

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 120<sup>th</sup> 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