedent which must be satisfied before the commencement date, which is expected to occur before 31 December 2025. At 31 December 2021, the expected undiscounted contractual lease payments under this agreement were approximately HK$2.1 billion (2020: nil).

(C) Equity contributions to be made for joint ventures and private equity partnerships at 31 December 2021 were HK$54 million (2020: HK$71 million) and HK$203 million (2020: HK$183 million) respectively.

32. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures, associates and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

Related Parties ≠ Connected Parties
They sometimes overlap but should not be confused. Accounting standards define related parties, while the Listing Rules of the Hong Kong Stock Exchange define connected parties.

Below are the more significant transactions with related parties for the year:

(A) CLP Power Hong Kong is obliged to purchase 70% of the output from Guangdong Daya Bay Nuclear Power Station (GNPS). The price paid by CLP Power Hong Kong for electricity generated by GNPS throughout the terms of the PPA is determined by a formula based on GNPS's operating costs and a calculation of profits with reference to the capacity factors. The purchase of nuclear electricity under the arrangement was HK$5,678 million (2020: HK$5,582 million).

Under a separate purchase arrangement with GNPJVC and its shareholder, Guangdong Nuclear Investment Company Limited, CLP Power Hong Kong would purchase approximately 10% of additional nuclear electricity from GNPS on a best endeavour basis from October 2014 to end of 2023, at the same unit price as that under the above purchase arrangement. The purchase of nuclear electricity under the arrangements was HK$813 million (2020: HK$798 million).

(B) The loans and shareholder's loan facilities to joint ventures are disclosed under Note 14. Other amounts due from and to the related parties at 31 December 2021 are disclosed in Notes 19 and 22 respectively. At 31 December 2021, the Group did not have any guarantees which were of a significant amount given to or received from these entities (2020: nil).

32. Related Party Transactions (continued)

(C) Remuneration of key management personnel

Under HKAS 24 Related Party Disclosures, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. The total remuneration of the key management personnel shown below comprises the Non-executive Directors and the Senior Management Group. During the year, members of the Senior Management Group include two (2020: two) Executive Directors and ten (2020: nine) senior management personnel.

	2021 HK$M	2020 HK$M
Fees	**13**	12
Recurring remuneration items (note)		
Base compensation, allowances & benefits	**73**	69
Performance bonus		
Annual incentive	**67**	55
Long-term incentive	**35**	39
Provident fund contribution	**14**	13
Non-recurring remuneration items (note)		
Other payments	**24**	–
	226	188

Note: Refer to remuneration items on page 177 of Human Resources & Remuneration Committee Report.

At 31 December 2021, the CLP Holdings' Board was composed of twelve Non-executive Directors and one Executive Director. Remuneration of all Directors for the year totalled HK$68 million (2020: HK$58 million). The five highest paid individuals in the Group during the year included one Director (2020: two Directors), a former director and three members (2020: three members) of Senior Management. The total remuneration of these five highest paid individuals amounted to HK$119 million (2020: HK$106 million). Further details of the remuneration of the Directors and Senior Management, on a named basis, and remuneration paid to the five highest paid individuals by bands are disclosed in highlighted sections of the Human Resources & Remuneration Committee Report with a heading of "Audited" on pages 176 to 179 and 185 to 187. These sections are part of the financial statements.

(D) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled body corporates and connected entities (2020: nil).

During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2020: nil).

33. Contingent Liabilities

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in finance costs.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Critical Accounting Estimates and Judgements

The Group is exposed to the risk of litigation, regulatory judgments and contractual disputes in the course of its normal operations. The Group considers each instance separately in accordance with legal advice and will make provision and / or disclose information as appropriate. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the values recognised in the financial statements.

Indian Wind Power Projects – WWIL's Contracts

Apraava Energy group has invested in approximately 533MW of wind power projects developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, commenced litigation against WWIL claiming infringement of intellectual property rights. Dr Wobben, the controlling shareholder of Enercon GmbH, also brought actions against Apraava Energy group, as a customer of WWIL. Dr Wobben is seeking, among other things, an injunction restraining Apraava Energy group's use of certain rotor blades acquired from WWIL. Although Dr Wobben has passed away, his counsel have sought time to file appropriate applications to bring on record the legal representatives of the plaintiff.

As at 31 December 2021, the Group considers that Apraava Energy group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

The litigation arising from the disposal of Iona Gas Plant was settled. Please refer to Note 4 for details.

34. Statement of Financial Position of the Company

	2021 HK$M	2020 HK$M
Non-current assets		
Fixed assets	**171**	175
Right-of-use assets	**44**	89
Investments in subsidiaries	**44,651**	45,260
Other non-current assets	**15**	12
	44,881	45,536
Current assets		
Trade and other receivables	**80**	82
Dividend receivable	**2,500**	2,500
Cash and cash equivalents	**27**	7
	2,607	2,589
Current liabilities		
Trade payables and other liabilities	**(543)**	(525)
Net current assets	**2,064**	2,064
Total assets less current liabilities	**46,945**	47,600
Financed by:		
Equity		
Share capital	**23,243**	23,243
Retained profits	**23,671**	24,308
Shareholders' funds	**46,914**	47,551
Non-current liabilities		
Lease and other liabilities	**31**	49
Equity and non-current liabilities	**46,945**	47,600

The movement of retained profits is as follows:

	2021 HK$M	2020 HK$M
Balance at 1 January	**24,308**	25,328
Profit and total comprehensive income for the year	**7,195**	6,762
Dividends paid		
2020/2019 fourth interim	**(3,057)**	(3,007)
2021/2020 first to third interim	**(4,775)**	(4,775)
Balance at 31 December	**23,671**	24,308

The fourth interim dividend declared for the year ended 31 December 2021 was HK$3,057 million (2020: HK$3,057 million). The balance of retained profits after the fourth interim dividend of the Company was HK$20,614 million (2020: HK$21,251 million).

The Hon Sir Michael David Kadoorie
Chairman
Hong Kong, 28 February 2022

Richard Lancaster
Chief Executive Officer

Nicolas Tissot
Chief Financial Officer

35. Subsidiaries

The table below lists the principal subsidiaries of the Group at 31 December 2021:

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2020 and 2021	Place of Incorporation / Business	Principal Activity
CLP Power Hong Kong Limited	HK$20,400,007,269.65 divided into 2,488,320,000 ordinary shares	100	Hong Kong	Generation and supply of electricity
Castle Peak Power Company Limited	HK$50,000,000 divided into 500,000 ordinary shares	70 [(a)]	Hong Kong	Generation and sale of electricity
Hong Kong Pumped Storage Development Company, Limited	HK$10,000,000 divided into 100,000 ordinary shares	100 [(a)]	Hong Kong	Provision of pumped storage services
Hong Kong Nuclear Investment Company Limited	HK$300,000,000 divided into 300,000 ordinary shares	100	Hong Kong / Mainland China	Power projects investment holding
CLP Nuclear Investment Company Limited	1 ordinary share of US$1 each	100	Hong Kong / British Virgin Islands	Power projects investment holding
CLP*e* Holdings Limited	HK$49,950,002 divided into 49,950,002 ordinary shares	100	Hong Kong	Investment holding of energy & infrastructure solutions and e-commerce business
CLP Power Asia Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands / International and Mainland China	Power projects investment holding
CLP Power International Limited	692,000 ordinary shares of US$1,000 each	100 [(a)]	British Virgin Islands / International	Power projects investment holding
CLP Power China Limited	192,000,000 ordinary shares of US$1 each	100 [(a)]	British Virgin Islands / Mainland China and Hong Kong	Power projects investment holding
CLP Properties Limited	HK$150,000,000 divided into 15,000,000 ordinary shares	100	Hong Kong	Property investment holding
CLP Innovation Enterprises Limited	1 ordinary share of HK$1 each	100	Hong Kong	Innovation projects investment holding
EnergyAustralia Holdings Limited	A$1,585,491,005 for 1,585,491,005 ordinary shares	100 [(a)]	Australia	Energy business investment holding
EnergyAustralia Yallourn Pty Ltd	A$15 for 15 ordinary shares	100 [(a)]	Australia	Generation and supply of electricity
EnergyAustralia Pty Ltd	A$3,368,686,988 for 3,368,686,988 ordinary shares	100 [(a)]	Australia	Retailing of electricity and gas
EnergyAustralia NSW Pty Ltd	A$2 for 2 ordinary shares	100 [(a)]	Australia	Generation of electricity

35. Subsidiaries (continued)

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2020 and 2021	Place of Incorporation / Business	Principal Activity
Apraava Energy Private Limited (formerly known as CLP India Private Limited)	2,842,691,612 equity shares of Rs10 each	60 [(a)]	India	Generation of electricity and power projects investment holding
Jhajjar Power Limited	20,000,000 equity shares of Rs10 each; 2,324,882,458 compulsory convertible preference shares of Rs10 each	60 [(a)]	India	Generation of electricity
CLP Sichuan (Jiangbian) Power Company Limited [(b)]	RMB496,380,000	100 [(a)]	Mainland China	Generation of electricity
Guangdong Huaiji Changxin Hydro-electric Power Company Limited [(c)]	RMB69,098,976	84.9 [(a)]	Mainland China	Generation of electricity
Guangdong Huaiji Gaotang Hydro-electric Power Company Limited [(c)]	RMB249,430,049	84.9 [(a)]	Mainland China	Generation of electricity
Guangdong Huaiji Weifa Hydro-electric Power Company Limited [(c)]	US$13,266,667	84.9 [(a)]	Mainland China	Generation of electricity
Guangdong Huaiji Xinlian Hydro-electric Power Company Limited [(c)]	RMB141,475,383	84.9 [(a)]	Mainland China	Generation of electricity

Notes:

(a) Indirectly held through subsidiaries of the Company

(b) Registered as a Wholly Foreign Owned Enterprise under PRC law

(c) Registered as Sino-Foreign Cooperative Joint Ventures under PRC law

35. Subsidiaries (continued)

Summarised financial information of CAPCO and Apraava Energy, which have material non-controlling interests, is set out below:

	CAPCO		Apraava Energy	
	2021	2020	**2021**	2020
	HK$M	HK$M	**HK$M**	HK$M
Results for the year				
Revenue	**19,365**	17,674	**4,866**	3,616
Profit for the year	**3,008**	2,859	**131**	357
Other comprehensive income for the year	**(45)**	(121)	**(92)**	(282)
Total comprehensive income for the year	**2,963**	2,738	**39**	75
Dividends paid to non-controlling interests	**885**	855	**–**	–
Net assets				
Non-current assets	**38,328**	35,461	**11,619**	10,476
Current assets	**7,263**	7,051	**3,585**	3,984
Current liabilities	**(11,803)**	(8,666)	**(2,066)**	(2,057)
Non-current liabilities	**(15,889)**	(15,967)	**(4,725)**	(4,028)
	17,899	17,879	**8,413**	8,375
Cash flows				
Net cash inflow from operating activities	**2,414**	3,127	**1,106**	1,381
Net cash outflow from investing activities	**(2,699)**	(1,769)	**(968)**	(267)
Net cash outflow from financing activities	**(371)**	(656)	**(751)**	(742)
Net (decrease)/increase in cash and cash equivalents	**(656)**	702	**(613)**	372

1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risks, and energy portfolio risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate, interest rate and energy price fluctuations on the Group's financial performance. The Group uses different derivative financial instruments to manage its exposure in these areas. All derivative financial instruments are employed solely for hedging purposes.

Risk management for Hong Kong operations is carried out by the Group's central treasury department (Group Treasury) under policies approved by the Board of Directors or the Finance & General Committee of relevant Group entities. Overseas subsidiaries conduct their risk management activities in accordance with policies approved by their respective Boards. Group Treasury identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

Foreign exchange risk

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities and net investments in foreign operations. This is primarily with respect to Australian dollar, Renminbi and Indian rupee. Additionally, the Group has significant foreign currency obligations relating to its foreign currency denominated debts and major capital project payments, US dollar denominated nuclear power purchase offtake commitments and other fuel related payments. The Group uses forward contracts and currency swaps to manage its foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities which are denominated in a currency that is not the functional currency of the respective Group entity. Hedging is only considered for firm commitments and highly probable forecast transactions.

SoC Companies

Under the SoC, the SoC Companies are allowed to pass-through foreign exchange gains and losses arising from future non-capital projects related commercial transactions and recognised liabilities which are denominated in a currency other than Hong Kong dollar, thus retaining no significant foreign exchange risk of such payments over the long term. The SoC Companies use forward contracts and currency swaps to hedge all their debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of their US dollar obligations on fuel and nuclear power purchases, provided that for US dollar the hedging can be accomplished at rates below the Hong Kong Government's historical target peg rate of HK$7.8: US$1. The objective is to reduce the potential impact of foreign exchange movement on electricity tariffs. The SoC Companies also use forward contracts to manage the foreign exchange risks arising from non-Hong Kong dollar payment obligations for major capital projects, for which the exchange gains and losses are capitalised.

The fair value movement of the derivative financial instruments in a cash flow hedge relationship is recorded in equity. The extent of the impact to the cash flow hedge reserve under equity due to exchange rate movements, with all other variables held constant, is as follows:

	2021 HK$M	2020 HK$M
Increase / (decrease) in the cash flow hedge reserve		
Hong Kong dollar against US dollar		
If Hong Kong dollar weakened by 0.6% (2020: 0.6%)	**111**	92
If Hong Kong dollar strengthened by 0.6% (2020: 0.6%)	**(111)**	(92)
Hong Kong dollar against Euro		
If Hong Kong dollar weakened by 2% (2020: 3%)	**22**	5
If Hong Kong dollar strengthened by 2% (2020: 3%)	**(22)**	(5)

1. Financial Risk Factors (continued)

Foreign exchange risk (continued)

The Group's Asia-Pacific Investments

With respect to the power project investments in the Asia-Pacific region, the Group is exposed to both foreign currency translation and transaction risks.

