

PASS Seminar

Business case for sustainability: CLP's experience

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About CLP



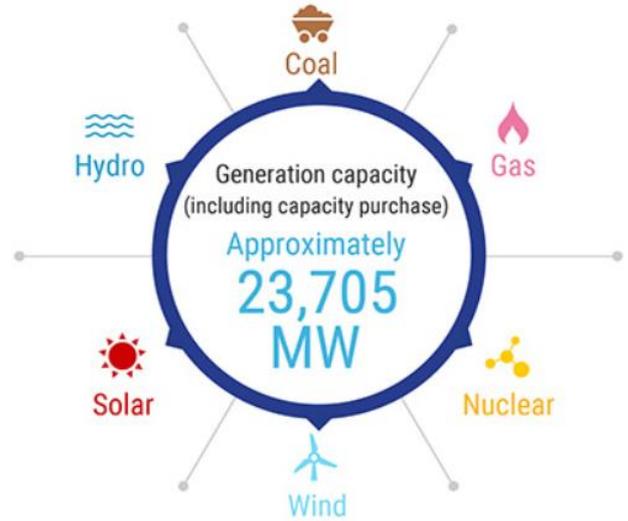
Founded in **1901**
 Listed in **Hong Kong** as CLP Holdings in **1998**



Revenue (2018)
HK\$91,425 million



Market Capitalisation
HK\$223.6 billion



5 major markets



Hong Kong



Mainland China



India



Southeast Asia & Taiwan



Australia



Over **15,800 km** transmission and high voltage distribution lines

7,634 employees across the Asia-Pacific region

As at 31 December 2018

CLP has been producing a Sustainability Report since 2002

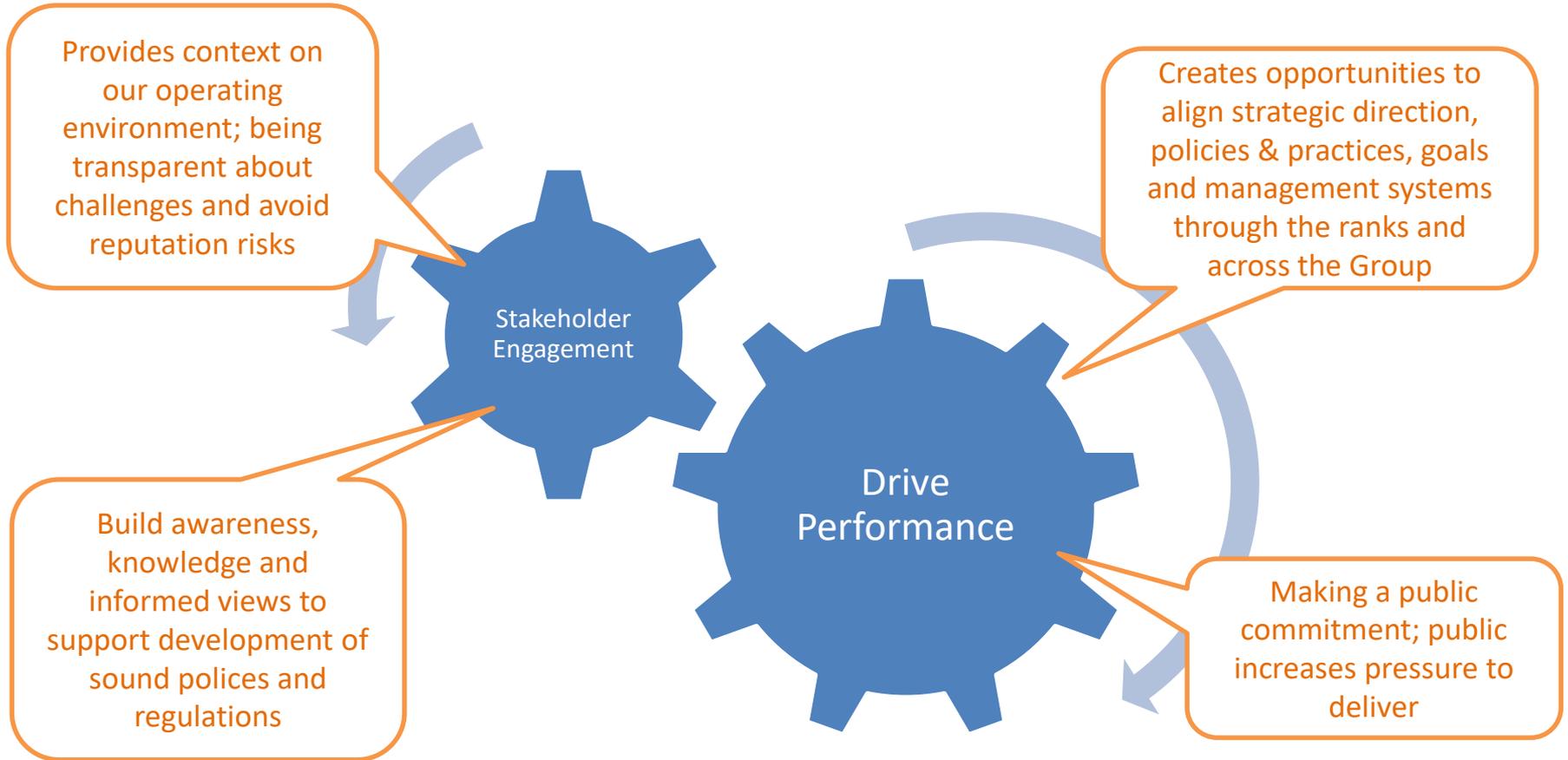


...but sustainability reporting is NOT sustainability

But the report helps us respond to a changing business landscape

