

CHAIRMAN'S GOVERNANCE OVERVIEW



“I believe it is our people, our family-oriented culture and our high standards of corporate governance that help us to deliver our strategy and live up to our brand proposition in the face of great challenges.”

Dear Shareholders,

Resilience and Recovery

Our company continued to face considerable challenges in 2021 due to the ongoing effects of the global pandemic. As one of the world's oldest hospitality companies still in operation, we have faced many difficulties over the years and I am confident that we have the strength and resilience to come through the current trials and tribulations, and that the day will come when we can once again expect normality.

Today, The Hongkong and Shanghai Hotels, Limited is considered one of the world's leading luxury hospitality companies. I believe it is our people, our family-oriented culture, and our dedication and commitment to high standards of corporate governance that help us to deliver our strategies and live up to our brand proposition in the face of great challenges.

A governance framework at the heart of our culture

The Board leads a governance framework which is at the heart and soul of our company culture and upholds our values and principles of integrity, accountability and transparency. We operate within a well-established framework of policies, processes and management systems that we believe will ensure the long-term success of the group. As a relatively small company, we have a close-knit culture in which we genuinely consider our employees to be part of our extended family and we strive to support each other in every way possible. Our key philosophy of acting with integrity not only underpins our brand and reputation; it is the key to sustaining a place where our employees are proud to work, where we show respect for one another, and where we always strive to “do the right thing”.

Adapting our governance practices to mitigate the impact of the pandemic and managing risks

We regularly review and seek improvements to our governance processes, policies and procedures to ensure they are in line with global regulatory requirements and best practice. In 2021, using this sound governance framework, the focus continued to be on efforts to mitigate the impact of the global COVID-19 pandemic. The Board closely monitored the company's COVID-19 response plan formulated by management, as well as our strategy to stay connected to guests, employees and shareholders. As we started to move from the “survival” phase to recovery, the Board continually reviewed the progress of the measures taken and the impact of COVID-19 on our business.

Managing risks across the group and seeking improvements on internal controls has always been a priority, and has become even more so given the challenges of the past two years. The global COVID-19 pandemic brought to light new organisational risks and elevated existing ones. Our Group Risk Committee concentrated on enhancement of internal controls to manage the pandemic and other strategic risks of the group, with particular focus on recovery measures, our development projects and increasing climate change risks. In 2021, we focused our discussion on the potential long-term consequences of sea level rises and coastal flood risks to the business at the Board level. This risk is one of the major impacts of climate change discussed in the 2021 United Nations Climate Change Conference (COP26) and the latest edition of Intergovernmental Panel on Climate Change (IPCC) Report. More details can be read on pages 129 to 133 of this report.

Commitment to corporate responsibility and sustainability

The Board is committed to the group's strategic approach to corporate responsibility and sustainability, ensuring our businesses have a positive social, economic, and environmental impact on the local communities and wider societies in which we operate. In 2021, we launched our new Corporate Responsibility and Sustainability (CRS) strategy, called *Sustainable Luxury Vision 2030*. Whilst the global pandemic continues to impact most parts of the world, we have seen rapid changes in our climate, as well as increasing inequality and division in societies. As stewards of our communities, we need to continue to do our part, to build on the progress we have made in the past decade, and to be prepared to overcome the future challenges brought about by the increasing environmental and social risks we all face. We believe that *Vision 2030* will guide us through the next decade and beyond, and help us safeguard against future volatility and unpredictable challenges. More details can be read in the Group Corporate Responsibility Committee Report on pages 134 to 137 of this report and our online CRS Report.

Compliance

As a Hong Kong listed company we are reporting in the context of the version of the Stock Exchange's Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules that was in force during the financial year end 2021. However, our philosophy is not to review corporate governance simply as a compliance exercise but as an evolving core discipline which underpins the success of the company. This report reinforces the commitment of Board and senior management to the high standards of our corporate governance, which supports the development of strong corporate culture throughout the group.

A commitment to long-term success

Overall, I believe that our governance structure has helped us manage the uncertainty of the world today. We continue to strive for improvement while learning from dealing with the current challenges to ensure the long-term success of the company.

The Hon. Sir Michael Kadoorie
16 March 2022

OUR LEADERSHIP - BOARD MEMBERS

Non-Executive Chairman

N E



The Hon. Sir Michael Kadoorie

Age: 80 Appointed: November 1964

Key strengths and experience

Sir Michael was appointed as Chairman in 1985. He holds board-level positions in two other listed companies as well as directorships in private companies. With decades of international experience in different sectors including infrastructure, utilities, property and retail, Sir Michael has extensive knowledge of the hospitality and real estate sectors, a deep understanding of the environment in which the company operates, and a comprehensive appreciation of investor sentiment.

Titles, qualifications and education

GBS, Hon. LLD, Hon. DSc, 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

Other major offices

CLP Holdings Limited[#] (Chairman)
CK Hutchison Holdings Limited[#]
(Independent Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Substantial Shareholder of the company
Director of two of the group's entities
Father of Mr Philip Lawrence Kadoorie
Brother-in-law of Mr Ronald James McAulay,
Honorary Life President

Non-Executive Deputy Chairman

A R E F



Andrew Clifford Winawer Brandler

Age: 65 Appointed: May 2014

Key strengths and experience

Mr Brandler has diverse board and committee senior leadership experience. He has served as Group Managing Director and Chief Executive Officer of CLP Holdings Limited, in addition to serving on listed company boards in the infrastructure, manufacturing, and real estate sectors. Mr Brandler has a background in banking, finance and investment with corporate finance expertise spanning the UK, Singapore and Hong Kong during his tenure at UK investment bank Schroders.

Titles, qualifications and education

Member of the Institute of Chartered Accountants
in England and Wales
BA and MA, University of Cambridge
MBA, Harvard Business School

Other major offices

CLP Holdings Limited[#] (Non-Executive Director)
Tai Ping Carpets International Limited[#] (Non-Executive Director)
MTR Corporation[#] (Independent Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Chairman)

Other information

Director of several of the group's entities

Governance Board Committees

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chairman of the Committee

Other Board Committees

- E Executive Committee
- F Finance Committee
- Chairman of the Committee

[#] The securities of these companies are currently listed on the Hong Kong Stock Exchange

^{*} Sir Elly Kadoorie & Sons Limited oversees a number of Kadoorie family interests in Hong Kong and overseas and, as such, is associated with the substantial shareholders of the company

Executive Directors

(E) (F)



Chief Executive Officer

Clement King Man Kwok

Age: 62 Appointed: February 2002

Key strengths and experience

Mr Kwok has two decades of hospitality and real estate experience as the Managing Director and Chief Executive Officer of the company, as well as board and committee experience for other listed entities. Mr Kwok's prior experience was in accounting, investment banking, and corporate and financial management. After qualifying as a Chartered Accountant with Price Waterhouse London in 1983, he had over 10 years of investment banking experience with Barclays de Zoete Wedd in London and Schroders Asia in Hong Kong, where he was appointed as Head of Corporate Finance in 1991. Mr Kwok then served as Finance Director of the MTR Corporation from 1996 to 2002.

Mr Kwok's knowledge of international markets, accounting, corporate risk management and compliance is enhanced by his experience serving on prominent regulatory bodies such as the Hong Kong Stock Exchange Listing Committee, the Hong Kong Takeovers and Mergers Panel and the Interpretations Committee of the International Accounting Standards Board. He was previously an Independent Non-Executive Director of Swire Pacific Limited and Orient Overseas (International) Limited.

Titles, qualifications and education

Chevalier dans l'Ordre National de la Légion d'Honneur
Member of Institute of Chartered Accountants in England and Wales
Member of Hong Kong Institute of Certified Public Accountants
Fellow of Hong Kong Management Association
BSc in Economics, London School of Economics

Other major offices

Hang Seng Bank Limited[#] (Independent Non-Executive Director)
World Travel & Tourism Council (Council Member)
Faculty of Business and Economics of The University of Hong Kong (Member of International Advisory Council)

Other information

Director of the majority of the group's entities

Chief Operating Officer

Peter Camille Borer

Age: 68 Appointed: April 2004



Key strengths and experience

Mr Borer joined the group in 1981 and has been responsible for developing and perfecting the group's high standards of customer service and operational excellence. Following various operational roles, he was appointed General Manager of The Peninsula Hong Kong in 1994, taking on additional regional responsibility for the group's Asia hotel portfolio in 1999. Mr Borer was appointed as Chief Operating Officer in April 2004 and oversees the operation of the group's assets globally.

Titles, qualifications and education

Chevalier dans l'Ordre National de la Légion d'Honneur
Chevalier dans l'Ordre du Mérite Agricole
Graduated from Ecole hôtelière de Lausanne, Switzerland

Other major offices

School of Hotel and Tourism Management of The Chinese University of Hong Kong (Advisory Board Member)
Gleneagles Hospital Hong Kong (Advisory Council Member)

Other information

Alumni Network of Ecole hôtelière de Lausanne (Lifetime Achievement Award)
Director of the majority of the group's entities

Our Leadership - Board Members

F



Chief Financial Officer

Christopher Shih Ming Ip

Age: 52 Appointed: January 2021

Key strengths and experience

Mr Ip's background is in investments, real estate transactions and corporate finance. Prior to joining HSH he worked for Phoenix Property Investors, Grosvenor Asia Pacific as well as several companies under the Jardine Matheson Group as Chief Financial Officer. He was also an investment banker in the M&A departments of Morgan Stanley and Deutsche Bank in New York and Hong Kong.