The Group closely monitors translation risk using a Value-at-Risk (VaR) approach but does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit until an investment is sold. At 31 December 2021, the Group's net investment subject to translation exposure was HK$64,082 million (2020: HK$65,577 million), arising mainly from our investments in Mainland China, Australia, India and Southeast Asia and Taiwan. This means that, for each 1% (2020: 1%) average foreign currency movement, our translation exposure will vary by about HK$641 million (2020: HK$656 million). All the translation exposures are recognised in other comprehensive income and therefore have no impact on the profit or loss.

We consider that the non-functional currency transaction exposures at the individual project company level, if not managed properly, can lead to significant financial distress. Our primary risk mitigation is therefore to ensure that project-level debt financings are implemented on a local currency basis to the maximum extent possible. Each overseas subsidiary and project company has developed its own hedging programme into local currency taking into consideration any indexing provision in project agreements, tariff reset mechanisms, lender requirements, and tax and accounting implications.

Most foreign currency exposures of the Group entities are hedged and / or their transactions are predominantly conducted through the functional currency of the respective entity. The following analysis presents the Group's (apart from the SoC Companies) sensitivity to a reasonably possible change in the functional currencies of the Group entities against the US dollar and Renminbi, with all other variables held constant. The sensitivity rates in US dollar and Renminbi used are considered reasonable given the current level of exchange rates and the volatility observed in the different functional currencies of the Group entities. These are both on a historical basis and market expectations for future movement at the end of the reporting period and under the economic environments in which the Group operates. The extent of the impact to post-tax profit or equity due to exchange rate movements of US dollar and Renminbi against different functional currencies of Group entities, with all other variables held constant, is as follows:

	2021 HK$M	2020 HK$M
US dollar		
If US dollar strengthened by 3% (2020: 3%)		
Post-tax profit for the year	**26**	17
Equity – cash flow hedge reserve	**21**	23
If US dollar weakened by 3% (2020: 3%)		
Post-tax profit for the year	**(26)**	(17)
Equity – cash flow hedge reserve	**(21)**	(23)
Renminbi		
If Renminbi strengthened by 2% (2020: 3%)		
Post-tax profit for the year	**5**	12
Equity – cash flow hedge reserve	**–**	–
If Renminbi weakened by 2% (2020: 3%)		
Post-tax profit for the year	**(5)**	(12)
Equity – cash flow hedge reserve	**–**	–

1. Financial Risk Factors (continued)

Energy portfolio risk

EnergyAustralia's activity in energy markets exposes it to financial risk.

The electricity market is a competitive power pool. In this market generation supply and retail demand are exposed to spot prices. EnergyAustralia purchases and sells majority of its electricity through the pool, at the same time EnergyAustralia enters into electricity spot-price-linked derivative financial instruments to manage the spot electricity price risk against forecast retail and generation exposures.

The gas market is a balancing market. To meet retail demand, EnergyAustralia procures gas supply agreements from various gas producers. The contract prices of certain agreements comprise a fixed component, and a variable component that is linked to oil spot prices on the global markets. EnergyAustralia enters into oil-price-linked derivative financial instruments to manage this oil price risk component.

Energy portfolio exposure is managed through an established risk management framework. The framework consists of policies which place appropriate limits on overall energy market exposures, hedging strategies and targets, delegations of authority on trading, approved product lists, regular exposure reporting, and segregation of duties. Risk monitoring includes physical position reporting, stress testing of the portfolios and "at-risk" analyses of potential earnings. The corporate governance process also includes oversight by an Audit & Risk Committee (ARC-EA) which acts on behalf of EnergyAustralia's Board.

At-risk measures are derived by modelling potential variability in spot and forward market prices and supply and demand volumes, across the wholesale energy portfolio, through Monte Carlo simulations, historic simulations, and scenarios. Overall Earnings-at-Risk (EaR) exposure for the coming financial year is reported as the 1 in 4 probability downside (2020: 1 in 4 probability downside) of the expected earnings distribution, as simulated with the above methods. The energy portfolio risk exposure for EnergyAustralia as at 31 December 2021 was HK$441 million (2020: HK$430 million).

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risks are managed by monitoring an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps.

The appropriate level of the fixed / floating mix is determined for each operating company subject to a regular review. For instance, SoC Companies conducts an annual review to determine a preferred fixed / floating interest rate mix appropriate for its business profile. Each overseas subsidiary and project company has developed its own hedging programme taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications.

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings) and equity (as a result of change in the fair value of derivative instruments which qualify as cash flow hedges). Such amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss, and offset one another in the profit or loss.

The analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity to interest rates used is considered reasonable given the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

1. Financial Risk Factors (continued)

Interest rate risk (continued)

	2021 HK$M	2020 HK$M
Hong Kong dollar		
If interest rates were 0.3% (2020: 0.1%) higher		
Post-tax profit for the year	**(29)**	(10)
Equity – cash flow hedge reserve	**10**	5
If interest rates were 0.3% (2020: 0.1%) lower		
Post-tax profit for the year	**29**	10
Equity – cash flow hedge reserve	**(10)**	(5)
Indian rupee		
If interest rates were 0.5% (2020: 0.3%) higher		
Post-tax profit for the year	**(11)**	(4)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.5% (2020: 0.3%) lower		
Post-tax profit for the year	**11**	4
Equity – cash flow hedge reserve	**–**	–
Renminbi		
If interest rates were 0.3% (2020: 0.2%) higher		
Post-tax profit for the year	**(12)**	(9)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.3% (2020: 0.2%) lower		
Post-tax profit for the year	**12**	9
Equity – cash flow hedge reserve	**–**	–

Credit risk

The Group's approach to managing credit risk for trade receivables is discussed in Note 19.

On the treasury side, all finance-related hedging transactions and bank deposits of the Group entities are made with counterparties with good credit quality in conformance to the Group treasury policies to minimise credit exposure. Good credit ratings from reputable credit rating agencies and scrutiny of the financial position of non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group further assigns mark-to-market limits to its financial counterparties to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty. In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty, using VaR methodology. All derivatives transactions are entered into at the sole credit of the respective subsidiaries, joint ventures and associates without recourse to the Company.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group maintains significant flexibility to respond to opportunities and events by ensuring that committed credit lines are available to meet future funding requirements. In addition, CLP Power Hong Kong will fund its committed contractual maturities through cash flows earned under the terms of the SoC and financing available under its credit lines and MTN programme. Management also monitors rolling forecasts of the Group's undrawn borrowing facilities and cash and cash equivalents on the expected cash flows.

1. Financial Risk Factors (continued)

Liquidity risk (continued)

The table below analyses the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, derivative financial liabilities (both net settled and gross settled) and derivative financial assets (gross settled) based on the contractual undiscounted cash flows.

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2021					
Non-derivative financial liabilities					
Bank loans	9,420	3,445	4,142	4,072	21,079
Other borrowings	2,732	4,295	8,954	30,451	46,432
Customers' deposits	6,254	–	–	–	6,254
Trade payables and other liabilities	15,279	251	420	428	16,378
SoC reserve accounts	–	–	–	3,440	3,440
Asset decommissioning liabilities	–	–	–	1,421	1,421
Financial guarantee contract	970	–	–	–	970
	34,655	7,991	13,516	39,812	95,974
Derivative financial liabilities – net settled					
Interest rate swaps	49	17	15	9	90
Energy contracts	878	192	110	244	1,424
	927	209	125	253	1,514
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	2,661	704	4,334	–	7,699
Cross currency interest rate swaps	1,080	947	3,091	18,499	23,617
	3,741	1,651	7,425	18,499	31,316
Gross contractual amounts receivable					
Forward foreign exchange contracts	(2,587)	(661)	(4,266)	–	(7,514)
Cross currency interest rate swaps	(849)	(668)	(2,780)	(18,319)	(22,616)
	(3,436)	(1,329)	(7,046)	(18,319)	(30,130)
Net payable	305	322	379	180	1,186
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	20,506	536	76	–	21,118
Cross currency interest rate swaps	294	2,625	3,042	6,591	12,552
	20,800	3,161	3,118	6,591	33,670
Gross contractual amounts receivable					
Forward foreign exchange contracts	(20,600)	(632)	(77)	–	(21,309)
Cross currency interest rate swaps	(371)	(2,677)	(3,102)	(6,623)	(12,773)
	(20,971)	(3,309)	(3,179)	(6,623)	(34,082)
Net receivable	(171)	(148)	(61)	(32)	(412)
Total payable	134	174	318	148	774

1. Financial Risk Factors (continued)

Liquidity risk (continued)

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2020					
Non-derivative financial liabilities					
Bank loans	5,758	4,681	5,149	3,531	19,119
Other borrowings	4,612	2,510	10,070	26,805	43,997
Customers' deposits	5,908	–	–	–	5,908
Fuel clause account	346	–	–	–	346
Trade payables and other liabilities	15,039	260	574	578	16,451
SoC reserve accounts	–	–	–	2,374	2,374
Asset decommissioning liabilities	–	–	–	1,320	1,320
	31,663	7,451	15,793	34,608	89,515
Derivative financial liabilities – net settled					
Interest rate swaps	63	55	50	22	190
Energy contracts	677	618	512	27	1,834
	740	673	562	49	2,024
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	17,028	329	4,022	–	21,379
Cross currency interest rate swaps	1,366	952	2,712	12,568	17,598
	18,394	1,281	6,734	12,568	38,977
Gross contractual amounts receivable					
Forward foreign exchange contracts	(16,954)	(304)	(3,953)	–	(21,211)
Cross currency interest rate swaps	(1,053)	(768)	(2,478)	(12,310)	(16,609)
	(18,007)	(1,072)	(6,431)	(12,310)	(37,820)
Net payable	387	209	303	258	1,157
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	705	183	361	–	1,249
Cross currency interest rate swaps	2,683	287	5,410	7,319	15,699
	3,388	470	5,771	7,319	16,948
Gross contractual amounts receivable					
Forward foreign exchange contracts	(760)	(206)	(465)	–	(1,431)
Cross currency interest rate swaps	(2,802)	(366)	(5,546)	(7,417)	(16,131)
	(3,562)	(572)	(6,011)	(7,417)	(17,562)
Net receivable	(174)	(102)	(240)	(98)	(614)
Total payable	213	107	63	160	543

2. Hedge Accounting

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. There is no inherent mismatch in the hedging relationships. Certain ineffectiveness can arise during the hedging process. The main sources of hedge ineffectiveness are considered to be the effects of re-designation of the hedging relationships and the counterparty credit risks on the hedging instruments.

Hedges on debt related transactions

The Group applies various types of derivative financial instruments (forward foreign currency contracts, foreign currency options, cross currency interest rate swaps and interest rate swaps) to mitigate exposures arising from the fluctuations in foreign currencies and / or interest rates of debt. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

Hedges on non-debt related transactions

The SoC Companies use forward contracts to manage its foreign exchange risk arising from fuel and nuclear purchases obligations, and payments for major capital projects. The SoC Companies hedge a high portion of committed and highly probable forecast transactions.

EnergyAustralia uses electricity spot-price-linked forward contracts and oil-price-linked forward contracts to mitigate exposures arising from the fluctuations in electricity spot price and oil spot price embedded in gas contracts. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.

Effects of hedge accounting

The tables below summarise the effect of the hedge accounting on financial position and performance of the Group for the year ended 31 December 2021 and 2020:

			Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness				Amount reclassified from cash flow hedge reserve and credited / (charged) to profit or loss [a]	
Cash Flow Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedging instrument assets / (liabilities) HK$M	Hedging instruments HK$M	Hedged items HK$M	Fair value losses / (gains) recognised in cash flow hedge reserve HK$M	Hedge ineffectiveness recognised in profit or loss [a] HK$M	Hedged items affected profit or loss HK$M	Hedged future cash flows no longer expected to occur HK$M
At 31 December 2021								
Debt related transactions								
Interest rate risk [b]	**28,085**	**(1,016)**	**(232)**	**227**	**231**	**1**	**(326)**	**-**
Foreign exchange risk	**346**	**(38)**	**8**	**(8)**	**(8)**	**-**	**10**	**-**
Non-debt related transactions								
Foreign exchange risk	**23,501**	**(13)**	**39**	**(39)**	**(39)**	**-**	**29**	**-**
Energy portfolio risk – electricity [c]	**N/A**	**1,153**	**989**	**(889)**	**(889)**	**(100)**	**1,050**	**34**
Energy portfolio risk – gas [c]	**N/A**	**789**	**1,546**	**(1,546)**	**(1,546)**	**-**	**134**	**-**
At 31 December 2020								
Debt related transactions								
Interest rate risk [b]	28,211	(1,080)	(620)	627	618	2	225	-
Foreign exchange risk	631	(37)	34	(34)	(34)	-	36	-
Non-debt related transactions								
Foreign exchange risk	16,447	(49)	(111)	111	111	-	(77)	-
Energy portfolio risk – electricity [c]	N/A	1,309	546	(544)	(544)	(2)	122	(121)
Energy portfolio risk – gas [c]	N/A	(613)	(834)	834	834	-	(158)	-

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

Fair Value Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedged items HK$M	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness		Hedge ineffectiveness charged to finance costs HK$M
				Hedging instruments HK$M	Hedged items HK$M	
At 31 December 2021						
Debt related transactions						
Interest rate risk [(b)]	**5,509**	**(5,615)**	**(147)**	**(193)**	**193**	**–**
At 31 December 2020						
Debt related transactions						
Interest rate risk [(b)]	5,481	(5,804)	(340)	302	(303)	1

Notes:

(a) Hedge ineffectiveness and amounts reclassified from cash flow hedge reserve on non-debt and debt related transactions were recognised in fuel and other operating expenses and finance costs respectively.