- **Reporting frameworks and regulations are tightening** – more stringent frameworks (e.g. GRI) and policies & regulations on ESG disclosures (e.g. HKEx)
- **Increasing environmental & social awareness** – more public expectations and scrutiny; compliance is not enough
- **Increasing expectations on data quantity & quality** – more data points and independent verification expected for credibility
- **Information is available and spread at unprecedented speed** – a public report helps defend the Company's position rapidly

...by driving performance and engaging stakeholders



Investors are increasingly interested in ESG

What is the market/industry outlook?

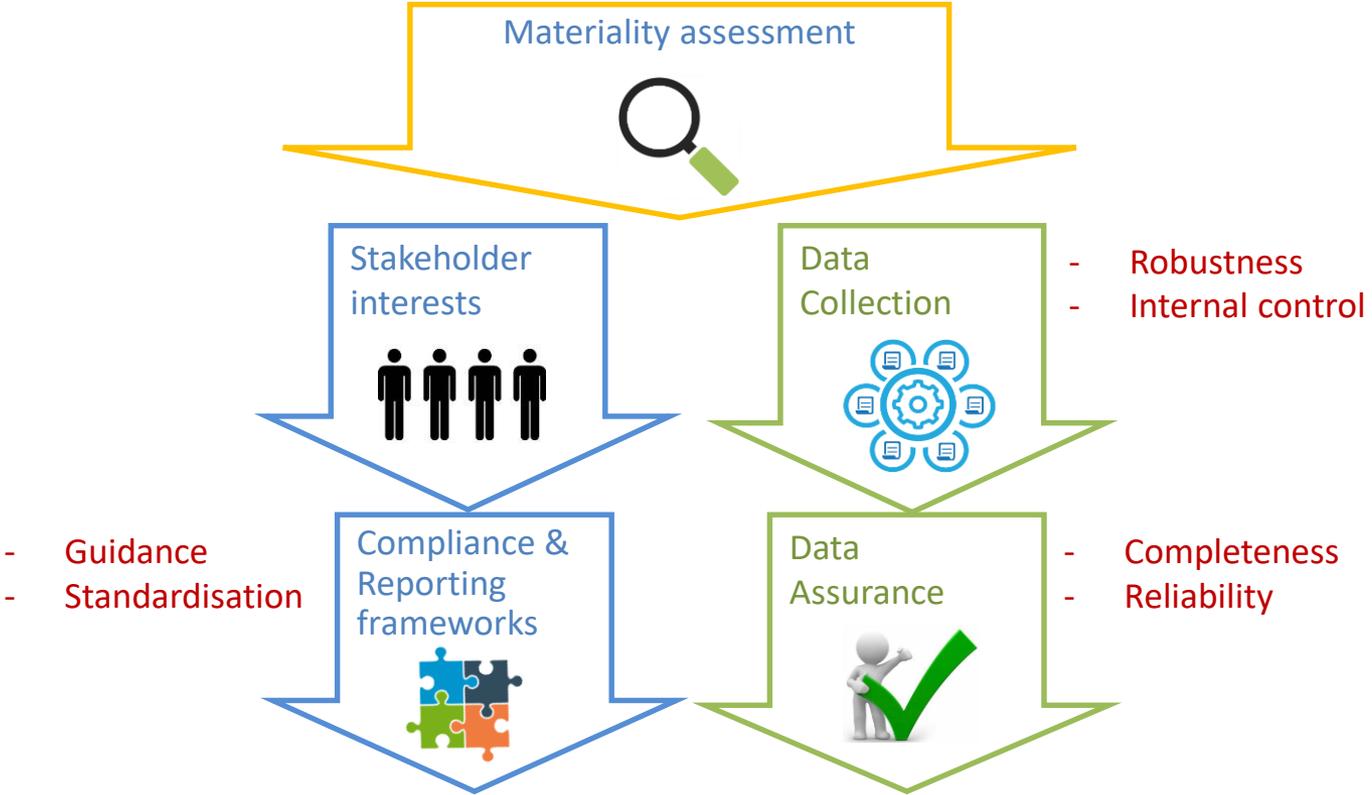
What are the company's ESG risks? And their potential impact?