Titles, qualifications and education

BA in International Relations, Brown University
MBA, London Business School

Other information

Director of the majority of the group's entities

Non-Executive Directors



William Elkin Mocatta

Age: 69 Appointed: May 1985

Key strengths and experience

Mr Mocatta has a long association with the group and an intricate knowledge of the hospitality and real estate sectors, having served as Deputy Chairman of the Board from 1993 until May 2002. He is a seasoned C-suite executive with global market experience, serving in a number of executive and non-executive board-level roles in public and private companies. A qualified chartered accountant, Mr Mocatta has deep financial and strategic experience across a range of industries, including retail, utilities, property and infrastructure.

Titles, qualifications and education

Fellow of the Institute of Chartered Accountants in England and Wales

Other major offices

Sir Elly Kadoorie & Sons Limited* (Executive Director)
CLP Holdings Limited# (Non-Executive Vice Chairman)
CLP Power Hong Kong Limited (Non-Executive Chairman)
CLP Properties Ltd. (Non-Executive Chairman)
CLP Property Investment Limited (Non-Executive Chairman)
Castle Peak Power Company Limited (Non-Executive Chairman)
Hong Kong Pumped Storage Development Company, Limited (Non-Executive Chairman)
CK Hutchison Holdings Limited# (Alternate Director for The Hon. Sir Michael Kadoorie, Independent Non-Executive Director)

Other information

Director of several of the group's entities

E F



John Andrew Harry Leigh

Age: 68 Appointed: May 2006

Key strengths and experience

A long-serving non-executive director of the company, Mr Leigh has extensive knowledge of the hospitality industry. Mr Leigh is a solicitor with a background in private practice and has previously served as in-house senior legal advisor to the CLP group. He brings wide-ranging corporate governance and board-level global market experience across a number of industries, including property, aviation and utilities, with particular expertise in risk management and compliance.

Titles, qualifications and education

Graduate of Universities of London, Surrey and Macau
Solicitor of Hong Kong, England & Wales and Australia

Other major offices

CLP Holdings Limited# (Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Director)
Metrojet Limited (Director)
Heliservices (Hong Kong) Limited (Director)

Nicholas Timothy James Colfer

Age: 62 Appointed: May 2006



Key strengths and experience

Mr Colfer has more than 35 years of experience in corporate management in the Asia Pacific region, principally in real estate, manufacturing and distribution. His tenure on the Board has provided Mr Colfer with a deep understanding of the group's business and the wider industry environment in which it operates. This, combined with his board-level experience in several other Hong Kong organisations, enables him to provide constructive leadership and support to the Board and wider management team.

Titles, qualifications and education

BA and MA, University of Oxford

Other major offices

Tai Ping Carpets International Limited# (Chairman)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Director of one of the group's entities

James Lindsay Lewis

Age: 47 Appointed: December 2017



Key strengths and experience

Mr Lewis has experience in private equity, hotels, charity and aviation operations and currently serves on the Boards of private companies in the UK and Hong Kong. He has also served as an Independent Non-Executive Director of Hong Kong Aircraft Engineering Company Limited which was privatised in November 2018.

Titles, qualifications and education

Executive MBA program, Kellogg-HKUST
Master of Aviation Management, The University of Newcastle, Australia
Certification of Hospitality Management, Cornell University, U.S.A.
Member of The Society of Trust and Estate Practitioners

Other major offices

Sir Elly Kadoorie & Sons Limited* (Director)

Philip Lawrence Kadoorie

Age: 30 Appointed: December 2017



Key strengths and experience

Mr Kadoorie oversees a number of Kadoorie family interests in Hong Kong and overseas. Prior to his appointment to the Board, Mr Kadoorie completed various internships in commercial property companies in London and at CLP Group in Hong Kong. He holds two other Board positions and has developed strong expertise in the property sector.

Titles, qualifications and education

BSc in Communication, Boston University
FAA Commercial Pilot's License (Helicopter)

Other major offices

CLP Holdings Limited# (Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Son of The Hon. Sir Michael Kadoorie
Nephew of Mr Ronald James McAulay, Honorary Life President

Our Leadership - Board Members

Independent Non-Executive Directors

(N)



Dr the Hon. Sir David Kwok Po Li

Age: 83 Appointed: October 1987

Key strengths and experience

Sir David is a prominent Hong Kong banker, having held senior executive level positions at various pre-eminent Hong Kong and overseas companies. Sir David's rich and varied experience enables him to bring a unique viewpoint to the Board. His expertise in multiple sectors provides a diverse skillset covering the entire spectrum of the group's business.

Titles, qualifications and education

GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum. Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur, Fellow of the Hong Kong Academy of Finance

Other major offices

The Bank of East Asia, Limited[#] (Executive Chairman)
The Hong Kong and China Gas Company Limited[#] (Independent Non-Executive Director)
San Miguel Brewery Hong Kong Limited[#] (Independent Non-Executive Director)
Vitasoy International Holdings Limited[#] (Independent Non-Executive Director)
Guangdong Investment Limited[#] (Independent Non-Executive Director) (until March 2021)
The Friends of Cambridge University in Hong Kong Limited (Founding Chairman)
The Salvation Army, Hong Kong and Macau Command (Advisory Board Chairman)
St. James' Settlement (Executive Committee Chairman)
Council of the Treasury Markets Association (Member)

(A) (R)



Patrick Blackwell Paul, CBE

Age: 74 Appointed: February 2004

Key strengths and experience

Mr Paul is an experienced independent non-executive director, and the Chairman of the Audit and Remuneration Committees. He brings many years of leadership experience, having been senior partner at PwC in Hong Kong. His finance, accounting and tax expertise enables him to provide key strategic guidance to the company in its financial reviews, risk management, compliance and internal control framework.

Titles, qualifications and education

CBE
Fellow of the Institute of Chartered Accountants in England and Wales

Other major offices

Johnson Electric Holdings Limited[#] (Independent Non-Executive Director)
Pacific Basin Shipping Limited[#] (Independent Non-Executive Director)
British Chamber of Commerce in Hong Kong (Chairman of the Supervisory Board)

Pierre Roger Boppe

Age: 74 Appointed: May 1996



Key strengths and experience

Mr Boppe has a deep understanding of the group's business as he served as the Managing Director and Chief Executive Officer of the company from 1996 until 2002. He was re-designated from being a Non-Executive Director to an Independent Non-Executive Director in 2009. Mr Boppe continues to bring value to the Board through his wide spectrum of expertise and experience in the hotel and travel industries.

Titles, qualification and education

Chevalier dans l'Ordre National de la Légion d'Honneur
MSc, Swiss Federal Institute of Technology
MSc, Stanford University

Dr William Kwok Lun Fung, SBS, OBE, JP

Age: 73 Appointed: January 2011

(N)



Key strengths and experience

Dr Fung has diversified industry experience, and has provided valuable insight and advice to the Board since his appointment in 2011. In particular, Dr Fung's strong retail background, including his previous role as the Group Chairman at Li & Fung Limited, has enabled him to offer insight on luxury retail and the group's investment in Turkey, in addition to general management and risk management matters. Dr Fung was a Hong Kong SAR delegate to the Chinese People's Political Consultative Conference from 1998 to 2003.

Titles, qualifications and education

SBS, OBE, JP
BSc in Engineering, Princeton University
MBA, Harvard Graduate School of Business
Honorary Doctorate of Business Administration,
The Hong Kong University of Science and
Technology
Honorary Doctorate of Business Administration,
The Hong Kong Polytechnic University
Honorary Doctorate of Business Administration,
Hong Kong Baptist University
Honorary Doctorate of Letters, Wawasan Open
University of Malaysia

Other major offices

Fung Group (Group Deputy Chairman)
Convenience Retail Asia Limited[#] (Non-Executive
Chairman)
Global Brands Group Holding Limited (In
Liquidation)[#] (Executive Chairman —
re-designated as an Executive Director in August
2021)
VTech Holdings Limited[#] (Independent Non-
Executive Director)
Sun Hung Kai Properties Limited[#] (Independent
Non-Executive Director)

Our Leadership - Board Members

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Dr Rosanna Yick Ming Wong, DBE, JP

Age: 69

Appointed: February 2013

Key strengths and experience

Dr Wong provides invaluable and independent advice to the Board, with three decades of experience in the political and non-profit arenas, in addition to holding several Board positions in the private sector. She is particularly skilled in public sector, project management, change and risk management. Since her appointment in 2013, Dr Wong has provided significant contributions to the Board through her multi-faceted business background.