(b) Also include foreign exchange risk in case of foreign currency debts

(c) The aggregate notional volumes of the outstanding energy derivatives were 108,041GWh (2020: 88,331GWh) and 5.9 million barrels (2020: 7.9 million barrels) for electricity and oil, respectively.

An analysis of other comprehensive income by risk category and the reconciliation of the components in equity that arises in connection with hedge accounting are as follows:

Cash Flow Hedge Reserve	Interest Rate Risk [(b)] HK$M	Foreign Exchange Risk HK$M	Energy Portfolio Risk HK$M	Total HK$M
Balance at 1 January 2020	284	14	500	798
Fair value losses	(618)	(77)	(290)	(985)
Reclassification to profit or loss				
Hedged items affect profit or loss	(225)	41	36	(148)
Hedged future cash flows no longer expected to occur	–	–	121	121
Transfer to hedged assets	–	1	–	1
Related deferred tax	145	7	40	192
Exchange difference	–	(1)	36	35
Balance at 31 December 2020	(414)	(15)	443	14
Balance at 1 January 2021	(414)	(15)	443	14
Fair value (losses) / gains	(231)	47	2,435	2,251
Reclassification to profit or loss				
Hedged items affect profit or loss	326	(39)	(1,184)	(897)
Hedged future cash flows no longer expected to occur	–	–	(34)	(34)
Transfer to hedged assets	–	8	–	8
Related deferred tax	(18)	(4)	(364)	(386)
Exchange difference	–	–	(46)	(46)
Balance at 31 December 2021	**(337)**	**(3)**	**1,250**	**910**

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

Cost of Hedging Reserve	Time Value of Options HK$M	Forward Element HK$M	Foreign Currency Basis Spread HK$M	Total HK$M
Balance at 1 January 2020	2	8	(63)	(53)
Changes due to transaction related hedged items				
Fair value losses	–	–	(25)	(25)
Reclassification to profit or loss	–	–	27	27
Transferred to hedged assets	–	–	(2)	(2)
Changes due to time-period related hedged items				
Fair value (losses) / gains	(6)	(39)	203	158
Reclassification to profit or loss	4	32	(16)	20
Related deferred tax	1	3	(31)	(27)
Exchange difference	–	(1)	(1)	(2)
Balance at 31 December 2020	1	3	92	96
Balance at 1 January 2021	1	3	92	96
Changes due to transaction related hedged items				
Fair value losses	–	–	(11)	(11)
Reclassification to profit or loss	–	–	26	26
Changes due to time-period related hedged items				
Fair value losses	(3)	(21)	(127)	(151)
Reclassification to profit or loss	2	19	(15)	6
Related deferred tax	–	–	21	21
Balance at 31 December 2021	**–**	**1**	**(14)**	**(13)**

3. Fair Value Estimation and Hierarchy of Financial Instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the Group's financial instruments that are not measured at fair value, their carrying values approximate their fair values.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(A) Fair value hierarchy

The following table presents the Group's financial instruments that are measured at fair value at 31 December:

	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
At 31 December 2021				
Financial assets				
Investments at fair value through other comprehensive income	**338**	**–**	**35**	**373**
Investments at fair value through profit or loss	**12**	**–**	**530**	**542**
Forward foreign exchange contracts	**–**	**156**	**–**	**156**
Foreign exchange options	**–**	**1**	**–**	**1**
Cross currency interest rate swaps	**–**	**180**	**–**	**180**
Interest rate swaps	**–**	**19**	**–**	**19**
Energy contracts	**329**	**1,457**	**1,340**	**3,126**
	679	**1,813**	**1,905**	**4,397**
Financial liabilities				
Forward foreign exchange contracts	**–**	**187**	**–**	**187**
Cross currency interest rate swaps	**–**	**1,046**	**–**	**1,046**
Interest rate swaps	**–**	**87**	**–**	**87**
Energy contracts	**580**	**273**	**493**	**1,346**
	580	**1,593**	**493**	**2,666**
At 31 December 2020				
Financial assets				
Investments at fair value through other comprehensive income	238	–	35	273
Investments at fair value through profit or loss	–	–	291	291
Forward foreign exchange contracts	–	129	–	129
Foreign exchange options	–	7	–	7
Cross currency interest rate swaps	–	509	–	509
Interest rate swaps	–	69	–	69
Energy contracts	783	824	1,192	2,799
	1,021	1,538	1,518	4,077
Financial liabilities				
Forward foreign exchange contracts	–	175	–	175
Cross currency interest rate swaps	–	1,212	–	1,212
Interest rate swaps	–	185	–	185
Energy contracts	7	922	800	1,729
	7	2,494	800	3,301

The Group's policy is to recognise transfers into / out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. During 2021 and 2020, there were no transfers between Level 1 and Level 2.

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(B) Valuation techniques used to determine fair values

The valuation techniques and inputs used in the fair value measurements within Level 2 and Level 3 are as follows:

Financial Instruments	Valuation Techniques	Significant Inputs
Investments at fair value through profit or loss	Recent arm's length transactions or net asset value of funds	Not applicable
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable exchange rates, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap price curves; and long term forward electricity price and cap price curve

The significant unobservable inputs of energy contracts used for fair value measurement included long term forward electricity price and cap price curve. The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's Chief Financial Officer (CFO-EA) and ARC-EA. The valuation of Level 3 forward energy contracts involves the use of a short term forward curve which is observable in the liquid market and an internally generated long term forward electricity price and cap price curve which is derived using unobservable inputs. This short term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long term forward curve is performed by the CFO-EA and ARC-EA annually due to the lack of market liquidity. Analysis of fair value changes is performed on a monthly basis for reasonableness.

(C) Movements and sensitivity analysis of Level 3 financial instruments

	2021			2020		
	Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**326**	**392**	**718**	282	1,077	1,359
Total gains / (losses) recognised in						
Profit or loss and presented in fuel and other operating expenses (note)	**164**	**119**	**283**	(16)	7	(9)
Other comprehensive income	**–**	**444**	**444**	2	(650)	(648)
Purchases	**128**	**–**	**128**	58	–	58
Sales / settlements	**(53)**	**(108)**	**(161)**	–	(42)	(42)
Closing balance	**565**	**847**	**1,412**	326	392	718

Note: Out of which, unrealised gains recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period was HK$282 million (2020: losses of HK$3 million).

The valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. At 31 December 2021, a favourable and unfavourable change of 15% (2020: 15%) would cause the balance of the energy contracts to rise by HK$681 million (2020: HK$802 million) and decline by HK$724 million (2020: HK$806 million) respectively, with all other variables held constant.

4. Offsetting Financial Assets and Financial Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset in the consolidated statement of financial position		
	Gross amounts recognised HK$M	Gross amounts offset HK$M	Net amounts presented in the respective line HK$M	Financial instruments HK$M	Financial instrument collateral HK$M	Net amount [a] HK$M
At 31 December 2021						
Financial assets						
Bank balances, cash and other liquid funds	**299**	**–**	**299**	**(299)**	**–**	**–**
Trade receivables and service concession receivables	**6,791**	**–**	**6,791**	**(4,647)**	**(2,104)**	**40**
Derivative financial instruments	**3,766**	**(403)**	**3,363**	**(156)** [b]	**–**	**3,207**
	10,856	**(403)**	**10,453**	**(5,102)**	**(2,104)**	**3,247**
Financial liabilities						
Customers' deposits	**6,251**	**–**	**6,251**	**(2,104)**	**–**	**4,147**
Bank loans and other borrowings	**11,514**	**–**	**11,514**	**–**	**(4,946)**	**6,568**
Derivative financial instruments	**2,961**	**(403)**	**2,558**	**(156)** [b]	**–**	**2,402**
	20,726	**(403)**	**20,323**	**(2,260)**	**(4,946)**	**13,117**
At 31 December 2020						
Financial assets						
Bank balances, cash and other liquid funds	536	–	536	(536)	–	–
Trade receivables and service concession receivables	5,413	–	5,413	(3,623)	(1,790)	–
Derivative financial instruments	4,052	(788)	3,264	(444) [b]	–	2,820
	10,001	(788)	9,213	(4,603)	(1,790)	2,820
Financial liabilities						
Customers' deposits	5,895	–	5,895	(1,790)	–	4,105
Bank loans and other borrowings	10,706	–	10,706	–	(4,159)	6,547
Derivative financial instruments	3,823	(788)	3,035	(444) [b]	–	2,591
	20,424	(788)	19,636	(2,234)	(4,159)	13,243

Notes:

(a) Under HKFRS, amounts cannot be offset if the rights of set-off are conditional on a future event e.g. default of payment. "Net amount" column represents the net impact that would be shown on the consolidated statement of financial position if all set-off rights (e.g. master netting arrangements, collateral arrangements, etc.) were exercised. These items include (1) restricted cash of Apraava Energy group; (2) trade receivables related to Hong Kong electricity business where customers' deposits are served as security for payments; (3) trade receivables and service concession receivables of subsidiaries in Mainland China and India which are pledged against their bank loans and other borrowings; and (4) bank loans and other borrowings of subsidiaries in Mainland China and India which are secured by charges over certain financial assets or rights to income.

(b) For derivative financial instruments, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements in which there is a set-off provision. Under certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, a termination value is then assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position since the Group does not have any currently legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of future events such as a default on the bank transactions or other credit events.

5. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The Group manages its capital structure and fine-tunes it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or change the level of debts. The Group's capital management objectives, policies or processes were unchanged during 2021 and 2020.

The Group monitors capital using "total debt to total capital" and "net debt to total capital" ratios. These ratios are as follows:

	2021 HK$M	2020 HK$M
Total debt [(a)]	**58,215**	54,348
Net debt [(b)]	**49,955**	42,640
Total equity [(c)]	**127,541**	126,993
Total capital (based on total debt) [(d)]	**185,756**	181,341
Total capital (based on net debt) [(e)]	**177,496**	169,633
Total debt to total capital (based on total debt) ratio (%)	**31.3**	30.0
Net debt to total capital (based on net debt) ratio (%)	**28.1**	25.1

Increase in the Group's net debt to total capital is mainly attributable to higher net debt to finance capital expenditure for business growth and decarbonisation.

Certain entities of the Group are subject to loan covenants. For both 2021 and 2020, there is no material non-compliance with those loan covenants.

Notes:

(a) Total debt equals bank loans and other borrowings.

(b) Net debt equals total debt less bank balances, cash and other liquid funds.

(c) Total equity equals equity plus advances from non-controlling interests.

(d) Total capital (based on total debt) equals total debt plus total equity.

(e) Total capital (based on net debt) equals net debt plus total equity.

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

Overview

In Hong Kong, CLP Power Hong Kong Limited (CLP Power Hong Kong) operates a vertically integrated electricity generation, transmission and distribution business. The generating plants in Hong Kong are owned by Castle Peak Power Company Limited (CAPCO), in which CLP Power Hong Kong owned 70%. CLP Power Hong Kong builds and operates CAPCO's power stations under contract and is the sole customer for CAPCO's electricity which CLP Power Hong Kong transmits and distributes to its customers in Kowloon, New Territories and most of the outlying islands. CLP Power Hong Kong owns the transmission and distribution network.

Since financial year 1964, the electricity-related operations of CLP Power Hong Kong and CAPCO (the SoC Companies) have been governed by a Scheme of Control (SoC) Agreement with the Hong Kong Government. The SoC specifies the SoC Companies' obligations to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and the mechanism for the Hong Kong Government to monitor their financial affairs and operating performance. In return, CLP Power Hong Kong is allowed to charge tariffs designed to recover the operating costs (including tax) and allowed net return of the SoC Companies.

The current SoC took effect from 1 October 2018 and covers a term of over 15 years ending on 31 December 2033. The SoC contains a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the costs of investments, fuel and power purchase agreements previously approved by the Hong Kong Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Hong Kong Government, the SoC Companies are entitled to recover them from the market, consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

Tariff Setting Mechanism

For each year, CLP Power Hong Kong designs the total tariff it charges to cover the SoC Companies' operating costs and allowed net return. The total tariff consists of the following components:

(i) basic tariff rate which is derived by taking into account the annual forecast of (a), (b) and (c) below, using the formula "(a-b) / c":

- (a) the allowed net return and operating costs including the standard cost of fuels; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;
- (b) 80% of the profit on electricity sales to Mainland China; and
- (c) local unit sales as determined by the load forecast.

(ii) fuel clause charge or rebate (Fuel Cost Adjustment) which represents the difference between the cost of fuels (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate. The Fuel Cost Adjustment may be adjusted from time to time, including on a monthly basis, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

Any difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from a Tariff Stabilisation Fund. The Tariff Stabilisation Fund does not form part of distributable shareholders' funds and represents a liability in the accounts of CLP Power Hong Kong. A charge on the average balance of the Tariff Stabilisation Fund is credited to a Rate Reduction Reserve in the accounts of CLP Power Hong Kong, which balance as at the end of each year is to be transferred to the Tariff Stabilisation Fund in the following year.