Is the Company managing these risks well?

How can the reported metrics help my decision-making?



We consider the needs of investors when preparing the Report



ESG reporting frameworks have been evolving



...but are they fit-for-purpose?

Investors/analysts continue to develop their own assessments

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 **SUSTAINALYTICS**

Are we communicating ESG risks well?

- 29% alignment between material risks disclosed in a company's risk filings compared to material issues in sustainability report
- 35% of companies had no alignment

Challenges:

- ESG risks tend to be long-term and difficult to quantify in monetary terms
- Lack of understanding of ESG risks at the board level
- ESG risks are often viewed as less significant than operational or financial risks



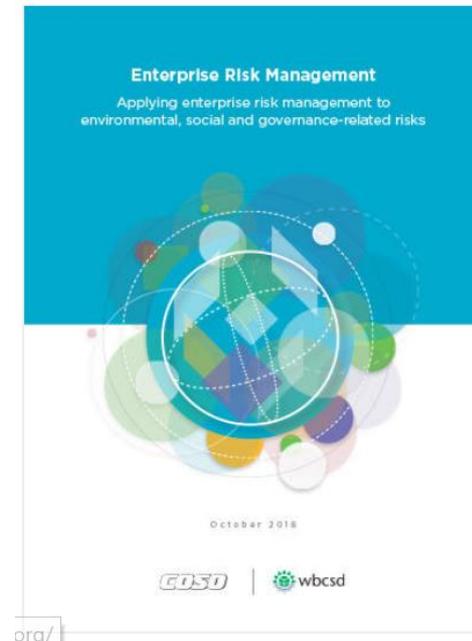
Source: WBCSD (Jan 2017), Sustainability and enterprise risk management: The first step towards integration.

ESG materiality is essential to better understand where the headwinds are coming from

- Forward looking – clarify ESG risks and opportunities ahead
- A more focused ESG report, and increases strategic value of a sustainability report