Titles, qualifications and education

DBE, JP
 PhD in Sociology, University of California, Davis
 Honorary Doctorate from The Chinese University of Hong Kong
 Honorary Doctorate from The Hong Kong Polytechnic University
 Honorary Doctorate from The University of Hong Kong
 Honorary Doctorate from The Hong Kong Institute of Education
 Honorary Doctorate from The University of Toronto
 Honorary Fellow of the London School of Economics and Political Science

Other major offices

National Committee of the Chinese People's Political Consultative Conference (Member)
 CK Hutchison Holdings Limited# (Independent Non-Executive Director)
 Hutchison Telecommunications Hong Kong Holdings Limited# (Independent Non-Executive Director)
 The Hong Kong Jockey Club (Steward)
 World Vision Hong Kong (Honorary Chairman)
 The Hong Kong Federation of Youth Groups (Senior Advisor)
 Asia International School Limited (Chairman)



Dr Kim Lesley Winsor, OBE

Age: 63

Appointed: January 2016

Key strengths and experience

Dr Winsor has a wide range of expertise and experience in e-commerce, luxury retail and international business. Her career has encompassed various executive roles in the consumer, digital and retail industries. She began her career with Marks & Spencer plc in the UK and became its first female commercial divisional board director as well as its youngest director in the 1990s. She went on to successfully deliver turnarounds for the iconic British heritage brands Pringle of Scotland as Chief Executive Officer and Aquascutum as President and Chief Executive Officer. Dr Winsor was special board advisor to the global digital e-commerce business Net-a-Porter.

Titles, qualifications and education

OBE, Order of the British Empire
 Doctorate from Heriot-Watt University for her work on British business

Other major offices

Winsor London Limited, an online womenswear business (founder and CEO)

Other information

Former name was Kim Lesley Haresign

(A)



Ada Koon Hang Tse

Age: 55

Appointed: December 2017

Key strengths and experience

Ms Tse has both a legal and a financial services background, enabling her to bring a unique combination of skills to the Board. A former lawyer at Sullivan and Cromwell in New York, Ms Tse also previously worked in financial advisory services and equity capital markets at Morgan Stanley in New York and Hong Kong. She currently serves as a Senior Advisor to PineBridge Investments Asia (formerly, AIG Investments Asia). She joined AIG in 1996 and was President and Chief Executive Officer of AIG Investments Asia before assuming an advisory role in 2011.

Titles, qualifications and education

BA in Applied Mathematics, Harvard University
JD, Harvard Law School

Other major offices

Solicitors Disciplinary Tribunal Panel of HKSAR Government (Member)
Advisory Committee on Arts Development of HKSAR Government (Member)
Municipal Services Appeals Board of HKSAR Government (Member)

Other information

Ms Tse runs her family's YangTse Foundation focusing on supporting education and arts initiatives

Honorary Life President

Ronald James McAulay

Age: 86

Appointed: May 1972

Mr McAulay served on the Board as a Non-Executive Director of the company for over 45 years until his retirement in May 2017. In recognition of his extensive contribution to the company, the Board conferred on Mr McAulay the title of Honorary Life President. He does not have any official responsibilities within the company. Mr McAulay is the brother-in-law of The Hon. Sir Michael Kadoorie.

OUR LEADERSHIP - SENIOR MANAGEMENT AND KEY FUNCTIONS

Senior Management

Group Management Board (GMB)

Chaired by Mr Kwok, GMB is the principal decision-making body responsible for management and day-to-day business of the group. It carries out its management function under clear guidelines and delegated authorities granted by the Board. GMB meets weekly to discuss and manage the affairs of the company, as well as the group's business strategy. Financial and non-financial factors, including sustainability factors, are considered in day-to-day decision-making at GMB meetings. GMB also reflects on the current status and progress made. It steers the future direction of the group. Findings and recommendations are then communicated to the respective Board Committees or Board.

Members of the Group Management Board include Executive Directors, Clement Kwok, Peter Borer and Christopher Ip¹, and senior management, which include the Group Executives and other members. As Mr Martyn Sawyer, Group Director, Properties will retire in summer 2022, Ms Shirley Lam was appointed in March 2022 as a member of GMB.

Group Executives:



Christobelle Liao

Group Director, Corporate and Legal

Appointed to GMB: 2011

Age: 53

Main responsibilities held with the group

Ms Liao joined the group in 2002 as General Counsel and Company Secretary. As the Group Director, Corporate and Legal, she is responsible for general management, all corporate and legal matters as well as the group's investment in Istanbul. She holds additional responsibilities for risk management, general corporate management and organisational development strategies, such as WorkPlace 2025. Ms Liao is a qualified solicitor in Hong Kong and England & Wales. She is a Director of a number of the group's entities.



Martyn Sawyer

Group Director, Properties

Appointed to GMB: 2002 until retirement in 2022

Age: 64

Main responsibilities held with the group

Mr Sawyer joined the group in 1985 as Assistant Manager of Peninsula Clubs and Consultancy Services and was appointed as Group General Manager, Properties and Clubs in 1999. As the Group Director, Properties, he is responsible for the group's non-hotel properties and operations including The Repulse Bay Complex and The Peak Complex in Hong Kong, as well as management of the group's properties and clubs in Hong Kong, Vietnam, Shanghai and France. Mr Sawyer also oversees the group's investment in Yangon. He is a Director of a number of the group's entities. Mr Sawyer will retire in summer 2022 on completion of the Peak Tram upgrade project having handed over most of his other responsibilities to Ms Shirley Lam (whose profile is on page 107) on 31 March 2022.

¹ Profiles of Clement Kwok, Peter Borer and Christopher Ip are disclosed on pages 99 and 100

Other members:

**Joseph Chong*****Regional Vice President, Asia, The Peninsula Hotels and
Managing Director, The Peninsula Hong Kong*****Appointed to GMB:** 2019**Age:** 54**Main responsibilities held with the group**

Mr Chong joined the group in 2000 at The Peninsula Beijing and has held a variety of positions at The Peninsula Bangkok and The Peninsula Shanghai, including General Manager and Managing Director of The Peninsula Shanghai. He was appointed as Area Vice President and Managing Director of The Peninsula Hong Kong and The Peninsula Shanghai in 2017. Since 2020, he has taken on additional responsibilities and was appointed as Regional Vice President, Asia, The Peninsula Hotels and Managing Director of The Peninsula Hong Kong. In his current capacity, he oversees The Peninsula Hotels' Asian properties, including Hong Kong, Shanghai, Beijing, Tokyo, Bangkok and Manila along with the Hong Kong based Tai Pan Laundry. He is a Director of several of the group's entities.

**Shane Izaks*****Group Director, Information Technology*****Appointed to GMB:** 2015**Age:** 59**Main responsibilities held with the group**

Mr Izaks joined the group as General Manager, Information Technology in 1995 and has been a key member of the development and restructuring of the technology function within the group. He was appointed as Group General Manager, Information Technology in 2013. As the Group Director, Information Technology, he is responsible for formulating and implementing information technology strategy at both group and operational levels, as well as overseeing the strategy and development of innovation and technology transformation. He is also the Joint Chairman of the Technology Steering Committee.

**Shirley Lam*****Group Director, Properties*****Appointed to GMB:** March 2022**Age:** 41**Main responsibilities held with the group**

Ms Lam joined the group in March 2022 with extensive experience in commercial property and project development management. As the Group Director, Properties, she is responsible for the group's non-hotel properties and operations including The Repulse Bay Complex and The Peak Complex in Hong Kong, as well as management of the group's other properties in Hong Kong, Vietnam, Shanghai and France. She will be appointed as a Director of a number of the group's entities.

Our Leadership - Senior Management and Key Functions



Maria Razumich-Zec

Regional Vice President and Managing Director, The Peninsula Chicago

Appointed to GMB: 2007

Age: 64

Main responsibilities held with the group

Mrs Razumich-Zec joined the group as General Manager of The Peninsula Chicago in 2002. She was appointed as Regional Vice President – USA East Coast in 2007. As the Regional Vice President and General Manager, The Peninsula Chicago, she holds regional responsibilities covering The Peninsula Hotels in Chicago and New York, as well as overseeing Quail Lodge & Golf Club in Carmel, California. She is a Director of two of the group's entities.



Gareth Roberts

Group Director, Brand and Operations Support

Appointed to GMB: 2020

Age: 40

Main responsibilities held with the group

Mr Roberts joined the group in 2002 at The Peninsula Beverly Hills and later became Resident Manager in 2011. Mr Roberts relocated to China in 2013 as Hotel Manager of The Peninsula Shanghai. In 2015, he transferred to HSH Head Office where he was promoted to Group General Manager, Operations Planning and Support in November 2016. As the Group Director, Brand and Operations Support, he is responsible for overseeing sales and marketing, branding, guest experience and operations for both existing and future hotel developments for The Peninsula Hotels. In addition, he oversees Peninsula Merchandising Limited, which comprises The Peninsula Boutique retail business.



Sindy Tsui

Group Director, Human Resources

Appointed to GMB: 2011

Age: 53

Main responsibilities held with the group

Ms Tsui joined the group as General Manager, Human Resources in 2007. She has many years of experience in human resources management in hospitality industry. As the Group Director, Human Resources, she holds overall responsibility for the group's strategy on human resources and talent development. She is one of the key leaders of the group's organisational development strategies, WorkPlace 2025.

Key Functions

The following are leaders of key functions in the group at the date of this report. Names are listed in alphabetical order by last name.