Permitted and Net Return

The permitted and net return that the SoC Companies are allowed under the SoC are calculated as follows:

- The annual permitted return under the SoC is 8% of the SoC Companies' average net fixed assets.
- The net return under the SoC is the permitted return after the deduction or adjustment of the following items:

(a) interest up to a maximum of 7% per annum on borrowed capital arranged for financing fixed assets;

(b) a charge of the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund under the SoC, which is credited to the Rate Reduction Reserve;

(c) an excess capacity adjustment of 8% less an allowed interest charge up to 7% per annum on the average related excess capacity expenditure;

(d) interest up to 7% per annum on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998; and

(e) performance-linked incentives / penalties adjustments

Category	% incentives (+) / penalties (-)
Operation performance related incentives / penalties	in the range of -0.05% to +0.05% on average net fixed assets
Energy efficiency and renewable performance incentives	◈ a maximum of 0.315% on average net fixed assets ◈ incentive of 10% of renewable energy certificates sales revenue ◈ five-year energy saving and renewable energy connections incentives with a maximum of 0.11% on the average net fixed assets at the final year of the five-year period
Demand response reduction incentive	a maximum of 0.025% on average net fixed assets

The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions state that each company will receive that proportion of the total net return represented by the net return that company would receive if it were the only company under the SoC and the net return were calculated solely on the basis of its own financial statements.

Under the SoC, 65% of the energy efficiency incentives earned by the SoC Companies are to be contributed to a CLP Community Energy Saving Fund (CESF) to support programmes in promotion of energy efficiency, use of renewable energy, the disadvantaged groups and other programmes as agreed with the Hong Kong Government.

The calculations shown on next page are in accordance with the SoC and the agreements between the SoC Companies.

For the year ended 31 December

	2021 HK$M	2020 HK$M
SoC revenue	**45,379**	41,905
Expenses		
Operating costs	**5,186**	5,170
Fuel	**15,667**	13,790
Purchases of nuclear electricity	**5,678**	5,582
Provision for asset decommissioning	**111**	141
Depreciation	**5,434**	5,011
Operating interest	**857**	976
Taxation	**2,100**	1,904
	35,033	32,574
Profit after taxation	**10,346**	9,331
Interest on borrowed capital	**1,018**	1,111
Adjustment for performance incentives	**(438)**	(416)
Profit for SoC	**10,926**	10,026
Transfer to Tariff Stabilisation Fund	**(1,072)**	(519)
Permitted return	**9,854**	9,507
Deduct interest on / Adjustment for		
Borrowed capital as above	**1,018**	1,111
Performance incentives as above	**(438)**	(416)
Tariff Stabilisation Fund to Rate Reduction Reserve	**3**	18
	583	713
Net return	**9,271**	8,794
CESF contribution	**(208)**	(201)
Net return after CESF contribution	**9,063**	8,593
Divisible as follows:		
CLP Power Hong Kong	**6,078**	5,769
CAPCO	**2,985**	2,824
	9,063	8,593
CLP Power Hong Kong's share of net return after CESF contribution		
CLP Power Hong Kong	**6,078**	5,769
Interest in CAPCO	**2,089**	1,977
	8,167	7,746

Five-year Summary: CLP Group Economic and Financial Data

	2021	2020	2019	2018	2017
Consolidated Operating Results, HK$M					
Revenue					
Hong Kong electricity business	**44,311**	41,325	40,025	40,872	39,485
Energy businesses outside Hong Kong	**38,941**	37,687	45,088	49,793	52,101
Others	**707**	578	576	760	487
Total	**83,959**	79,590	85,689	91,425	92,073
Earnings					
Hong Kong electricity business	**8,189**	7,818	7,448	8,558	8,863
Hong Kong electricity business related	**301**	270	211	227	335
Mainland China	**1,660**	2,233	2,277	2,163	1,238
Australia	**(83)**	1,690	1,566	3,302	2,738
India	**221**	175	263	572	647
Southeast Asia and Taiwan	**173**	386	335	162	160
Other earnings in Hong Kong	**(66)**	(238)	(199)	(92)	(65)
Unallocated net finance (costs)/income	**(9)**	24	(42)	(54)	(2)
Unallocated Group expenses	**(869)**	(781)	(738)	(856)	(607)
Operating earnings	**9,517**	11,577	11,121	13,982	13,307
Impairment provision	**(148)**	–	(6,381)	(450)	–
Gain on sale of investment	**249**	–	–	–	–
Property revaluation	**(34)**	(121)	(83)	18	369
Reversal of tax provision	**–**	–	–	–	573
Other items affecting comparability from Australia	**(1,093)**	–	–	–	–
Total earnings	**8,491**	11,456	4,657	13,550	14,249
Dividends	**7,832**	7,832	7,782	7,630	7,352
Depreciation and amortisation, owned and leased assets	**9,308**	8,476	8,118	8,005	7,368
Consolidated Statement of Financial Position, HK$M					
SoC fixed assets	**124,353**	119,873	117,042	113,295	109,824
Other fixed assets	**37,801**	36,642	33,744	34,650	33,914
Goodwill and other intangible assets	**19,710**	20,559	20,111	26,910	29,087
Interests in joint ventures	**10,602**	11,017	9,999	9,674	10,383
Interests in associates	**8,769**	9,181	8,708	7,746	8,081
Other non-current assets	**4,686**	3,568	3,193	2,739	3,152
Current assets	**33,888**	33,393	28,826	35,500	33,710
Total assets	**239,809**	234,233	221,623	230,514	228,151
Shareholders' funds	**113,034**	112,200	105,455	109,053	108,697
Perpetual capital securities	**3,887**	3,887	3,887	5,791	5,791
Other non-controlling interests	**9,788**	9,885	9,987	10,088	7,019
Equity	**126,709**	125,972	119,329	124,932	121,507
Bank loans and other borrowings	**58,215**	54,348	52,349	55,298	57,341
SoC reserve accounts	**3,440**	2,374	1,500	998	977
Other current liabilities	**27,286**	27,260	26,911	28,099	27,962
Other non-current liabilities	**24,159**	24,279	21,534	21,187	20,364
Total liabilities	**113,100**	108,261	102,294	105,582	106,644
Equity and total liabilities	**239,809**	234,233	221,623	230,514	228,151

A ten-year summary is on our website

	2021	2020	2019	2018	2017
Consolidated Statement of Cash Flows, HK$M					
Funds from operations	**20,495**	24,418	23,502	26,584	26,506
Net cash inflow from operating activities	**18,078**	22,374	21,345	23,951	24,417
Net cash outflow from investing activities	**(11,822)**	(10,081)	(5,824)	(11,259)	(16,735)
Net cash outflow from financing activities	**(8,484)**	(10,211)	(14,944)	(11,505)	(5,863)
Capital expenditure, owned and leased assets	**(12,431)**	(10,586)	(10,448)	(10,327)	(9,538)
Per Share Data, HK$					
Shareholders' funds per share	**44.74**	44.41	41.74	43.16	43.02
Earnings per share	**3.36**	4.53	1.84	5.36	5.64
Dividends per share	**3.10**	3.10	3.08	3.02	2.91
Closing share price					
Highest	**80.90**	84.20	96.85	96.95	85.30
Lowest	**71.75**	65.00	78.40	75.35	72.55
As at year-end	**78.75**	71.70	81.90	88.50	79.95
Ratios					
Return on equity, %	**7.5**	10.5	4.3	12.4	13.8
Operating return on equity, %	**8.5**	10.6	10.4	12.8	12.9
Total debt to total capital, %	**31.3**	30.0	30.3	30.4	31.8
Net debt to total capital, %	**28.1**	25.1	26.7	25.5	27.8
FFO interest cover, times	**12**	13	12	13	15
Price/Earnings, times	**23**	16	45	17	14
Dividend yield, %	**3.9**	4.3	3.8	3.4	3.6
Dividend cover [1], times	**1.2**	1.5	1.4	1.8	1.8
Dividend pay-out, %					
Total earnings	**92.2**	68.4	167.1	56.3	51.6
Operating earnings	**82.3**	67.7	70.0	54.6	55.2
Total return to shareholders [2], %	**5.8**	5.2	8.7	9.6	8.4
Group Generation Capacity [3]					
(owned/operated/under construction), MW					
– by region					
Hong Kong	**8,243**	8,143	7,568	7,543	7,483
Mainland China	**7,985**	7,905	7,905	7,869	7,985
Australia	**4,537**	4,511	4,508	4,478	4,505
India	**2,040**	1,890	1,842	1,796	2,948
Southeast Asia and Taiwan	**285**	285	285	285	285
	23,090	22,734	22,108	21,971	23,206
– by status					
Operational	**22,235**	22,184	21,468	21,127	22,118
Construction	**855**	550	640	844	1,088
	23,090	22,734	22,108	21,971	23,206

Notes:

1 Dividend cover = Operating earnings per share/Dividend per share

2 Total return to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.

3 Group generation capacity (in MW) is incorporated on the following basis: (a) CAPCO on 100% capacity as stations operated by CLP Power Hong Kong; (b) Ecogen (2017) on 100% as having right to use; and (c) other stations (including Ecogen since 2018) on the proportion of the Group's equity interests.

Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data

Environmental

Performance Indicators	Units	2021	2020	2019	2018	2017	GRI Standards (GRI)/ HKEx ESG Reporting Guide (HKEx)/SASB Standards for Electric Utilities (SASB)/ ISSB Climate-related Disclosures Prototype (ISSB)
Greenhouse Gas Emissions							
CLP Group [1]							
Total CO_2e emissions – on an equity basis [2, 3]	kt	**65,017**	62,138	71,720	N/A	N/A	GRI 305-1, 305-2, 305-3/ HKEx A1.2/SASB IF-EU-110a.1, IF-EU-110a.2 /ISSB 13-a
Scope 1 CO_2e [4]	kt	**47,690**	45,105	50,047	N/A	N/A	
Scope 2 CO_2e	kt	**236**	244	250	N/A	N/A	
Scope 3 CO_2e	kt	**17,091**	16,790	21,424	N/A	N/A	
CLP Group's generation and energy storage portfolio [3, 4, 5]							
CO_2 – on an equity basis [6]	kt	**47,574**	44,987	N/A	N/A	N/A	GRI 305-1, 305-2/HKEx A1.2
CO_2e – on an equity basis [6]	kt	**47,813**	N/A	N/A	N/A	N/A	
CO_2 – on an equity plus long-term capacity and energy purchase basis [7, 8]	kt	**51,674**	48,621	N/A	N/A	N/A	
CO_2e – on an equity plus long-term capacity and energy purchase basis [7, 8]	kt	**51,941**	N/A	N/A	N/A	N/A	
CO_2 – on an operational control basis [6]	kt	**46,842**	43,808	50,412	52,052	47,921 [9]	
CO_2e – on an operational control basis [6]	kt	**47,090**	44,023	50,676	52,306	48,082	
Climate Vision 2050							
CLP Group – GHG emissions intensity of generation and energy storage portfolio [3, 4, 5, 10]							GRI 305-4/HKEx A1.2/ISSB 15
On an equity plus long-term capacity and energy purchase basis [7, 8]	kg CO_2e/kWh	**0.57**	0.57	0.63	0.66	0.69 [9]	
On an equity basis [6]	kg CO_2e/kWh	**0.65**	0.66	0.71	0.74	0.80 [9]	
Resource Use & Emissions [3, 11, 12]							
Nitrogen oxides (NO_x) emissions	kt	**45.7**	43.2	47.0	60.9	59.3	GRI 305-7/HKEx A1.1/ SASB IF-EU-120.a.1
Sulphur dioxide (SO_2) emissions	kt	**52.7**	48.0	44.7	76.1	81.6	
Particulates emissions	kt	**7.6**	6.9	7.7	8.5	8.3	
Sulphur hexafluoride (SF_6)	kt	**0.004**	0.003	N/A	N/A	N/A	
Non-hazardous waste produced [13]	t (solid)/kl (liquid)	**24,481/65**	17,901/3	13,344/59	11,471/52	20,334/103	GRI 306-2/HKEx A1.4
Non-hazardous waste recycled [13]	t (solid)/kl (liquid)	**4,214/65**	4,458/3	4,986/57	3,990/52	3,790/103	
Hazardous waste produced [13]	t (solid)/kl (liquid)	**1,524/1,017**	1,503/1,091	862/1,578	1,435/1,685	857/1,420	GRI 306-2/HKEx A1.3
Hazardous waste recycled [13]	t (solid)/kl (liquid)	**520/947**	523/1,069	201/1,536	631/1,648	469/1,384	
Ash produced/recycled and sold	kt	**3,403/2,501**	2,624/1,793	3,032/3,667	3,419/2,263	3,005/1,745	SASB IF-EU-150a.1
Gypsum produced/recycled and sold	kt	**367/365**	334/335	441/438	253/250	156/161	
Total water withdrawal	Mm^3	**5,160.0**	5,162.7 [14]	5,219.9 [14]	5,153.6	4,480.6	GRI 2-4, 303-3/HKEx A2.2/ SASB IF-EU-140a.1
Total water discharge	Mm^3	**5,122.5**	5,133.8 [14]	5,179.6 [14]	5,103.2	4,437.7	GRI 2-4, 303-4
Fuel Use							
Coal consumed (for power generation)	TJ	**426,190**	403,379	485,453	521,568	471,976	GRI 302-1/HKEx A2.1
Gas consumed (for power generation)	TJ	**142,304**	134,776	107,183	83,364	91,426	
Oil consumed (for power generation)	TJ	**2,717**	2,243	2,620	3,807	5,069	
Environmental Compliance							
Environmental regulatory non-compliances resulting in fines or prosecutions	number	**0**	0	0	0	0	GRI 2-27
Environmental licence limit exceedances & other non-compliances	number	**9**	4	10	2	13	

Notes:

1 Refers to a range of businesses, including generation and energy storage portfolio, transmission and distribution, retail and others.