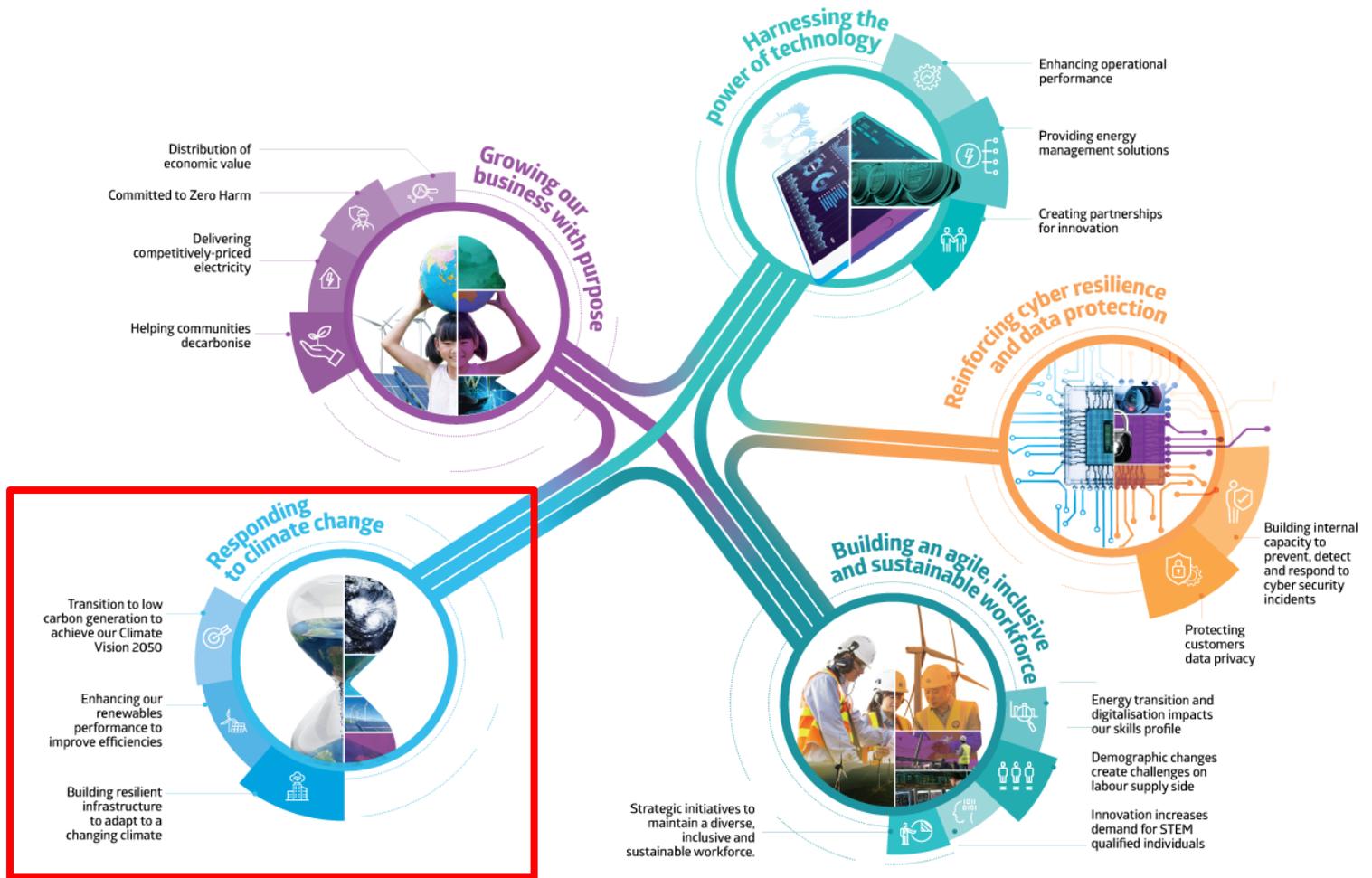
Starting Point

- *Megatrends analysis* to deepen understanding of how broad changes in the environment, society, technology and governance affects the company



Source: COSO/ WBCSD (Oct 2018),
Guidance for Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-related Risks

CLP's 2018 SR focuses on five material topics



New frameworks have been developed for climate change – e.g. CDP, TCFD

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

ESG reporting will stay – what's next?

Demand for ESG information is on the rise

- More ESG surveys?
- Harmonisation of different frameworks?
- Valuing / quantifying ESG risks?

ESG reporting is mainstreaming

- Integration with the Annual Report? Or remains as a standalone document?
- Increase reporting frequency?

Assurance becomes a prerequisite

- Limited vs reasonable
- Assurance for other green financing tools

Climate change gets the most attention

- What's the next big topics? Water? Plastic? SDGs? Impact measurement?

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