Theresa Au, *General Manager, Finance Systems & Operations Finance*

Olaf Born, *General Manager, The Repulse Bay Company, Limited and General Manager, Peninsula Clubs and Consultancy Services Limited*

Rolf Buehlmann, *General Manager, The Peninsula New York*

Christopher Chan, *General Manager, Research and Technology*

Ming Chen, *General Manager, Group Business Development*

Jisoo Chon, *General Manager, The Peninsula Shanghai*

Mark Choon, *General Manager, The Peninsula Tokyo*

Christopher Cribb, *Group General Manager, Projects*

Jonathan Crook, *Managing Director, The Peninsula Istanbul*

Aiden Fung, *Group Treasurer*

Alistair Gough, *General Manager, Projects*

Jason Hui, *General Manager, Group Security and Operational Risk*

Mark Kobayashi, *Senior Vice President, Sales and Marketing, The Peninsula Hotels*

Kai Lermen, *General Manager, Quail Lodge & Golf Club*

Cecilia Lui, *Director, PRC Affairs and Vice President, Sales & Marketing, Greater China, The Peninsula Hotels*

Nadine Maurellet, *Group General Counsel and Group General Manager, Business Diversification*

John H. Miller, *Consultant Director of Design, Projects*

Lynne Mulholland, *General Manager, Group Corporate Affairs*

Louise Napier, *Vice President, Global Commercial Leasing*

Offer Nissenbaum, *Managing Director, The Peninsula Beverly Hills*

Masahisa Oba, *General Manager, The Peninsula Manila*

Vincent Pimont, *Managing Director, The Peninsula Paris*

Guy Riddell, *General Manager, Peninsula Merchandising Limited*

Joseph Sampermans, *General Manager, The Peninsula Bangkok*

Ernest Tang, *Group General Manager, Group Finance*

May Tsang, *General Manager, The Peak Complex*

Sonja Vodusek, *Managing Director, The Peninsula London*

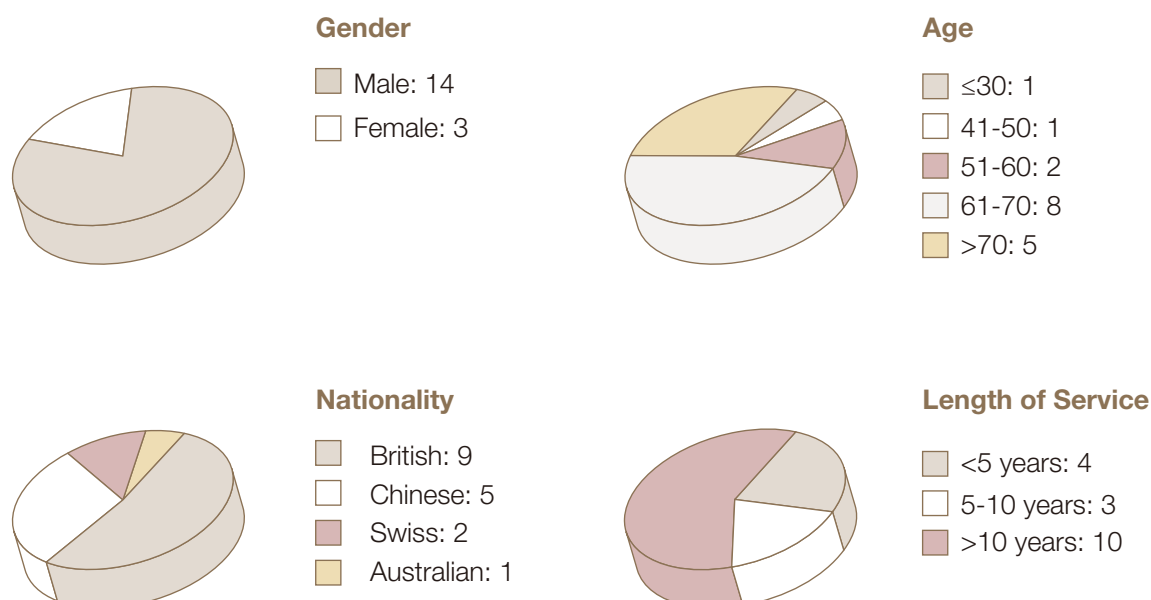
Kitty Wan, *Group General Manager, Audit & Risk Management and Head of Finance, The Peninsula London Project*

Joshua Wong, *Senior Manager, Corporate Responsibility and Sustainability*

OUR LEADERSHIP - DIVERSITY

Board Diversity

A strong and effective Board requires an appropriate mix of skills, experience and diversity, in order to provide sound judgement on strategic issues and effective oversight of guidance to management and as such the Board believes that diversity should not be limited to gender. Each Board member's relevant skills and experience have been highlighted in their individual profiles². The following charts indicate the diversity of the Board in terms of gender, nationality, age, and length of service.



Senior Management and Leaders of Key Functions Diversity

Our diversity philosophy is followed throughout the group. Gender diversity of the senior management and leaders of key functions as at the date of this report is set out below.



* Inclusive of three Executive Directors

** Key Functions include General Managers of Operations and Heads of Corporate Departments but do not include members of senior management

The company has taken, and continues to take, steps to promote diversity at all levels of our workforce and has policies on equal opportunities. We provide equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity and are against any forms of discrimination. As of 31 December 2021, our total workforce is comprised of 41% female employees and 59% male. Further detail and a breakdown of gender distribution between total workforce and management positions across all HSH operations and corporate offices are disclosed on page 36 of the CRS Report. While we are proud to have diversity representation in our company, we look forward to achieving even more with our Inclusive Workplace Strategy, which focuses on three pillars: Building an Inclusive Culture, Developing Inclusive Managers, and Creating Unbiased Talent Management Processes. This strategy is the blueprint for the company to foster an inclusive and respectful culture that empowers employees to learn and grow, and bring their authentic selves to work³. An inclusive culture drives the company to embrace more diversity, engage new talent pools, and become more agile and modern. We recognise this would in turn help the company to achieve better business outcome.

² Details can be found on pages 98 to 105

³ Details of the strategy can be found on page 36 of the CRS Report

CORPORATE GOVERNANCE REPORT

Culture and Values

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the group. A strong culture will endure in times of stress and help maintain resilience in challenging times, such as those we have faced over the last two years. A healthy corporate culture both protects and prioritises the company's goals and the values in which they are to be achieved. The culture and values of the company set the tone for the governance structure and they work hand-in-hand in sustaining the group over the long term through changing regulatory, market environment and business challenges. Our Board sees corporate governance as an integral part of our business strategy. By putting in place the right governance framework and ensuring strong emphasis on culture when senior management is recruited, our Board has incorporated a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters productivity, strong branding and reputation which ultimately generates positive long-term shareholder value.

Guiding and promoting culture

The Board sets and promotes company culture based on “doing the right thing”. The Board expects and requires senior and middle level management to reinforce this ethos. To support this, the culture and values are embedded in different governance policies, practices and controls across the group, including the following:

OUR ETHICS

■ Culture of integrity and compliance

Integrity underpins the way we do business and the HSH Core Principles Framework sets out nine principles relating to our culture and values. These are behavioural and service guidelines expected of our employees from respect, to being a team player, being passionate about excellence, mutual respect and others. These set of core principles are embedded in our HR practices, in the way we recruit, select and assess in our performance reviews. They form part of the language of how we communicate and set the foundation of what is expected on a daily basis.

Apart from behavioural and service guidelines, we also have policies related to compliance such as the Board-endorsed Code of Conduct, Anti-Bribery Policy and Corruption Policy and Anti-Fraud Policy and Fair Competition Policy. All of these are supported by way of mandatory e-learning courses available in local language with regular refresher training for all employees.

■ Culture of accountability

Employees at all levels are held accountable for their actions and decisions. The group's management structure fosters a culture of accountability, ensuring that management at each level of the business is subject to appropriate and effective scrutiny and oversight. Details of this management structure can be found under the Corporate Governance Framework section. The Board is ultimately accountable to the company's shareholders and stakeholders. It periodically reviews its effectiveness and accountability through a formal evaluation process.

■ Culture of communication and transparency

The Board recognises the importance of transparency, accessibility, and visibility for itself and senior management, involving regular and ad hoc dialogue and communication in between formal Board meetings. In terms of communications between management and employees, there is a regular CEO Webcast, which provides our employees with an overview of our business performance as well as an update on projects and areas of focus. In addition, interactive live sessions were organised this year providing employees globally an audience with the CEO with an opportunity to ask questions. In addition, operational General Managers also hold regular Townhall Meetings to share business updates, inspirational and encouraging messages with the employees. More broadly, the company maintains dialogue and engagement with all shareholders and stakeholders. Further details on such communications can be found on pages 124 and 125 and 86 to 89.

Corporate Governance Report

OUR PEOPLE

■ Culture of looking after our people

We acknowledge that our people are our most valuable asset and we have formalised our three-year HR Strategy with a key focus of People and Culture. Furthermore, we have dedicated one of the three pillars in our *Vision 2030* to Our People and through WorkPlace 2025 we are focused on modernising our workplace and being an employer of choice. A lot of our focus will be on wellness especially during the pandemic, ensuring a safe and inclusive workplace and strengthening employee engagement at all times.

Employee wellness

The health and safety of our employees remains paramount to the company's cultural values. Apart from general healthcare benefit, we also recognise the importance of mental health and well-being of our employees and provide active support to our employees in times of need, including employee assistance programmes. This was particularly valuable and beneficially to our employees during Covid times.