2 Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

3 Paguthan Power Station, the power purchase agreements of which expired in December 2018, was not included in the 2019-2021 numbers.

4 In accordance with the Greenhouse Gas Protocol, WE Station, which makes use of landfill gas from waste for power generation, is not included in CLP's Scope 1 CO_2 emissions and is reported separately in the Asset Performance Statistics of the Sustainability Report. Its non-CO_2 GHG emissions (i.e. CH_4 and N_2O) are included in CLP's Scope 1 CO_2e emissions.

5 Starting from 2020, the portfolio includes energy storage assets and generation assets. Energy storage assets include pumped storage and battery storage. In previous years, the portfolio included generation assets only.

6 Numbers include Scope 1 and Scope 2 emissions.

7 Numbers include assets with majority and minority shareholdings, and those under "long-term capacity and energy purchase" arrangements with CLP. Starting from 2018, "long-term capacity and energy purchase" has been defined as a purchase agreement with a duration of at least five years, and capacity or energy purchased being no less than 10MW.

8 Numbers include Scope 1, Scope 2 and Scope 3 Category 3 emissions (direct emissions from generation of purchased electricity that is sold to CLP's customers).

9 CO_2e emissions of Yallourn and Hallett Power Stations were used to calculate CO_2 emissions metrics in 2017 due to limited data availability.

Performance Indicators	Units	2021	2020	2019	2018	2017	GRI/HKEx/SASB/ISSB
Asset management[2, 15]							
Total generation and energy storage capacity by asset type – on an equity basis	MW (%)	**20,018 (100)**	19,691 (100)	19,238 (100)	19,108 (100)	19,395 (100)	GRI 2-4/ISSB 13
Coal	MW (%)	**10,795 (53.9)**	10,765 (54.7)	10,765 (56.0)	10,765 (56.3)	11,401 (58.8)	
Gas	MW (%)	**4,666 (23.3)**	4,600 (23.4)	4,194 (21.8)	4,147 (21.7)	3,434 (17.7)	
Nuclear	MW (%)	**1,600 (8.0)**	1,600 (8.1)	1,600 (8.3)	1,600 (8.4)	1,600 (8.2)	
Wind[16]	MW (%)	**1,747 (8.7)**	1,521 (7.7)	1,521 (7.9)	1,521 (8.0)	1,941 (10.0)	
Hydro[16]	MW (%)	**489 (2.4)**	489 (2.5)	489 (2.5)	489 (2.6)	489 (2.5)	
Solar[16]	MW (%)	**499 (2.5)**	499 (2.5)	451 (2.3)	369 (1.9)	321 (1.7)	
Waste-to-energy[16]	MW (%)	**7 (0.0)**	7 (0.0)	7 (0.0)	7 (0.0)	N/A	
Energy Storage	MW (%)	**5 (0.0)**	0 (0.0)	N/A	N/A	N/A	
Others	MW (%)	**210 (1.0)**	210 (1.1)	210 (1.1)	210 (1.1)	210 (1.1)	
Total generation and energy storage capacity by asset type – on an equity plus long-term capacity and energy purchase basis[7]	MW (%)	**25,108 (100)**	24,752 (100)[17]	24,015 (100)	23,705 (100)	24,554 (100)	
Coal	MW (%)	**12,027 (47.9)**	11,997 (48.5)	11,997 (50.0)	11,997 (50.6)	12,633 (51.4)	
Gas	MW (%)	**5,813 (23.2)**	5,717 (23.1)	5,139 (21.4)	5,084 (21.4)	5,322 (21.7)	
Nuclear	MW (%)	**2,685 (10.7)**	2,685 (10.8)	2,685 (11.2)	2,685 (11.3)	2,488 (10.1)	
Wind[18]	MW (%)	**2,331 (9.3)**	2,105 (8.5)[17]	2,049 (8.5)	1,982 (8.4)	2,401 (9.8)	
Hydro[18]	MW (%)	**489 (1.9)**	489 (2.0)	489 (2.0)	489 (2.1)	489 (2.0)	
Solar[18]	MW (%)	**793 (3.2)**	793 (3.2)	745 (3.1)	558 (2.4)	321 (1.3)	
Waste-to-energy[18]	MW (%)	**10 (0.0)**	10 (0.0)	10 (0.0)	10 (0.0)	N/A	
Energy Storage	MW (%)	**660 (2.6)**	655 (2.6)	N/A	N/A	N/A	
Others	MW (%)	**300 (1.2)**	300 (1.2)	900 (3.7)	900 (3.8)	900 (3.7)	
Total energy sent out by asset type[3] **– on an equity basis**	GWh (%)	**73,113 (100)**	68,699 (100)	70,949 (100)	N/A	N/A	GRI 2-4/SASB IF-EU-000.D/ ISSB 13
Coal	GWh (%)	**42,002 (57.4)**	39,438 (57.4)	44,596 (62.9)	N/A	N/A	
Gas	GWh (%)	**13,233 (18.1)**	12,390 (18.0)	9,979 (14.1)	N/A	N/A	
Nuclear	GWh (%)	**12,302 (16.8)**	11,192 (16.3)	10,888 (15.3)	N/A	N/A	
Wind[19]	GWh (%)	**2,959 (4.0)**	2,886 (4.2)	2,924 (4.1)	N/A	N/A	
Hydro[19]	GWh (%)	**1,668 (2.3)**	1,879 (2.7)	1,758 (2.5)	N/A	N/A	
Solar[19]	GWh (%)	**922 (1.3)**	898 (1.3)	805 (1.1)	N/A	N/A	
Waste-to-energy[19]	GWh (%)	**27 (0.0)**	15 (0.0)	0 (0.0)	N/A	N/A	
Energy Storage	GWh (%)	**0 (0.0)**	0 (0.0)	N/A	N/A	N/A	
Others	GWh (%)	**0 (0.0)**	1 (0.0)	0 (0.0)	N/A	N/A	
Total energy sent out by asset type[3, 20] **– on an equity plus long-term capacity and energy purchase basis**[7]	GWh (%)	**91,183 (100)**	85,949 (100)[17]	88,573 (100)	(100)	(100)	
Coal	GWh (%)	**43,995 (48.2)**	41,118 (47.8)	48,512 (54.8)	(60)	(61)	
Gas	GWh (%)	**18,461 (20.2)**	17,157 (20.0)	13,073 (14.8)	(12)	(15)	
Nuclear	GWh (%)	**20,962 (23.0)**	19,923 (23.2)	19,400 (21.9)	(20)	(15)	
Wind[21]	GWh (%)	**4,611 (5.1)**	4,445 (5.2)[17]	4,474 (5.0)			
Hydro[21]	GWh (%)	**1,668 (1.8)**	1,879 (2.2)	1,758 (2.0)	(8)	(9)	
Solar[21]	GWh (%)	**1,524 (1.7)**	1,522 (1.8)	1,467 (1.7)			
Waste-to-energy[21]	GWh (%)	**38 (0.0)**	22 (0.0)	0 (0.0)	N/A	N/A	
Energy Storage	GWh (%)	**-75 (-0.1)**	-118 (-0.1)	N/A	N/A	N/A	
Others	GWh (%)	**1 (0.0)**	1 (0.0)	-109 (-0.1)	(0)	(0)	

Notes:

10 The 2019-2021 numbers refer to the GHG emissions intensity (kg CO_2e/kWh), in line with the updated Climate Vision 2050 targets. Numbers prior to 2019 refer to carbon emissions intensity (kg CO_2/kWh), as reported in the past.

11 Numbers include operating assets where CLP has operational control during the calendar year.

12 Since 2019, numbers at the asset level have been aggregated and then rounded.

13 Waste categorised in accordance with local regulations.

14 Restated as per updated data for Newport Power Station in Australia.

15 Starting from 2020, a new "Energy Storage" asset category is added, under which pumped storage and battery storage are included. In previous years, assets under the "Others" category included oil-fired generation assets and pumped storage.

16 Renewables include wind, hydro, solar and waste-to-energy. The total capacity of renewables on an equity basis is 2,743MW (13.7%) in 2021.

17 Restated as per updated data for Power Purchase Agreement (PPA) of Waterloo Wind Farm in Australia.

18 Renewables include wind, hydro, solar and waste-to-energy. The total capacity of renewables on an equity plus long-term capacity and energy purchase basis is 3,624MW (14.4%) in 2021.

19 Renewables include wind, hydro, solar and waste-to-energy. The total sent out of renewables on an equity basis is 5,576GWh (7.6%) in 2021.

20 Only percentages are available for the years 2017-18.

21 Renewables include wind, hydro, solar and waste-to-energy. The total sent out of renewables on an equity plus long-term capacity and energy purchase basis is 7,840GWh (8.6%) in 2021.

*All 2021 data in the above table have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

For more detailed narrative on the "Environmental, Social and Governance" related performance indicators, please refer to Capitals chapters and the Corporate Governance Report of this Annual Report.

Social and Governance

Performance Indicators	Units	2021	2020	2019	2018	2017	GRI/HKEx/SASB/ISSB
Employees [1]							
Employees by region							GRI 2-7/HKEx B1.1
Hong Kong	number	**4,771**	4,689	4,604	4,538	4,504	
Mainland China	number	**627**	609	607	596	577	
Australia	number	**2,281**	2,320	2,280	2,042	1,998	
India	number	**437**	442	469	458	463	
Total	number	**8,116**	8,060	7,960	7,634	7,542	
Employees eligible to retire within the next five years [2]							GRI EU15
Hong Kong	%	**20.1**	20.4	19.5	20.0	18.6	
Mainland China	%	**15.1**	13.4	14.5	13.2	10.6	
Australia [3]	%	**6.6**	5.7	5.4	12.8	12.2	
India	%	**5.0**	5.1	4.8	4.0	2.4	
Total	%	**14.6**	14.5	13.9	16.4	15.1	
Voluntary staff turnover rate [4, 5]							GRI 401-1/HKEx B1.2
Hong Kong	%	**4.6**	3.1	2.4	2.3	1.9	
Mainland China	%	**2.3**	1.3	2.0	4.7	3.0	
Australia	%	**16.1**	7.7	12.9	13.6	13.8	
India	%	**6.9**	4.7	6.6	5.6	3.5	
Average training hours per employee	hours	**51.6**	42.5	40.1	46.1	46.9	GRI 404-1/HKEx B3.2
Safety [6]							
Fatalities – employees only [7, 8]	number of personnel	**0**	0	0	1	0	GRI 403-2/HKEx B2.1
Fatalities – contractors only [7, 8]	number of personnel	**0**	0	1	1	4	
Fatalities – employees and contractors combined [7, 8]	number of personnel	**0**	0	1	2	4	
Fatality Rate – employees only [9,10]	rate	**0.00**	0.00	0.00	0.01	0.00	GRI 403-2/HKEx B2.1/ SASB IF-EU-320a.1
Fatality Rate – contractors only [9, 10]	rate	**0.00**	0.00	0.01	0.01	0.03	
Fatality Rate – employees and contractors combined [9, 10]	rate	**0.00**	0.00	0.00	0.01	0.02	
Days Away From Work Injuries – employees only [8, 11]	number of personnel	**4**	12	7	11	11	GRI 403-2
Days Away From Work Injuries – contractors only [8, 11]	number of personnel	**10**	10	19	11	16	
Days Away From Work Injuries – employees and contractors combined [8, 11]	number of personnel	**14**	22	26	22	27	
Lost Time Injury Rate – employees only [10, 12]	rate	**0.05**	0.13	0.07	0.13	0.13	
Lost Time Injury Rate – contractors only [10, 12]	rate	**0.08**	0.09	0.14	0.09	0.14	
Lost Time Injury Rate – employees and contractors combined [10, 12]	rate	**0.07**	0.11	0.11	0.10	0.13	

Notes:

1 Starting from 2019, numbers have included full-time and part-time employees. Numbers in the previous years included full-time employees only.

2 The percentages given refer to permanent employees within each region, who are eligible to retire within the next five years.

3 There is no mandatory retirement age in Australia. Since 2019, the retirement age assumption has been adjusted from 60 to 65 to reflect local norms, which led to a significantly lower percentage compared to previous years. Numbers in previous years adopting the adjusted retirement age for Australia are as follows: 2017 – Australia: 4.8%/Group total: 12.9%; 2018 – Australia: 4.6%/Group total: 14.0%.

4 Voluntary staff turnover refers to employees leaving the organisation voluntarily and does not include dismissal, retirement, company-initiated termination or end of contract.

5 Includes permanent employees except for Mainland China, which includes both permanent and fixed-term contract employees due to local employment legislation.

6 The system of rules applied in recording and reporting accident statistics complies with the International Labour Organization (ILO) Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

7 Refers to the number of fatalities as a result of work-related injury.

8 Starting from 2021, the unit is changed from the number of cases to the number of personnel.

9 Refers to the number of fatal injuries per 200,000 work hours in the year.

Performance Indicators	Units	2021	2020	2019	2018	2017	GRI/HKEx/SASB/ISSB
High-consequence Injuries – employees only [13]	number of personnel	**0**	N/A	N/A	N/A	N/A	GRI 403-9
High-consequence Injuries – contractors only [13]	number of personnel	**1**	N/A	N/A	N/A	N/A	
High-consequence Injuries – employees and contractors combined [13]	number of personnel	**1**	N/A	N/A	N/A	N/A	
Total Recordable Injury Rate – employees only [10, 14]	rate	**0.14**	0.25	0.19	0.19	0.21	GRI 403-2/SASB IF-EU-320a.1
Total Recordable Injury Rate – contractors only [10, 14]	rate	**0.29**	0.37	0.52	0.29	0.36	
Total Recordable Injury Rate – employees and contractors combined [10, 14]	rate	**0.23**	0.32	0.38	0.25	0.29	
Work-related Ill Health – employees only [8, 15]	number of personnel	**1**	0	0	1	0	GRI 403-10/HKEx B2.1
Lost Days – employees only [16]	number of days	**304** [17]	443 [18]	464 [19]	249	252	GRI 403-2/HKEx B2.2
Governance							
Convicted cases of corruption reported to the Audit & Risk Committee	cases	**0**	0	0	0	0	GRI 205-3/HKEx B7.1
Breaches of Code of Conduct reported to the Audit & Risk Committee	cases	**18**	25	31	20	28	

Notes:

10 Rates are normalised to 200,000 work hours, which approximately equals to the number of hours worked by 100 people in one year.

