

# 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.

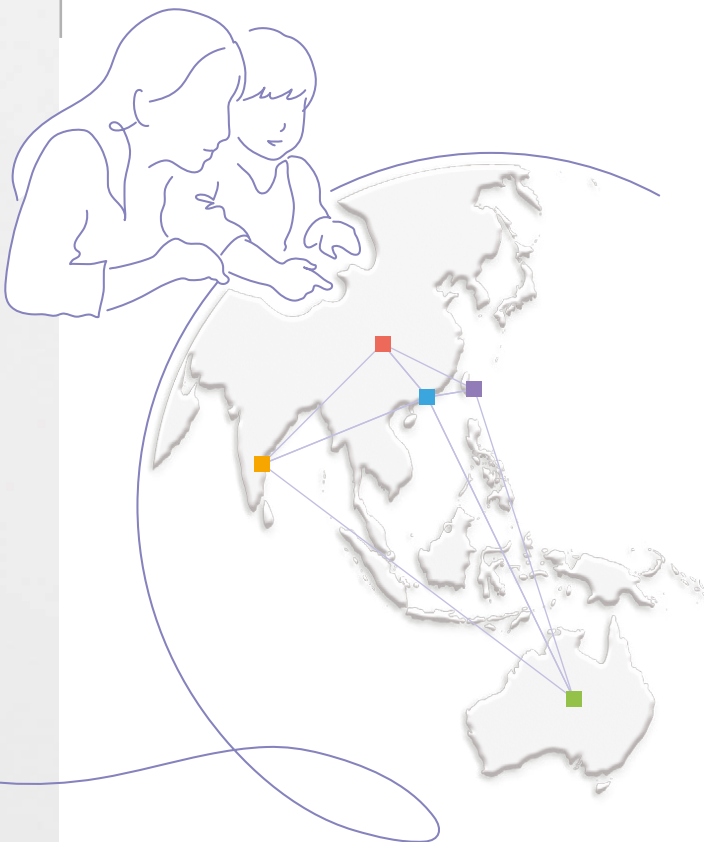
Long-term success requires a flexible strategy capable of evolving with time and taking into consideration broadening sustainability challenges. Recognising this, we regularly review our strategic priorities against environmental, social and governance (ESG) risks and opportunities to ensure they remain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



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:

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### 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.

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### 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.

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### 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.

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### 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.

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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](#). 

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.