Modernised workplace and environment

We continue to implement our WorkPlace 2025⁴ programme, which aims at modernising our workplace, working environment and company culture to attract and retain talent. It focuses on three key pillars: (i) ambience and well-being, (ii) technology and internal communication, and (iii) leadership, engagement and development. The Board recognises the importance of these three pillars for building and maintaining a healthy company culture which is aligned to the changing needs of the employees.

■ Culture of inclusivity and respect

We are committed to providing an inclusive and respectful workplace which provides equal opportunity to all employees. Our Diversity and Inclusion Strategy⁵ is the blueprint for the company to foster an environment for employees to bring their best authentic selves to work and striving for an inclusive workplace.

■ Culture of listening

The Board recognises that the resilience of the company's culture can be tested during a crisis and the Board encourages management to be prepared, agile and proactive. Furthermore, it is important to get a pulse on how employees are feeling and what support they require during such challenging times. To that end, an online sentiment survey was carried out globally and the objective was to have a "health check" on the well-being of our employees and to understand the key drivers of resilience, well-being, and empowerment.

Our WorkPlace 2025 programme was built largely based on listening to employees, through a combination of surveys and focus groups. As part of the WorkPlace 2025 programme, a Work Improvement Team initiative was launched, allowing employees to be rewarded when they submit ideas, innovations and improvements in four key areas, one being culture. This gives our workforce an opportunity to be heard and to influence leaders about what matters to them most.

⁴ Details can be found on page 35 of our CRS Report

⁵ Details of the strategy can be found on page 36 of the CRS Report

■ Culture of corporate responsibility

The company strives to act as a responsible corporate citizen with a long-term perspective, which involves minimising its impact on the environment through a range of sustainability initiatives that have been implemented at our various properties. Each operation has a CRS committee and they champion global and local initiatives each year which are aligned to *Vision 2030*.

The communities where we live and work are our homes and an integral part of our business; we embrace the local culture and take care of our neighbours and the societies where we live. We have included communities as one of the three pillars in our *Vision 2030*. Our volunteering and community initiatives also emphasise the manner and importance of delivering care and contribution, a skill that is integral in our daily work⁶.

More details of our CRS initiatives can be read in our online CRS Report.

Corporate Governance Framework

The Board has set a two-tiered structure where the Board and the management team are led by the Chairman and the Chief Executive Officer respectively. The Board and its committees oversee the corporate governance structure and give guidance to management on implementing good governance in our daily business, as described below. The diagram on page 115 illustrates how our corporate governance framework⁷ supports the development of good governance practices throughout the group and help us to evaluate and manage risks and opportunities.

Board and Board Committees

The Board is responsible for setting the group's strategy and objectives for delivering long-term value, promoting its culture, overseeing its conduct and affairs and being accountable to the company's shareholders and stakeholders for the long-term success of the company. It discharges some of its responsibilities directly and others through the five Board Committees. The Audit, Nomination, and Remuneration Committees are Governance Board Committees under the Corporate Governance Code in Appendix 14 of the Listing Rules. Attendance and reports on main activities from the Governance Board Committees are included in this section. The Executive and Finance Committees are strategic and finance committees which are integral parts of the management process. Each Committee reports its decisions and recommendations to the Board and seeks the Board's prior approval on specific reserved matters.

Group Management Board and sub-committees

The Group Management Board (GMB), chaired by the Chief Executive Officer, is the focal point of the management of the group's business under the clear guidelines and delegated authorities of the Board. This management structure fosters accountability and provides the Board with high quality information and recommendations to enable informed decisions in all aspects of the company's business and strategy.

For the implementation of our business strategy, GMB is supported by three sub-committees, as well as General Managers and Heads of Operations and Functional Departments. Each GMB sub-committee has its own terms of reference or charter. The Group Risk Committee, Group Corporate Responsibility Committee and Technology Steering Committee report to GMB which in turn reports to the Board for oversight on risk management and environmental and social issues, as well as the group's innovation and technology strategy. In addition to the above three sub-committees, we also have the HSH Retirement Plan ORSO Committee which oversees the group's retirement plan.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer have clearly defined roles which are separate and distinct. The specific duties and the division of responsibilities between the Chairman and Chief Executive Officer have been agreed by the Board and are set out in the HSH Corporate Governance Code. Our Chairman and Chief Executive Officer do not have any financial, business, family or other material or relevant relationships with each other.


⁶ Details of our community initiatives can be found on pages 42 to 44 of our CRS Report

⁷ Details of responsibilities and memberships of the Board and Board committees can be found on HSH website: www.hshgroup.com/en/corporate-governance

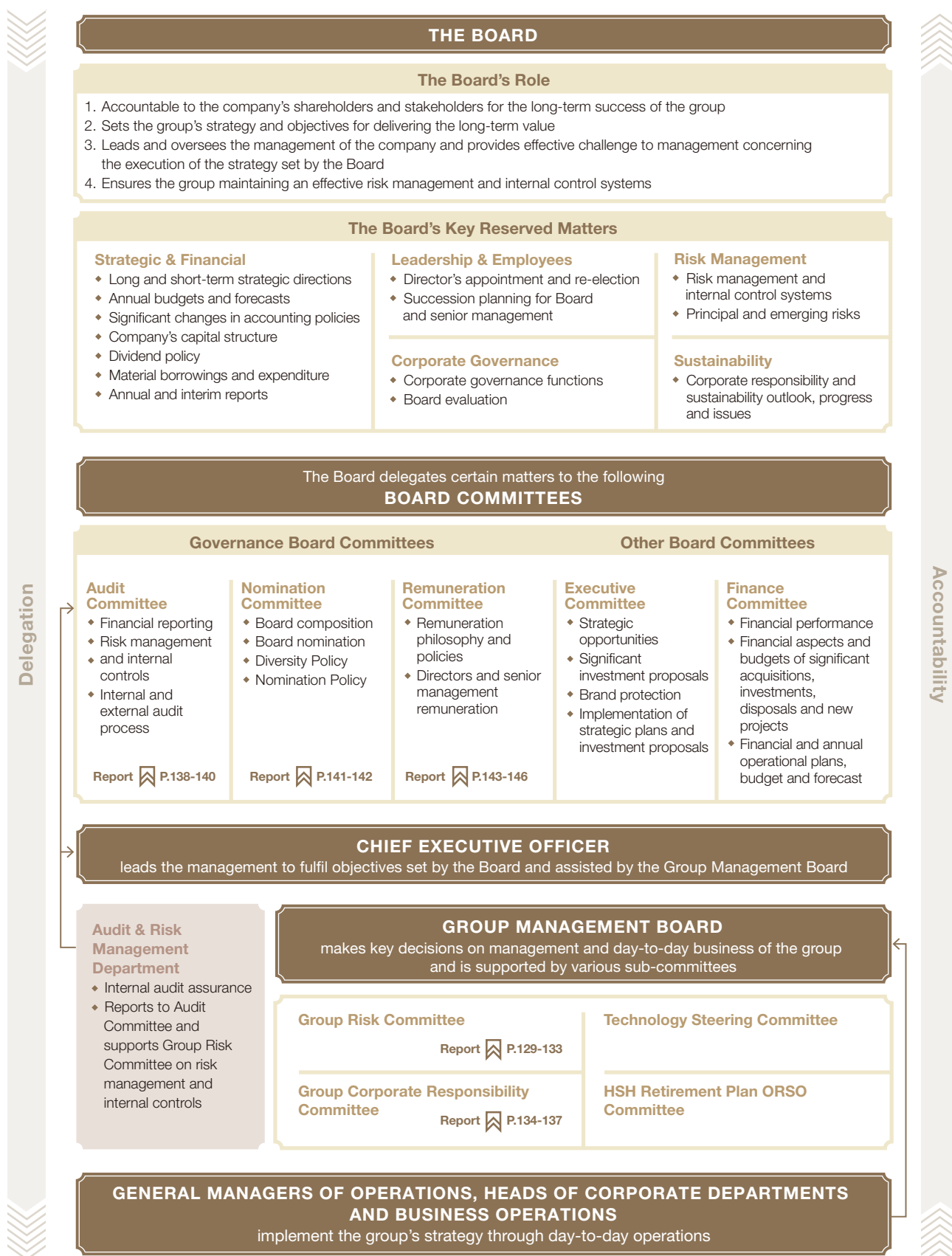
Corporate Governance Report

Roles and responsibilities of Directors and Company Secretary

Their respective roles are set out in the table below.