11 Starting from 2021, "Days Away From Work Injuries" replaces "Lost Time Injury". Days Away From Work Injuries refers to the number of personnel who sustains work-related injury and is unfit to perform any work on any day after the occurrence of the injury. "Any day" is any calendar day which includes rest days, weekend days, leave days, public holidays or days after ceasing employment. It does not include the day the injury incident occurred. "Days Away From Work Injuries" excludes fatalities which were included in "Lost Time Injury". Numbers prior to 2021 are the previously reported numbers for "Lost Time Injury".

12 Refers to the number of Days Away From Work Injuries and Fatalities per 200,000 work hours in the year.

13 Refers to the number of personnel who sustains life threatening or life-altering work-related injury. It is a subset of Days Away From Work Injuries.

14 Refers to the number of Total Recordable Injuries per 200,000 work hours in the year. Total Recordable Injuries include Fatalities, Days Away From Work Injuries, Restricted Work Injuries, and Medical Treatment Injuries.

15 Starting from 2021, "Work-related Ill Health" replaces "Occupational Disease". Work-related Ill Health includes the diseases listed in the ILO List of Occupational Diseases, work-related mental illnesses and work-related disorders. Numbers prior to 2021 are the previously reported numbers for "Occupational Disease".

16 Starting from 2021, "Lost Days" replaces "Days Lost". "Lost Days" is the sum total of calendar days (consecutive or otherwise) after the days on which the work-related injuries and work-related ill health occurred. "Days Lost" accounts the working days instead of calendar days. Numbers prior to 2021 are the previously reported numbers for "Days Lost".

17 19 out of 304 days were carried forward from one incident in 2020.

18 188 out of 443 days were carried forward from one incident in the past.

19 158 out of 464 days were carried forward from three incidents in the past.

*All 2021 data in the above table have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

Five-year Summary: Scheme of Control Financial & Operating Statistics

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

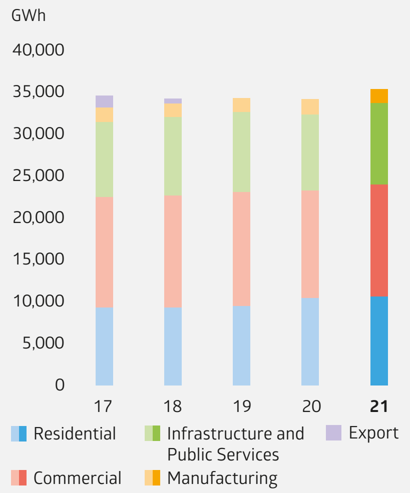
	2021	2020	2019	2018	2017
SoC Financial Statistics					
Combined Profit & Loss Statement, HK$M					
Profit for SoC	**10,926**	10,026	9,744	10,756	10,783
Transfer (to)/from Tariff Stabilisation Fund	**(1,072)**	(519)	(526)	(191)	42
Permitted return	**9,854**	9,507	9,218	10,565	10,825
Less: Interest on/Adjustment for					
Borrowed capital	**1,018**	1,111	1,100	1,055	976
Increase in customers' deposits	**–**	–	4	1	–
Performance incentives	**(438)**	(416)	(392)	(105)	(54)
Tariff Stabilisation Fund	**3**	18	22	11	4
Net return	**9,271**	8,794	8,484	9,603	9,899
Combined Balance Sheet, HK$M					
Net assets employed					
Fixed assets	**125,827**	120,523	117,157	113,295	109,824
Non-current assets	**134**	351	213	198	268
Current assets	**8,359**	6,350	4,231	6,559	7,606
	134,320	127,224	121,601	120,052	117,698
Less: current liabilities	**25,311**	23,046	28,115	24,699	22,565
Net assets	**109,009**	104,178	93,486	95,353	95,133
Exchange fluctuation account	**606**	555	9	81	(21)
	109,615	104,733	93,495	95,434	95,112
Represented by					
Equity	**49,934**	47,807	46,205	46,569	44,736
Long-term loans and other borrowings	**38,328**	37,146	29,792	32,274	34,251
Deferred liabilities	**18,244**	17,761	16,020	15,650	15,379
Tariff Stabilisation Fund	**3,109**	2,019	1,478	941	746
	109,615	104,733	93,495	95,434	95,112
Other SoC Information, HK$M					
Total electricity sales	**45,222**	41,798	40,473	40,982	39,161
Capital expenditure	**11,222**	8,882	9,097	8,922	8,068
Depreciation	**5,434**	5,011	4,753	4,931	4,706
SoC Operating Statistics					
Customers and Sales					
Number of customers (thousand)	**2,711**	2,672	2,636	2,597	2,556
Sales analysis, millions of kWh					
Commercial	**13,423**	12,878	13,584	13,425	13,220
Manufacturing	**1,665**	1,616	1,663	1,704	1,740
Residential	**10,525**	10,298	9,451	9,191	9,217
Infrastructure and Public Services	**9,742**	9,171	9,586	9,342	8,987
Local	**35,355**	33,963	34,284	33,662	33,164
Export	**-**	–	–	556	1,341
Total Electricity Sales	**35,355**	33,963	34,284	34,218	34,505
Annual change, %	**4.1**	(0.9)	0.2	(0.8)	0.2
Renewable Energy Certificate Sold, millions of kWh	**15**	5	3	–	–
Local consumption, kWh per person	**5,704**	5,404	5,459	5,433	5,397
Local sales, HK¢ per kWh (average)					
Basic Tariff	**93.6**	92.3	90.7	93.3	91.8
Fuel Cost Adjustment [1]	**30.2**	28.4	27.9	23.2	21.0
Total Tariff	**123.8**	120.7	118.6	116.5	112.8
Rent and Rates Special Rebate [2]	**–**	(1.2)	(0.1)	(1.1)	–
Net Tariff [3]	**123.8**	119.5	118.5	115.4	112.8
Annual change in Basic Tariff, %	**1.4**	1.8	(2.8)	1.6	3.3
Annual change in Total Tariff, %	**2.6**	1.8	1.8	3.3	(0.4)
Annual change in Net Tariff, %	**3.6**	0.8	2.7	2.3	(0.4)

A [ten-year summary](#) is on our website

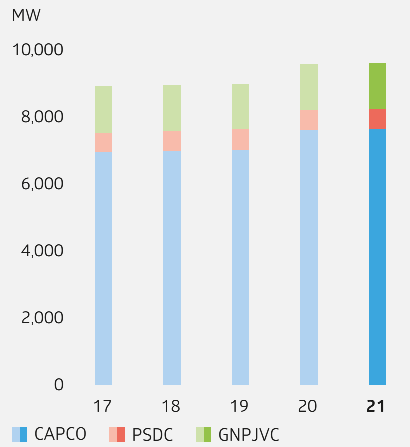
	2021	2020	2019	2018	2017
Generation (Including Affiliated Generating Companies)					
Installed capacity, MW	**9,623**	9,573	8,988	8,963	8,913
System maximum demand					
Local, MW [4]	**7,477**	7,264	7,206	7,036	7,155
Annual change, %	**2.9**	0.8	2.4	(1.7)	4.6
System load factor, %	**58.8**	57.3	59.8	58.8	53.0
Generation by CAPCO stations, millions of kWh	**25,330**	23,752	24,952	24,642	25,032
Sent out, millions of kWh –					
From own generation	**24,109**	22,605	23,369	23,032	23,456
Net transfer from GNPS/GPSPS/Others	**12,484**	12,583	12,276	12,504	12,428
From Feed-in Tariff customers	**111**	45	9	–	–
Total	**36,704**	35,233	35,654	35,536	35,884
Fuel consumed, terajoules –					
Oil	**1,928**	1,538	1,711	2,714	3,894
Coal	**75,307**	63,505	141,830	150,310	148,065
Gas	**132,609**	131,244	80,695	72,969	75,807
Total	**209,844**	196,287	224,236	225,993	227,766
Cost of fuel, HK$ per gigajoule – Overall	**70.25**	65.94	55.47	54.79	49.30
Thermal efficiency, % based on units sent out	**41.3**	40.8	37.5	36.7	37.1
Plant availability, %	**84.4**	87.5	86.4	86.4	84.6
Transmission and Distribution					
Network, circuit kilometres					
400kV	**555**	555	555	554	554
132kV	**1,638**	1,638	1,630	1,601	1,606
33kV	**22**	22	22	22	22
11kV	**14,182**	13,990	13,782	13,643	13,455
Transformers, MVA	**67,479**	66,633	65,753	65,109	64,441
Substations –					
Primary	**237**	235	232	232	232
Secondary	**15,204**	15,028	14,867	14,685	14,483
Employees and Productivity					
Number of SoC employees	**3,900**	3,861	3,815	3,798	3,831
Productivity, thousands of kWh per employee	**9,111**	8,849	9,007	8,825	8,683

Notes:
1 The Fuel Cost Adjustment has replaced the Fuel Clause Charge effective from October 2014. Commencing 1 October 2018, the Fuel Cost Adjustment is automatically adjusted on a monthly basis to reflect changes in actual price of fuel used.
2 CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate of 1.1 cents per unit from January 2018 to mid-February 2019 and 1.2 cents per unit in 2020, returning to customers the refunds received from the Government in relation to CLP Power's claims against the Government's overcharged rent and rates.
3 Effective net tariffs including one-off special fuel rebates in 2017 was 110.5 cents per unit.
4 Without taking into account the effect of the customer programme of demand response pursued to reduce electricity usage, the maximum demand would have been higher at 7,269 MW in 2019, 7,369 MW in 2020 and 7,551 MW in 2021.

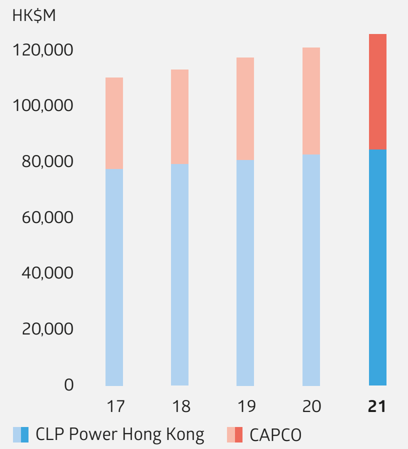
Electricity Sales by Sector



Installed Capacity



SoC Net Fixed Assets



Our Portfolio

CLP's business spans every major segment of the energy value chain, including retail, transmission, distribution, and a diversified portfolio of electricity generation assets. The tables below detail the total generation and energy storage capacity [1] as well as business activities in each CLP market as of 31 December 2021.

Hong Kong	Mainland China	Australia	India	Southeast Asia and Taiwan	Total
8,243MW	9,071MW	5,470MW	2,040MW	285MW	25,108MW

Hong Kong				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Capacity (Equity / Long-term Purchase)**
Customer Services				
Electricity and customer services for about **2.71 million customer accounts** in Kowloon, the New Territories and most of Hong Kong's outlying islands	Hong Kong	100%	–	–
Transmission and Distribution				
555km of 400kV lines, 1,638km of 132kV lines, 22km of 33kV lines and 14,182km of 11kV lines 67,479 MVA transformers, 237 primary and 15,204 secondary substations in operation	Hong Kong	100%	–	–
Gas				
Black Point Power Station, one of the world's largest gas-fired combined-cycle power stations comprising a new 550MW unit [2], seven 337.5MW units and one 312.5MW unit. A second new unit with 600MW capacity is under construction	Hong Kong	70%	3,825MW	3,825MW
Coal				
Castle Peak Power Station, comprising four 350MW coal-fired units and another four 677MW units. Two of the 677MW units can use gas as a backup fuel. All units can use oil as a backup fuel	Hong Kong	70%	4,108MW	4,108MW
Others				
Hong Kong Branch Line, comprising a 20km pipeline (including subsea portion of 19km) and the associated gas launching and end stations, which transports natural gas from PipeChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Power Station	Hong Kong	40%	–	–
Hong Kong LNG Terminal Limited develops, owns and operates the offshore LNG terminal in Hong Kong, currently under construction, to provide LNG regasification and related services to Castle Peak Power Company Limited and The Hongkong Electric Company, Limited	Hong Kong	49%	–	–
Penny's Bay Power Station, comprising three 100MW diesel-fired gas turbine units mainly for backup purpose	Hong Kong	70%	300MW	300MW
West New Territories Landfill Gas Power Generation Project, comprising five new 2MW units which make use of landfill gas from waste for power generation [3]	Hong Kong	70%	10MW	10MW

Mainland China				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Capacity (Equity / Long-term Purchase)**
Nuclear				
Guangdong Daya Bay Nuclear Power Station, comprising two 984MW Pressurised Water Reactors. Through long-term capacity purchase, 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong Province [4]	Guangdong	25%	1,968MW	1,577MW
Yangjiang Nuclear Power Station, comprising six 1,086MW generating units	Guangdong	17%	6,516MW	1,108MW
Wind				
Nanao II Wind Farm	Guangdong	25%	45MW	11MW
Nanao III Wind Farm	Guangdong	25%	15MW	4MW
Sandu Wind Farm	Guizhou	100%	99MW	99MW
Changling II Wind Farm	Jilin	45%	49.5MW	22MW
Datong Wind Farm	Jilin	49%	49.5MW	24MW
Qian'an I Wind Farm	Jilin	100%	49.5MW	49.5MW
Qian'an II Wind Farm	Jilin	100%	49.5MW	49.5MW
Qian'an III Wind Farm [5], with a 5MW Battery Energy Storage System	Jilin	100%	100MW	100MW
Shuangliao I Wind Farm	Jilin	49%	49.3MW	24MW
Shuangliao II Wind Farm	Jilin	49%	49.5MW	24MW
CLP Laizhou I Wind Farm	Shandong	100%	49.5MW	49.5MW
CLP Laizhou II Wind Farm	Shandong	100%	49.5MW	49.5MW
Dongying Hekou Wind Farm	Shandong	49%	49.5MW	24MW
Huadian Laizhou I Wind Farm	Shandong	45%	40.5MW	18MW
Laiwu I Wind Farm	Shandong	100%	49.5MW	49.5MW
Laiwu II Wind Farm	Shandong	100%	49.5MW	49.5MW
Laiwu III Wind Farm [6]	Shandong	100%	50MW	50MW

Notes:

1 Of projects in operation and under construction on an equity basis, in addition to long-term capacity and energy purchase arrangements. Minor discrepancies may result from rounding.

