

Sustainability as Our Business Strategy

CLP's purpose is to provide sustainable energy solutions that create value for its stakeholders, ranging from capital providers and customers to partners, employees and the wider community. Sustainability is at the heart of CLP's decision-making process and underpins the Group's longevity and success in a rapidly evolving business landscape.

The focus on sustainability is driven by an obligation to protect the environment for future generations, an understanding that a business can only thrive if it exercises social responsibility and makes communities stronger, and an appreciation of the importance of good governance based on accountability, honesty and transparency.

CLP conducts annual materiality assessments to review the way in which ESG issues impact its business and stakeholders. The assessments ensure the Group's strategies and goals remain aligned, respond to evolving stakeholder needs, uncover emerging sustainability risks and opportunities, and support transparent reporting.

The Double Materiality Concept

CLP was an early adopter of double materiality, a concept which expands the traditional materiality lens beyond stakeholder impacts to include financial impacts. It means a company should identify and prioritise:

Financially material topics

Issues which create or erode enterprise value. These are addressed in the Annual Report and are intended to offer useful information to providers of financial capital, such as shareholders and debt investors, when they assess enterprise value and decide whether to provide resources for CLP.

Impact material topics

Issues which have significant positive or negative impacts on people, the environment and the economy. They are covered in CLP's [2022 Sustainability Report](#) and address the concerns of a broad range of stakeholders over CLP's positive contributions to and negative impact on sustainable development. 🌱

In 2022, CLP further refined its double materiality assessment process by implementing the latest international best practices. Refinements included a revised methodology for identifying and assessing stakeholder impacts and financially relevant ESG risks and opportunities.

Identifying and Assessing Material Topics

More than 80 impacts, risks and opportunities were identified in CLP's materiality assessment in 2022 based on a wide range of business factors including the Group's strategic priorities, Climate Vision 2050, risk management framework and relevant metrics defined by the GRI and the Sustainability Accounting Standards Board. All impacts, risks and opportunities are related to nine megatrends affecting CLP's business and its operating environment (see megatrends diagram on the right).

Each impact, risk or opportunity was assessed as having either a negative or positive impact on CLP's stakeholders or enterprise value and designated as either actual or potential impacts. The classifications of "high", "transformational" and "extreme" were assigned to impacts, risks or opportunities assessed as having the greatest effect, with "extreme" being the most significant.

The significance of each of more than 60 negative stakeholder impacts or risks was evaluated for its severity and likelihood. A similar method was devised for assessing each of more than 20 positive stakeholder impacts and opportunities, which were assessed for benefit and likelihood.

Impacts, risks or opportunities classified as "high", "transformational" and "extreme" were reviewed by a working group of materiality experts and CLP employees from departments including Group Sustainability, Risk Management, Investor Relations and Corporate Affairs. The process was reviewed and validated by CLP's Sustainability Executive Committee.



Climate change adaptation



Technology as enabler and disrupter



Deglobalisation



Evolving energy business models



Accelerating energy transition



Electrification



Trust and fairness



Future of Work



Data privacy and security

As a result of the materiality assessment in 2022, five financially material topics and 14 related sub-topics were determined. These included one new material topic and two new sub-topics compared to a year earlier.



Shaping and Executing the Transition to Net Zero

Definition: CLP's growth opportunities are focused on its goal of becoming a Utility of the Future. In pursuit of this, CLP is decarbonising its existing assets, investing in clean electricity infrastructure, ensuring the delivery of reliable and affordable energy supply, and acting as a trusted partner for governments, communities and customers in the just transition to a sustainable clean energy future.

- Related sub-topics:**
- > Acting as a trusted partner in the clean energy transition
 - > Investing in clean electricity infrastructure
 - > Responding to evolving regulatory landscapes



Bolstering Energy Security and Reliability*

Definition: The world is facing an energy crisis exacerbated by an uncertain geopolitical environment and supply chain disruptions. Shortages of coal and gas have resulted in assets running at reduced capacity, increasing costs for both CLP and its customers. The Group must balance two vital objectives – providing customers with secure, reliable and reasonably priced energy, and continuing to make rapid progress with its decarbonisation objectives.

- Related sub-topics:**
- > Providing customers with reliable and reasonably priced energy*
 - > Navigating geopolitical instability*



Pursuing Energy Growth Opportunities in Our Core Markets

Definition: Opportunities in China from the energy transition are significant, supported by the Government's commitment to decarbonisation. Building on the strength of its home market of Hong Kong, CLP is accelerating the provisions of diversified sustainable energy solutions on the Mainland – particularly the Greater Bay Area – to capture opportunities in decarbonisation and faster regional energy market integration.

- Related sub-topics:**
- > Creating new earnings streams as other sectors electrify
 - > Deepening CLP's value proposition with the right partners
 - > Deploying customer-facing energy solutions
 - > Developing Energy-as-a-Service business models



Building an Agile and Innovative Workforce

Definition: The success of CLP's strategy will depend to a large extent on the ability of its employees to adapt to evolving industrial, technological and demographic trends. The Group is therefore making investments to attract and retain a diverse, multi-generational and digitally adept workforce capable of navigating change and meeting customer needs. Workplace safety is another key consideration.

- Related sub-topics:**
- > Attracting and retaining future talent
 - > Enhancing technical and digital capabilities
 - > Promoting workplace safety and wellbeing



Reinforcing Resilience in a Changing Operating Environment

Definition: The pandemic, combined with environmental, technological, regulatory and social changes, reinforced the importance of business resilience. CLP recognises the strategic value of anticipating, dealing with and learning from disruptive events, particularly at a time of growing threats from climate change and cybercrime.

- Related sub-topics:**
- > Building resilience in the face of climate change and an evolving business environment
 - > Reinforcing cyber resilience and data protection

* New financially material topics or sub-topics in 2022



The Stakeholders chapter on page 66 focuses on how CLP is addressing the five financially material topics to create value for stakeholders. For more information on CLP's risk management approach, including the consideration of ESG factors, please see the Risk Management Report on page 143.