Role	Responsibilities
Non-Executive Chairman <i>The Hon. Sir Michael Kadoorie</i>	<ul style="list-style-type: none"> Leading the Board and monitoring its effectiveness Fostering candid discussions from all Directors and ensuring constructive relationships among Directors Reviewing management performance with the INEDs Ensuring that good corporate practices and procedures are established and implemented throughout the group, with the assistance of the Company Secretary
Chief Executive Officer* <i>Clement Kwok</i> <i>*supported by GMB⁸</i>	<ul style="list-style-type: none"> Leading the management and GMB in the day-to-day running of the group's business Developing strategies for the Board's approval Executing strategies, policies and objectives agreed by the Board Reporting to the Board on the performance of the business
Executive Directors <i>Clement Kwok</i> <i>Peter Borer</i> <i>Christopher Ip</i>	<ul style="list-style-type: none"> Managing the day-to-day business of the entire group's operations Being accountable for their specific executive functions to the Board Communicating proactively with the NEDs and being open and responsive to any executive proposals and challenges made by the NEDs
Non-Executive Directors (NEDs) and Independent Non-Executive Directors (INEDs)  P.100 to 105	<ul style="list-style-type: none"> Evaluating the group's performance in achieving the agreed corporate goals and objectives Ensuring clarity and accuracy on the reporting of financial information and that risk management and internal control systems are effective Providing constructive feedback on management decisions Serving on the Board and Board Committees to give these committees the benefit of their skills, expertise, and varied backgrounds and qualifications The INEDs, being independent, have the additional role of: <ul style="list-style-type: none"> Bringing knowhow and business expertise that are supplementary to executive management, thereby providing independent insights and judgement Helping to maintain objectivity in the Board's decisions when potential conflicts of interest arise
Company Secretary <i>Christobelle Liao</i>	<ul style="list-style-type: none"> Reviewing, implementing, initiating and driving improvements on our corporate governance practices and processes Advising and keeping the Board and Board Committees up to date on legislative, regulatory and governance matters Facilitating induction and professional development of the Directors

8 Details of the GMB members and its function can be found on pages 106 to 108



Corporate Governance Report

2021 Board Activities

In the context of continued uncertainty arising from COVID-19, our 2021 Board meetings were largely focused on the group's response to the pandemic and its impact and how we might adapt our strategy to ensure we are well positioned to maximise the opportunity to generate long-term value across our business. Detailed steps taken by the Board and its Committees in relation to the pandemic can be found in our 2020 Annual Report on pages 110 and 111. Many of these steps were continued in 2021, with the additional focus on building resilience and working towards a long-term recovery.

Due to ongoing travel restrictions in 2021, the Board was unable to conduct a full-day strategic offsite meeting to review and refine our group strategy as mentioned in the 2020 Annual Report. However, the Board has not lost focus on the development of company strategy through other channels. Extensive discussions on short to medium term focus and longer term strategy took place at the Executive Committee and updated at Board meetings in 2021. In addition, management has assigned groups with specific areas of focus. These groups have identified potential blockers and key challenges alongside feasible developments. A strategy discussion framework has been prepared and discussed with the Executive Committee and this will be reviewed with the Board at the next physical strategic meeting.

Sound decisions based on clear, complete and reliable information

- Comprehensive Board papers for discussion
- A monthly update of HSH's businesses
- Board Minutes and Board Committee Minutes (except Finance Committee) to allow our Board members have visibility the discussions at various committees. Finance Committee discussion on financial aspects matters are included in the monthly and Board updates to Directors
- Access to senior management, Company Secretary and independent professional adviser for advice or additional information

In addition, the Board continued to cover all customary matters. We highlight below the Board's other main activities during 2021.



STRATEGY

- Monitored the progress of the group's business diversification discussions, which seek to explore alternative revenue generation opportunities
- Discussed strategy in relation to Peninsula Merchandising and potential expansion plans
- In-depth review of COVID-19 impact and path to recovery for The Peninsula Hotels in Shanghai and Chicago



FINANCIAL AND OPERATIONAL

- Reviewed the business of the operations and their challenges and opportunities and the financial position of the group
- Monitored and evaluated the progress, cost, key risks and mitigation measures relating to the London, Istanbul and Yangon projects, as well as the Peak Tram upgrade project
- Evaluated key themes for the 2022 budget process and ultimately approved the 2022 budget with different recovery scenarios expectations and necessary cost controls but taking into account investments for the future
- Reviewed and discussed the current methodology of property valuation
- Monitored the progress of the renovation of The Peninsula Hong Kong Arcade
- Conducted the post-implementation review of The Peninsula Beijing renovation project
- Reviewed The Peninsula Hong Kong's rooms business performance and initiatives taken between 2019 to 2021



LEADERSHIP AND EMPLOYEES

- Reviewed and discussed the competition in the labour market and measures to be taken to attract and retain key talent
- Discussed the results of HSH Sentiment Survey 2021 as well as the employee feedback collected from focus groups
- Reviewed initiatives to enhance health and hygiene at our hotels, engage with stakeholders, and to help drive business despite ongoing COVID restrictions
- Noted the staff vaccination rate of each operation and emphasised the importance of a high rate of vaccination across the workforce



CORPORATE GOVERNANCE

- Reviewed the regular updates from the Chairmen of the Governance Board Committees. These include key issues and topics raised at those meetings, as well as recommendations for Board approval
- Approved the reversion of fees for NEDs, INEDs and Governance Board Committees to a level equivalent to the period prior to the temporary waiver/reduction for the year 2022
- Approved the proposed changes to the terms of reference for the Remuneration Committee, to enable the Committee to focus more on the review of the remuneration policy for Directors and senior management
- Approved the Nomination Committee's decision not to set any express gender diversity quota or measurable objective for implementing the policy of gender diversity on the basis that diversity should not be limited to gender, whether for gender or otherwise
- Approved the proposed amendments to the company's Articles of Association to allow the company when necessary the flexibility to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities as an alternative to physical attendance



RISK MANAGEMENT

- Conducted two in-depth reviews of the principal, key strategic and external risks impacting the operations, as well as ongoing projects risk, and risk mitigation measures of the group
- Monitored and reviewed the effectiveness of risk management and internal control systems through the Audit Committee

Corporate Governance Report



SUSTAINABILITY

- Reviewed the progress of *Sustainable Luxury Vision 2030 (Vision 2030)*, and identification and prioritisation of material issues through the Group Corporate Responsibility Committee
- Reviewed the corporate responsibility and sustainability initiatives of the group
- Discussed emerging climate change risk such as sea level rise and coastal flood risk regarding the group's different operations
- Discussed several transition risks for the group in light of the latest COP26 update and IPCC Report
- Approved the updated modern slavery statement⁹, which explains the activities we have undertaken during the year to demonstrate our commitment to seeking to ensure that there are no unethical labour practices or human trafficking within any part of our business or within our supply chain

Board Evaluation

Our Board has traditionally evaluated its own performance every two years since 2013. The purpose of this review is to identify areas for enhancement and improving the Board's effectiveness. The last such review took place in 2019. In 2020, the Board reviewed the progress of the action points and recommendations emanating from the 2019 review.

The Board anticipates that it will be possible to schedule the next evaluation in 2022. At such upcoming evaluation, the Board will engage an independent facilitator to lead the process and similar methodology as the last review will be adopted.

In addition to the self-evaluation, as an annual exercise, the Chairman met with the INEDs before the October Board meeting without management to seek an independent view on matters relating to the company's business, how they saw the direction of the company and any comments relating to the management of the company or any other matters that the INEDs wanted to raise. Comments and suggestions by INEDs were then brought to discussion with the full Board in an open and constructive manner. In 2021, the topics raised included the company's medium to long term strategy and succession planning, which management will continue to address.

9 Posted on the company's website: www.hshgroup.com/en/sustainable-luxury

Directors' Attendance and Training and Development

The Board held five scheduled meetings and a Board resolution was approved by circulation in 2021. As a consequence of the COVID-19 pandemic, meetings have been held without physical attendance by all Directors and facilitated by digital tools. The attendance of Directors and the Company Secretary at the Annual General Meeting, Board and Governance Board Committee meetings and training and development records in the year 2021 are as follows:

	Board ⁽¹⁾	Audit Committee ⁽²⁾	Nomination Committee	Remuneration Committee	Annual General Meeting ⁽²⁾	Training & Development programme ⁽⁶⁾
Non-Executive Directors						
The Hon. Sir Michael Kadoorie ⁽³⁾ <i>Non-Executive Chairman</i>	5(6)		2(2)		0(1)	✓
Mr Andrew C.W. Brandler <i>Non-Executive Deputy Chairman</i>	5(5)	4(4)		4(4)	1(1)	✓
Mr William E. Mocatta	5(5)				1(1)	✓
Mr John A.H. Leigh	5(5)				1(1)	✓
Mr Nicholas T.J. Colfer	5(5)				1(1)	✓
Mr James L. Lewis	5(5)				1(1)	✓
Mr Philip L. Kadoorie ⁽³⁾	4(5)				0(1)	✓
Independent Non-Executive Directors						
Dr the Hon. Sir David K.P. Li	6(6)		2(2)		1(1)	✓
Mr Patrick B. Paul	6(6)	4(4)		4(4)	1(1)	✓
Mr Pierre R. Boppe	6(6)				1(1)	✓
Dr William K.L. Fung	6(6)		2(2)		1(1)	✓
Dr Rosanna Y.M. Wong	6(6)			4(4)	1(1)	✓
Dr Kim L. Winser ⁽⁴⁾	5(6)				0(1)	✓
Ms Ada K.H. Tse	6(6)	4(4)			1(1)	✓
Executive Directors						
Mr Clement K.M. Kwok <i>Chief Executive Officer</i>	5(5)				1(1)	✓
Mr Peter C. Borer <i>Chief Operating Officer</i>	5(5)				1(1)	✓
Mr Christopher S.M. Ip <i>Chief Financial Officer</i>	5(5)				1(1)	✓
Company Secretary						
Ms Christobelle Liao ⁽⁵⁾	5(5)	4(4)	2(2)	2(4)	1(1)	✓

Notes:

- (1) Included an annual meeting where the Chairman met with INEDs only
- (2) Representatives of the independent auditor participated in every Audit Committee meeting and the Annual General Meeting
- (3) The Hon. Sir Michael Kadoorie and Mr Philip Kadoorie were unable to attend the Board meeting and Annual General Meeting due to family reasons
- (4) Dr Kim L. Winser was unable to attend the Board meeting due to health reasons and Annual General Meeting due to other commitment
- (5) Ms Christobelle Liao did not attend two Remuneration Committee meetings where matters included her and other Group Executives
During 2021, Ms Christobelle Liao undertook over 15 hours of professional training, meeting the requirement of the Listing Rules
- (6) Directors who undertook training and development through attending seminars/conferences and webinars which are relevant to the business or directors duties arranged by the company or external organisations, and reading regulatory/corporate governance and industry related updates. In 2021 topics included: anti-bribery and corruption, corporate governance, sustainability, regulatory compliance and directors duties

Corporate Governance Report

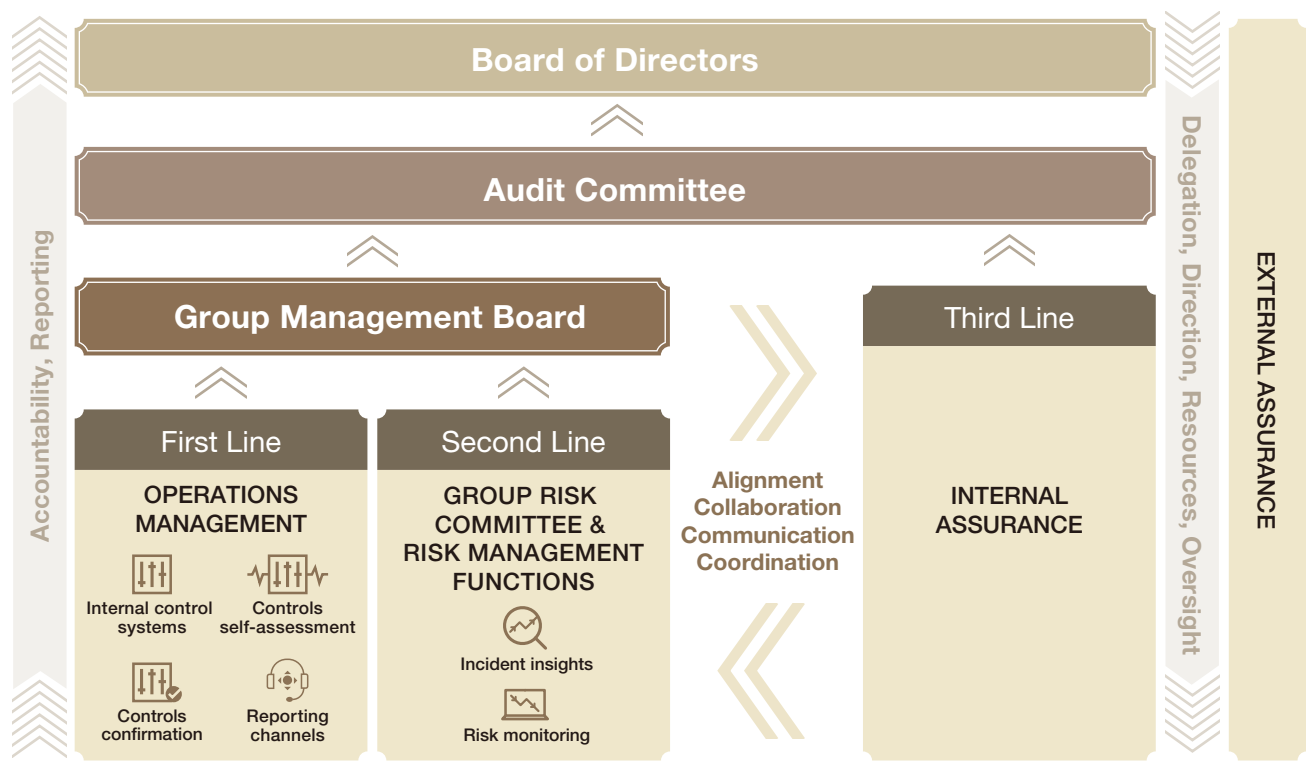
Risk Governance

Effective risk management plays an integral role in the overall achievement of the group’s strategic objectives which are to ensure the resilience of our business for the long term, optimise the quality of our asset portfolio, deliver the highest standards of luxury, and to preserve the tradition of integrity and respect for our heritage.

The Board is ultimately responsible for establishing, maintaining and overseeing appropriate and effective risk management and internal control systems for the group. It has given the Audit Committee the responsibility to oversee these systems on an ongoing basis and to assess their adequacy and effectiveness semi-annually. This is done with the support of the Group Risk Committee (GRC) and Audit & Risk Management Department (ARM).

Approach to risk governance

Our risk management framework is guided by the “Three Lines Model”, as set out in the graphic below. This framework and its process are designed to manage and mitigate risks rather than eliminate all risks. As with all systems, it does not provide an absolute shield against risks such as natural catastrophes, fraud and errors of judgement, which are present in all businesses. Whilst each of the three lines has its distinct responsibilities, their activities are aligned with the objectives of the organisation. Such coherence is achieved through regular and effective coordination, collaboration and communication.



First Line: Operations management

The group has established a system of internal controls which is executed by operations management.



Internal control systems

Controls adopted by the group can be divided into entity level and process level controls. Entity level controls operate pervasively across and throughout the group to mitigate risks threatening the organisation as a whole and to provide assurance that organisational objectives are achieved. Examples include groupwide policies such as Code of Conduct & Speak Up Policy, Group Purchasing & Tendering Policy, Fair Competition Guide and Inside Information Policy and others.

Process level controls include operational standards such as the enhanced Hygiene & Sanitation Guidelines & Principles for our hotel operations, policies and procedures governing approval authority, due diligence requirements, safeguarding of assets and financial reporting and many others.

The group has implemented new controls and strengthened a number of existing controls to cope with the ever-changing regulatory and operational environment. Please refer to the GRC report on pages 129 to 133 for the key controls undertaken in 2021 to mitigate our principal risks.

The Inside Information Policy regulates the handling of inside information within the group, to ensure potential inside information is being captured and confidentiality is being maintained until disclosures are made.

Handling Inside Information Guide

- A user-friendly guide is shared on our intranet to promote staff awareness
- Non-compliance of the Guide is a breach of the Code of Conduct
- A system is in place to monitor what the market says about HSH and there is an inside information escalation process



Controls self-assessment

Our business and functional units are at the forefront of risk management and they form part of the group's risk management process by undertaking a "control self-assessment" (CSA). Formally conducted twice a year, the CSA process allows the group and each operation to identify new risks affecting their businesses, reassess magnitude of existing risks, and evaluate the effectiveness of controls in managing the risks. Enhancement plans with specified risk owners and time-bound action points are implemented for controls that are assessed as less effective.



Controls confirmation

General Managers, Hotel Managers and Directors of Finance or Financial Controllers of all operations confirm the effectiveness and adequacy of material internal controls (which include financial, operational and compliance controls) via General Representation Letters. In addition, operations are required to perform annual compliance and privacy checks and provide confirmations to Group Legal on statutory or best practices compliance.

Collectively, these internal control systems and processes form the basis by which management reviews and confirms the effectiveness of the risk management and internal control systems to the Audit Committee.



Reporting channels

The group has multiple channels to handle and communicate crises. The groupwide Incident Reporting Policy sets out the methodology for group companies to determine the severity level of an incident and the corresponding reporting requirements. This has enhanced the quality of information for the oversight of the group's internal control and risk management practices.

Corporate Governance Report

In addition, the Speak Up Policy¹⁰ provides employees and other stakeholders a confidential reporting channel on suspected misconduct or malpractice within the group without fear of reprisal or victimisation. Reported allegations are logged, reviewed, independently validated and investigated as appropriate. Investigation results are communicated to the Executive Directors and the Audit Committee with approved recommendations implemented by responsible parties.

In 2021, four reports of potential integrity issues were received via Speak Up. All of these reports were investigated. Of the four reports: one was unfounded; two resulted in recommendations to enhance operational internal controls; one was still ongoing investigation at the time of writing.

Second Line: Risk management functions

Second line roles comprise relevant head office functions and the GRC which (i) oversees the risk landscape and risk management activities of the operations and development projects which is reported to the Audit Committee and the Board of Directors semi-annually, (ii) monitors the group's principal risks and emerging risks, and (iii) regularly evaluates the effectiveness of controls in response to such risks. A 5-step risk management methodology¹¹ is applied to ensure the risk assessment process and internal controls remain current, are adapted and modified as business conditions and the organisation change.



Incident insights

The GRC analyses common incidents across all operations and identifies any trend of root causes for further discussion with the Group Management Board as needed. Opportunities to improve key controls and share best practices are discussed and communicated across the group.



Risk monitoring

The GRC continued to strengthen its monitoring of risks to respond to changes and developments in both the external and internal environment, especially on risks posed by the COVID-19 pandemic. For actions taken in 2021, please refer to the GRC Report on pages 129 to 133.

Third Line: Internal assurance

ARM provides independent and objective internal assurance and advice on the adequacy and effectiveness of governance and risk management. It also promotes and facilitates continuous improvement through the competent application of systematic and disciplined processes, expertise, and insight.