2 The new 550MW Combined-Cycle Gas Turbine (CCGT) unit was commissioned in October 2020.

3 West New Territories Landfill Gas Power Generation Project commenced operation in March 2020.

4 Agreements have been reached to increase the proportion of energy supply to Hong Kong to slightly above 70% in 2014 and to about 80% from 2015 to 2023, with the remainder continuing to be sold to Guangdong Province.

5 Qian'an III project was connected to grid on 31 December 2021 and commenced commercial operation on 1 March 2022.

6 Commenced commercial operation in September 2020.

Mainland China (Cont'd)				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Capacity (Equity / Long-term Purchase)**
Lijin I Wind Farm	Shandong	49%	49.5MW	24MW
Lijin II Wind Farm	Shandong	49%	49.5MW	24MW
Penglai I Wind Farm	Shandong	100%	48MW	48MW
Rongcheng I Wind Farm	Shandong	49%	48.8MW	24MW
Rongcheng II Wind Farm	Shandong	49%	49.5MW	24MW
Rongcheng III Wind Farm	Shandong	49%	49.5MW	24MW
Weihai I Wind Farm	Shandong	45%	19.5MW	9MW
Weihai II Wind Farm	Shandong	45%	49.5MW	22MW
Zhanhua I Wind Farm	Shandong	49%	49.5MW	24MW
Zhanhua II Wind Farm	Shandong	49%	49.5MW	24MW
Chongming Wind Farm	Shanghai	29%	48MW	14MW
Xundian I Wind Farm	Yunnan	100%	49.5MW	49.5MW
Hydro				
Huaiji Hydro Power Stations	Guangdong	84.9%	129MW	110MW
Jiangbian Hydropower Station	Sichuan	100%	330MW	330MW
Dali Yang_er Hydropower Station	Yunnan	100%	49.8MW	49.8MW
Solar				
Jinchang Solar Power Station	Gansu	100%	85MW [7]	85MW [7]
Meizhou Solar Power Station	Guangdong	100%	36MW [8]	36MW [8]
Huai'an Solar Power Station	Jiangsu	100%	12.8MW [9]	12.8MW [9]
Sihong Solar Power Station	Jiangsu	100%	93MW [10]	93MW [10]
Lingyuan Solar Power Station	Liaoning	100%	17MW [11]	17MW [11]
Xicun I Solar Power Station	Yunnan	100%	42MW [12]	42MW [12]
Xicun II Solar Power Station	Yunnan	100%	42MW [13]	42MW [13]
Coal				
Beijing Yire Power Station [14]	Beijing	30%	–	–
Fangchenggang Power Station Phase I	Guangxi	70%	1,260MW	882MW
Fangchenggang Power Station Phase II	Guangxi	70%	1,320MW	924MW
Sanhe I and II Power Stations	Hebei	16.5%	1,330MW	219MW
Zhungeer II and III Power Stations	Inner Mongolia	19.5%	1,320MW	257MW
Suizhong I and II Power Stations	Liaoning	15%	3,760MW	564MW
Shenmu Power Station [15]	Shaanxi	49%	–	–
Heze II Power Station	Shandong	29.4%	600MW	176MW
Liaocheng I Power Station	Shandong	29.4%	1,200MW	353MW
Shiheng I and II Power Stations [16]	Shandong	29.4%	1,260MW	370MW
Panshan Power Station	Tianjin	19.5%	1,060MW	207MW
Energy Storage				
Rights to use 50% of Phase I of **Guangzhou Pumped Storage Power Station** for serving CLP's Hong Kong business under a long-term capacity purchase agreement	Guangdong	–	1,200MW	600MW
Others				
Fangchenggang Incremental Distribution Network [17]	Guangxi	22.05%	–	–
Po Park Centralised Cooling System [18]	Guangdong	–	–	–

7 Gross / CLP Equity MW are expressed on an alternating current (AC) basis. If converted to direct current (DC), they are equivalent to 100 / 100MW.

8 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 42.5 / 42.5MW.

9 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 15 / 15MW.

10 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 110 / 110MW.

11 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 20 / 20MW.

12 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50 / 50MW.

13 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50 / 50MW.

14 Beijing Yire Power Station ceased operation on 20 March 2015.

15 Shenmu Power Station ceased operation on 28 February 2018.

16 Shandong Zhonghua Power Company, Ltd., in which CLP has a 29.4% stake, ceased owning the power stations from 1 January 2022.

17 The project company, of which TUS-CLP Smart Energy Technology Co. Ltd. is a shareholder, builds and operates an incremental distribution network (IDN) at Fangchenggang Hi-Tech Zone. Supply to customers commenced in April 2020.

18 In 2021, CLP signed a contract to invest in and operate a centralised cooling system at Po Park Shopping Plaza in central Guangzhou until 2036.

Australia				
Assets and Services	**Location**	**CLP's Interest (Equity / Long-term Purchase)**	**Gross Capacity**	**CLP's Capacity (Equity / Long-term Purchase)**
Customer Services				
Electricity and gas services for **2.44 million customer accounts**	New South Wales, Queensland, South Australia and Victoria	100%	–	–
Wind				
Cathedral Rocks Wind Farm	South Australia	50%	64MW	32MW
Gas				
Tallawarra Gas-fired Power Station [19]	New South Wales	100%	420MW	420MW
Hallett Gas-fired Power Station [20]	South Australia	100%	235MW	235MW
Jeeralang Gas-fired Power Station	Victoria	100%	440MW	440MW
Newport Gas-fired Power Station	Victoria	100%	500MW	500MW
Coal				
Mount Piper Coal-fired Power Station	New South Wales	100%	1,430MW [21]	1,430MW [21]
Yallourn Coal-fired Power Station and Brown Coal Open-cut Mine	Victoria	100%	1,480MW	1,480MW
Renewable Energy Long-term Purchase [22]				
Boco Rock Wind Farm	New South Wales	100%	113MW	113MW
Bodangora Wind Farm	New South Wales	60%	113MW	68MW
Coleambally Solar Farm	New South Wales	70%	150MW	105MW
Gullen Range Wind Farm	New South Wales	100%	166MW	166MW
Manildra Solar Farm	New South Wales	100%	46MW	46MW
Taralga Wind Farm	New South Wales	100%	107MW	107MW
Ross River Solar Farm	Queensland	80%	116MW	93MW
Waterloo Wind Farm Stage 1 [23]	South Australia	100%	111MW	111MW
Gannawarra Solar Farm	Victoria	100%	50MW	50MW
Mortons Lane Wind Farm	Victoria	100%	20MW	20MW
Energy Storage				
Rights to charge and dispatch energy from **Ballarat Battery Storage** which operates 24 / 7 and is capable of powering more than 20,000 homes for an hour of critical peak demand before being recharged	Victoria	100%	30MW / 30MWh	30MW / 30MWh
Rights to charge and dispatch energy from **Gannawarra Battery Storage** which is capable of powering more than 16,000 homes through two hours of peak demand before being recharged	Victoria	100%	25MW / 50MWh	25MW / 50MWh
Others [24]				
Pine Dale Black Coal Mine	New South Wales	100%	–	–

India				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Equity Capacity**
Wind				
Mahidad Wind Farm	Gujarat	60%	50.4MW	30MW
Samana I Wind Farm	Gujarat	60%	50.4MW	30MW
Samana II Wind Farm	Gujarat	60%	50.4MW	30MW
Sidhpur Wind Farm [25]	Gujarat	60%	251MW	150MW
Harapanahalli Wind Farm	Karnataka	60%	39.6MW	24MW
Saundatti Wind Farm	Karnataka	60%	72MW	43MW
Chandgarh Wind Farm	Madhya Pradesh	60%	92MW	55MW
Andhra Lake Wind Farm	Maharashtra	60%	106.4MW	64MW
Jath Wind Farm	Maharashtra	60%	60MW	36MW

19 Construction of a new power plant (Tallawarra B), with capacity of about 316MW, is expected to begin at the site of Tallawarra Power Station in the first quarter of 2022.

20 Gross capacity at Hallett Power Station increased to 235MW in early 2020.

21 Gross capacity at Mount Piper Power Station increased to 1,430MW in early 2021.

22 Relates to long-term power purchase from power stations in which CLP has neither equity nor operational control.

23 The power purchase agreement for the Waterloo Wind Farm Stage 1 increased to 100% from 50% in November 2020.

24 The equity interests in the Narrabri gas project and Wilga Park Gas-fired Power Station were sold to Santos in December 2021.

25 Construction of Sidhpur Wind Project commenced in 2021.

India (Cont'd)				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Equity Capacity**
Khandke Wind Farm	Maharashtra	60%	50.4MW	30MW
Bhakrani Wind Farm	Rajasthan	60%	102.4MW	61MW
Sipla Wind Farm	Rajasthan	60%	50.4MW	30MW
Tejuva Wind Farm	Rajasthan	60%	100.8MW	60MW
Theni I Wind Farm	Tamil Nadu	60%	49.5MW	30MW
Theni II Wind Farm	Tamil Nadu	60%	49.5MW	30MW
Solar				
Gale Solar Farm	Maharashtra	60%	50MW [26]	30MW [26]
Tornado Solar Farm	Maharashtra	60%	20MW [27]	12MW [27]
Cleansolar Renewable Energy Private Limited [28]	Telangana	60%	30MW [29]	18MW [29]
Divine Solren Private Limited [30]	Telangana	60%	50MW [31]	30MW [31]
Veltoor Solar Farm	Telangana	60%	100MW [32]	60MW [32]
Gas				
Paguthan Power Station [33], a combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel	Gujarat	60%	655MW	393MW
Coal				
Jhajjar Power Station, comprising two 660MW supercritical coal-fired units	Haryana	60%	1,320MW	792MW
Transmission				
Satpura Transco Private Ltd., which runs a 240km 400kV double circuit intra-state transmission line	Madhya Pradesh	60%	–	–
Kohima-Mariani Transmission Ltd. [34], which runs a 254km 400kV double circuit interstate transmission line in Northeast India, and owns a 400 / 220kV gas insulated switchgear substation at Kohima in the state of Nagaland	Assam, Nagaland and Manipur	29.4%	–	–

Southeast Asia & Taiwan				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Equity Capacity**
Solar				
Lopburi Solar Farm	Thailand	33.3%	63MW [35]	21MW [35]
Coal				
Ho-Ping Power Station	Taiwan	20%	1,320MW	264MW

Figures include rounding adjustments.

26 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 69 / 41.4MW.

27 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 27.6 / 16.6MW.

28 Cleansolar Renewable Energy Private Limited was acquired in March 2020.

29 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 36.6 / 22MW.

30 Divine Solren Private Limited was acquired in April 2020.

31 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 59.8 / 35.9MW.

32 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 120 / 72MW.

33 Paguthan Power Station did not undertake any significant commercial generation in 2021.

34 Apraava Energy acquired a 49% interest in Kohima-Mariani Transmission Ltd. in December 2021.

35 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 83 / 28MW.

Glossary

Term	Definition
Air emissions	The emission of air pollutants such as sulphur dioxide (SO_2), nitrogen oxides and particulate matter.
Availability	The fraction of a given operating period in which a generating unit is available without outages and capacity reductions. Also known as Equivalent Availability Factor.
Capacity purchase	Additional third-party owned power generation capacity contracted by CLP under long-term agreements to meet customer demand. Some of these agreements may confer CLP rights to use the generation assets and exercise dispatch control as if they belonged to the Group.
Capacity tariff	The agreed part of the tariff for maintaining a given level of electricity generation capacity for use by the purchaser, as specified in a power purchase agreement.
Carbon neutral	When the greenhouse gas emissions associated with an activity or entity are balanced by carbon removal elsewhere, such as carbon credits, carbon sinks or storage, and Renewable Energy Certificates.
Climate Action Finance Framework (CAFF)	Launched in 2017, CAFF supports the transition to a low-carbon economy by attracting socially responsible, sustainable financings, and to support CLP's investments that reduce the carbon content of energy generated and increase the efficiency of energy usage. The CAFF formalises and governs project evaluation, management of proceeds and reporting for Climate Action Finance Transactions, including bonds, loans and other forms of finance.
Climate Vision 2050	CLP's Climate Vision 2050 sets out the blueprint of the Group's transition to net-zero greenhouse gas emissions leading up to mid-century. Launched in 2007 with a focus on the ambition to mitigate CLP's climate impact, Climate Vision 2050 has been instrumental in informing CLP's business strategy and guiding its investment decision-making.
Combined-cycle gas turbine (CCGT)	A technology used in gas-fired generation to enable significantly higher efficiency by utilising residual heat from gas turbine exhaust to run steam turbine and generating additional electricity.
Decarbonisation	Decarbonisation of the power sector refers to the reduction in the greenhouse gas emissions from electricity generation, and providing lower-carbon energy services and solutions to customers.
Demand response	Demand response programmes encourage participating customers to commit to short-term reductions in electricity demand, helping energy suppliers to keep the grid running optimally during high load periods.
Development Plan	The Development Plan, part of the Scheme of Control (SoC) agreement in Hong Kong, covers capital projects for the provision and future expansion of electricity supply systems of CLP, to be implemented over a given five-year period, subject to the review and approval by the Executive Council of Hong Kong.
Digitalisation	The application of new information technologies including artificial intelligence and data analytics to help electricity utilities develop new customer-centric services and improve operations.
Distributed energy	Distributed energy includes power generated from sources such as solar panels and wind turbines located close to the users, as well as controllable loads or storage such as electric vehicles and batteries.

Term	Definition
Electricity sent out	Gross electricity generated by a power plant less self-generated auxiliary power consumption, measured at connecting point between generating unit and transmission line.
Energy-as-a-Service	Evolution in the business strategy of energy companies to provide a more diverse range of value-adding energy services and solutions such as consultancy, energy management and distributed energy resources to customers, in addition to basic utility services.
Energy purchase	Electricity purchased by CLP to meet customer demand under long-term agreements from power plants not owned by CLP, and without existing capacity purchase agreements with the Group.
Energy security	The uninterrupted availability of energy sources.
Energy transition	Transformation of the global energy sector from fossil-fuel based energy systems to low- or zero-carbon sources.
Feed-in Tariff (FiT)	Payable by CLP under the SoC agreement to purchase electricity produced by any of its customers with an embedded renewable energy system qualified to participate under the terms of the FiT Scheme.
Flue gas desulphurisation (FGD) facility	Equipment used to remove sulphur oxides from the combustion gases of a boiler plant before discharge to the atmosphere.
Generation capacity	The maximum amount of power that a generator is rated to produce. Also known as installed capacity or nameplate capacity.
Greenhouse gas (GHG) emissions	The emission of gases that contribute to the greenhouse effect causing a changing climate. CLP's GHG emissions inventory covers the six GHGs specified in the Kyoto Protocol. Nitrogen trifluoride (NF_3), the seventh mandatory gas added under the second Kyoto Protocol was deemed immaterial to CLP's operations after an evaluation.
Grid curtailment	Reduction in the output of a generator from what it could otherwise produce given available resources, typically on an involuntary basis. Curtailment is usually induced by a grid operator because of transmission congestion.
Incremental distribution network (IDN)	To open up the distribution market in an orderly manner as part of the ongoing reforms of the electricity market in Mainland China, the Government is encouraging power companies to set up IDNs to provide safe and reliable electricity services using a newly-added distribution network and to meet demand from users in designated areas such as business and industrial parks.
Independent Power Producers (IPPs)	IPPs are private entities which own and / or operate facilities to generate electricity and sometimes heat and then sell it to utilities, government buyers and end users.
Microgrids	Localised networks with generation, energy storage and load entities, that can operate in tandem with an existing grid or independently. They can potentially be deployed to meet the energy needs of remote areas cost-effectively, forgoing the expenses of transmission grids.
National Electricity Market (NEM)	Australia's NEM is a wholesale spot market connecting six regional market jurisdictions – Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia, and Tasmania.
Net-zero greenhouse gas emissions	When greenhouse gas emissions are reduced, and the residual emissions are balanced by the removal of an equivalent amount of greenhouse gases from the atmosphere.

Term	Definition
Non-carbon energy	Energy from power sources that add no extra carbon to the atmosphere, such as wind, solar, hydro and nuclear energy. It does not include waste-to-energy and other forms of biomass.
Offshore LNG terminal	Offshore LNG terminals receive cargos of LNG for processing into fuel. The Floating Storage and Regasification Unit (FSRU) is where the LNG cargo is unloaded, stored and regasified for transport to a power station or other users.
Offtake	A long-term agreement to purchase electricity from another generator. See capacity purchase.
Particulate matter (PM)	Microscopic solids or liquid droplets in the air.
Peaking plant	A power generating station that is normally used to produce extra electricity during peak load times.
Permitted rate of return	Under the SoC agreement with the Hong Kong Government, CLP has a permitted rate of return of 8% on the total value of average net fixed assets for a given year, which is the average of the cost of CLP's electricity-related fixed assets less depreciation at the beginning and end of that year, calculated in accordance with the SoC agreement.
Photovoltaic (PV) panels	PV panels convert the sun's energy into direct current electricity.
Power Purchase Agreement (PPA)	A long-term electricity supply agreement specifying deliverables such as the capacity allocation, the quantity of electricity to be supplied and financial terms.
Pumped hydro energy storage	A method used for large-scale storage of power. During non-peak times, electricity is used to pump water to a reservoir. During peak times, the reservoir releases water for hydroelectric generation.
Renewable energy	Energy that is generated from renewable resources, which are naturally replenished on a human timescale, including sunlight, geothermal heat, wind, tides, water, waste-to-energy and various forms of biomass.
Renewable Energy Certificates (RECs)	RECs are designed to allow customers to purchase certificates which represent locally-generated renewable energy purchased or generated by CLP.
Scheme of Control (SoC) Agreement	The SoC agreement sets out the electricity regulatory framework, procedures and policies for the 1st October 2018 – 31st December 2033 period. It governs and applies to the financial affairs of CLP, the manner in which CLP is responsible for providing, operating and maintaining sufficient electricity-related facilities and supplying electricity to meet demand in Hong Kong over the term of the agreement.
Science-based target	A target for greenhouse gas reductions that is in line with the goals of the Paris Agreement to limit global temperature increase to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.
Start-up accelerator	A programme that offers support including financing and mentorship to facilitate the development of start-up companies.

Term	Definition
Tariff Stabilisation Fund	Under the SoC Agreement, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund.
Utilisation	Gross generation by a power plant unit in a given period as a fraction of the gross maximum generation. Also known as Gross Capacity Factor.
Waste-to-energy	A form of renewable energy generation using waste such as landfill gas.
Wholesale electricity price	The given price for a bulk quantity of electricity in a wholesale market paid by energy retailers or distributors to generators, reflecting prevailing supply and demand.

Information for Our Investors

Annual Report – Publication Dates

Online:	14 March 2022

- CLP website: www.clpgroup.com ("Investor Relations" section)
- Hong Kong Stock Exchange website: www.hkexnews.hk

Hard copies posted to shareholders (together with Notice of AGM and proxy form)	30 March 2022

Choice of Language and Means of Receipt of Corporate Communications[1]

You can ask for this Annual Report in printed form or in a language version other than your existing choice; and change[2] your choice of language (English and/or Chinese) and /or means of receipt (in printed form or by electronic means through our website) for the Company's future corporate communications.

You can make the above request(s) at any time, free of charge, by writing to the Company or the Company's Registrars or email to cosec@clp.com.hk or clp.ecom@computershare.com.hk.

If your shares are held in joint names, such notice must be specified and signed by all joint holders whose names stand on the Register of Shareholders of the Company in respect of the joint holding in order to be valid.

If you cannot access the corporate communications electronically, please ask us for a printed form and we will send these to you free of charge.

Notes:

1 Corporate communications refer to Interim/Annual Reports, Quarterly Statements, notices, documents or other shareholder publications of the Company (including any "corporate communication" as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

2 Your change request applies to the next batch of corporate communications if we have at least seven days written notice of your request, otherwise, it will apply to the subsequent batch of corporate communications.

Information for American Depositary Receipts Holders

The Group's financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). HKFRS differ in certain respects from United States Generally Accepted Accounting Principles. The Company's duty to file or submit reports under Sections 13(a) or 15(d) of the United States Securities Exchange Act of 1934, as amended (the Exchange Act), was terminated on 30 January 2008 after the Company filed a Form 15F with the United States Securities and Exchange Commission on 31 October 2007. The information contemplated in Rule 12g3-2(b)(1)(iii) under the Exchange Act is and will be published on the Company's website.

Company's Registrars

Computershare Hong Kong Investor Services Limited

Address:	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone:	(852) 2862 8628
Facsimile:	(852) 2865 0990
Enquiries:	www.computershare.com/hk/en/online_feedback

Share Listing

Shares of CLP Holdings are:

- listed on the Stock Exchange of Hong Kong;
- eligible for Southbound trading through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect; and
- traded over the counter in the United States in the form of American Depositary Receipts.

Our Stock Code

The Stock Exchange of Hong Kong:	00002
Bloomberg:	2 HK
Reuters:	0002.HK
Ticker Symbol for ADR Code:	CLPHY
CUSIP Reference Number:	18946Q101

Address:	8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong
Telephone:	(852) 2678 8228 (Shareholders' hotline)
Facsimile:	(852) 2678 8390 (Company Secretary)
Email:	cosec@clp.com.hk (Company Secretary) ir@clp.com.hk (Director – Investor Relations)

The following are the key shareholder-related dates and events:

Key Dates for 2022

Performance-related

FEB 28	2021 Annual Results and Fourth Interim Dividend announced
MAR 30	AGM Notice Issue Date
MAY 3-6	Voting at AGM Book Close Days
MAY 6	2022 AGM
MAY 16	2022 Q1 Quarterly Statement and First Interim Dividend announcement
AUG 8	2022 Interim Results and Second Interim Dividend announcement
OCT 17	2022 Q3 Quarterly Statement and Third Interim Dividend announcement

Dividend-related

		Ex-Dividend Date	Book Close Date	Payment Date
2021 Fourth Interim Dividend	MAR	11	15	24
2022 First Interim Dividend	JUN	1	6	15
2022 Second Interim Dividend	SEP	1	5	15
2022 Third Interim Dividend	DEC	2	6	15

Any changes to these dates will be published on our website.

Any shareholders who have questions or comments are most welcome to contact us by calling our shareholders' hotline on (852) 2678 8228 from 9 a.m. to 5 p.m. (Monday to Friday, excluding Hong Kong public holidays) or email to cosec@clp.com.hk (Company Secretary) or ir@clp.com.hk (Director – Investor Relations).

Thank You

The Future is On
未來始於現在

Thank you for reading our Annual Report, which is one of our main channels to communicate with you and we would like to hear what you think. As a token of our appreciation, each stakeholder who sends us **feedback (through our online form or email to cosec@clp.com.hk) on any of our Annual Report, Sustainability Report and online snapshot** on or before 30 June 2022 will receive four carbon credits, which can be used to offset your carbon footprint. For example, this amount of carbon credits is sufficient to offset emissions generated by:

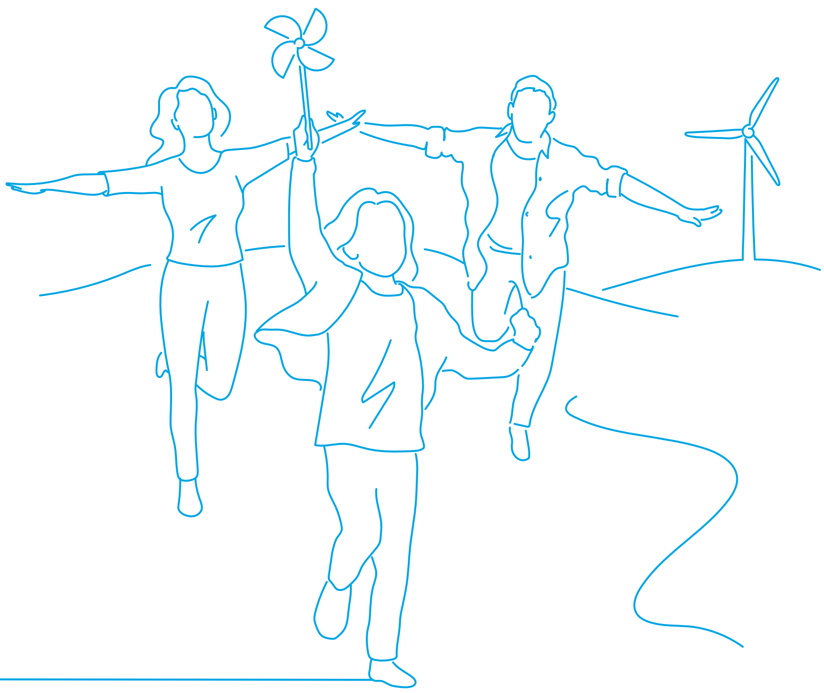
- an average person in Hong Kong in 10 months; or
- fuel used by a mid-sized gasoline car in Hong Kong over 18 months.

Send us your feedback and receive four carbon credits!

Keep in tune with our news on your mobile devices

Download the new CLP Group Investor Relations app to stay alerted on the latest news from CLP including our stock exchange announcements, media releases and financial reports. Users can also access convenient features such as event calendar and share price data.

GET IT ON Google Play
Download on the App Store
Investor Relations



CLP 中電

CLP Holdings Limited
中電控股有限公司

8 Laguna Verde Avenue
Hung Hom, Kowloon, Hong Kong

Tel : (852) 2678 8111
Fax : (852) 2760 4448
www.clpgroup.com

Stock Code: 00002