Key processes are audited using an end-to-end approach thus control improvement opportunities can be readily identified and implemented. Since the company operates in a decentralised control environment, any common control weaknesses across the group are also assessed through an aggregation process so that group level recommendations can be initiated as needed.

The internal audit plan in 2021 included reviews of the efficiency of key business processes with a view to optimising efficiency and performance of the group and individual operations, with a focus on the two hotel development projects. Furthermore, an enhanced process to systematically and timely track the implementation status of recommendations across all operations continued to be in place.

External assurance

The external auditor of the group further complements the third line by independently auditing material internal controls over financial reporting of the group. Any material weaknesses are reported to the Audit Committee every six months.

Board confirmation

The Board has considered and endorsed the Audit Committee's assessment of the effectiveness of risk management and control systems in the group. Throughout 2021 no areas of concern which might materially affect the effectiveness of the group's operational, financial reporting and compliance controls were identified, and the existing risk management and internal control systems remained effective and adequate.

¹⁰ Posted on the company's website: www.hshgroup.com/en/corporate-governance/speak-up-policy

¹¹ Details of 5-step risk management methodology can be found on page 130 of the GRC Report

Our Shareholders

HSH had 1,780 registered shareholders as at 31 December 2021. The actual number of investors interested in HSH shares is likely to be much greater, as shares are being held through nominees, investment funds and the Central Clearing and settlement System (CCASS) of Hong Kong.

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of shares held	% of total number of shares in issue
500 or below	537	30.168	68,698	0.004
501-1,000	192	10.786	153,144	0.009
1,001-10,000	598	33.596	2,458,337	0.149
10,001-100,000	356	20.000	11,420,865	0.692
100,001-500,000	66	3.708	13,187,474	0.800
Above 500,000	31	1.742	1,622,145,688	98.346
Total	1,780	100.000	1,649,434,206	100.000

Note: as at 31 December 2021, 36.42% of all HSH total number of shares in issue were held through CCASS

The Kadoorie family (including interests associated with the family but excluding interests held by charities associated with the family) has a combined shareholding of 59.98% as disclosed in “Interests of Directors” and “Interests of Substantial Shareholders” in Directors’ Report on pages 149 to 151. The remaining HSH shares are mainly held by institutional and private investors, with a considerable number of those investors being Hong Kong residents.

After the year end, the interests of the Kadoorie family in the company were increased. Please refer to Note (vi) in the “Interests of Substantial Shareholders” in the Directors’ Report.

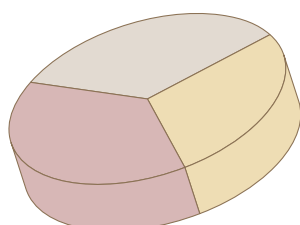
From publicly available information and within the knowledge of the Directors, HSH has maintained the required 25% public float throughout 2021 and up to the date of this report.

Shareholders’ rights to general meetings

Shareholders holding not less than 5% of total voting rights of the company may convene an extraordinary general meeting by stating the objectives of the meeting through a requisition and sending the signed requisition to the company.

Our company’s website¹² sets out the procedures for shareholders to convene and present proposals at general meetings, including proposing a person for election as a Director, and to vote by poll at general meetings.

2021 Annual General Meeting



Total number of attendees: **21**

Shares voted: **70.68%** of total issued shares

Individual Shareholders: **7**

Proxies of HKSCC Nominees Limited: **6**

Shareholders appointing representatives/proxies: **8**

The 2021 AGM was held on 21 May 2021 at The Peninsula Hong Kong. Prior to the meeting, a circular containing the notice of the AGM was distributed to all shareholders more than 20 clear business days prior to the AGM, setting out details of each proposed resolution and other relevant information. The company regards the AGM as an important event. It is also a main channel of communication between the Board and our shareholders. Our Directors, including the Chairman of the Audit and Remuneration Committees, were present at the 2021 AGM. KPMG, the company’s external auditor, was also present to answer questions from any shareholder relating to its audit of the company’s financial statements.

Corporate Governance Report

Procedures for conducting a poll were explained by the Chairman at the beginning of the AGM and Computershare Hong Kong Investor Services Limited, the company's Share Registrar, was appointed as scrutineer for voting by poll to ensure the voting was properly counted. Results were posted on both the company's¹³ and the Stock Exchange's websites.

Separate resolutions were proposed on each issue, including the re-election of individual Directors. All resolutions proposed at the 2021 AGM were passed. The matters discussed and the percentage of votes cast in favour of the resolutions were:

Matters Being Voted Upon	% of Affirmative Votes
Receipt of the audited financial statements and the reports of the Directors and independent auditor for the year ended 31 December 2020	99.97%
Re-election of seven retiring Directors: Dr the Hon. Sir David K.P. Li, Mr John A.H. Leigh, Mr Nicholas T.J. Colfer, Ms Ada K.H. Tse, Mr James L. Lewis, Mr Philip L. Kadoorie and Mr Christopher S.M. Ip as Directors of the company	Ranging from 98.63% to 99.99% in respect of each individual resolution
Re-appointment of KPMG as the independent auditor of the company and authorisation of the Directors to fix their remuneration	99.36%
Granting of the general mandate to Directors to allot, issue and deal with the company's shares	95.12%
Granting of the general mandate to Directors to buy-back the company's shares	99.97%
Authorisation to Directors to extend the general mandate to issue new shares by adding the number of shares repurchased	95.17%
Approving the amendments to the Articles of Association of the company as set out in Appendix III to the circular of the company dated 14 April 2021 and adopting of the new Articles of Association of the company	99.99%

Other Information

Other information for our shareholders including our financial calendar and contact details are set out on page 230.

The company's share price information as well as share and dividends per share information for the last ten years are disclosed on pages 82 and 15 respectively. In addition, the company's dividend policy is set out in note 10 to the financial statements.

Engaging with our Shareholders

The company attaches great importance in engaging with the investor community, including individuals and institutional shareholders and research analysts. We believe that continued engagement is key to building increased understanding between the company and the shareholders and sharing views, opinions and concerns with each other. Comments received from the different platforms and channels would be noted and discussed at management level and the Board as necessary.

The company utilises multiple platforms to engage investors:

- We encourage our shareholders to participate in our Annual General Meeting and directly communicate with our Directors
- Our Executive Directors and Investor Relations team engaged with shareholders and potential investors via one-on-one meetings and conference calls, as well as held regular briefings with research analysts
- We also participated in investor conferences to further engage existing and potential investors

- Our company's website¹⁴ gives the public a window to who we are, what we do and how we are doing. There is a wealth of current and historical information such as webcasts of the announcements of the latest financial results along with presentation materials from such announcements, our financial reports, financial statistics, corporate governance practices
- Our Shareholder Communication Policy¹⁵ has specified the various communication platforms to which our shareholders and stakeholders can access as well as various communication channels for them to communicate their views
- The company's branded social media sites provide investors and other stakeholders with regular updates on our business initiatives in The Peninsula Hotels, The Repulse Bay, and The Peak, as well as HSH community and employee initiatives on employer branding social media sites

For queries and additional information, shareholders and investors can send their requests to our Investor Relations email address at ir@hshgroup.com. On how we engage our stakeholders, please refer to Creating Stakeholder Value on pages 86 to 89.

Corporate Governance Code Compliance

The Stock Exchange's Corporate Governance Code in Appendix 14 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). Our Board recognises the principles underlying the CG Code and have applied all of them to the HSH Code.

Throughout 2021 we have complied with all of the code provisions and recommended best practices in the CG Code with the exception of the following:

- **Publication of quarterly financial results**

The Board believes that the businesses of the group are characterised by their long-term and cyclical nature, while quarterly financial results reporting encourages a short-term view on performance. To keep our shareholders informed, we instead issue quarterly operating statistics setting out key operating information; and

- **Disclosure of individual senior management remuneration**

We do not disclose the remuneration of individual senior management. However, we have complied with CG Code provisions and disclosed the remuneration payable to senior management by band in our Remuneration Committee Report.

Environmental, Social and Governance Reporting Guide (ESG Guide)

Our Corporate Responsibility and Sustainability Report¹⁶ has been prepared in accordance with the provisions as set out in Appendix 27 of the Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core option. The CRS Report references the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standard Board (SASB) standards. KPMG was commissioned to conduct assurance and to provide an independent opinion on the identified elements of the CRS Report in accordance with the ESG Guide.

Regulatory and Privacy Compliance

We continue to monitor relevant regulatory changes which relate to our business and to ensure we operate consistently with applicable global regulatory requirements, such as the PRC's new Personal Information Protection Law and updates to the EU's Standard Contractual Clauses.

Given our continuing commitment to maintaining our guests' privacy in accordance with applicable laws, we keep our people updated on privacy legislation, compliance, challenges and risks in this complex and highly regulated area by conducting mandatory e-learning courses with refresher training for all employees. Our Group IT and Legal teams have jointly organised training sessions to relevant employees to provide them with an overview of the most relevant global privacy legislation and the latest cybersecurity threats, along with useful tips to mitigate the risks the group.

¹⁴ www.hshgroup.com/en/investors

¹⁵ Posted on the company's website: www.hshgroup.com/en/corporate-governance

¹⁶ Posted on the company's website: www.hshgroup.com/en/sustainable-luxury

Corporate Governance Report

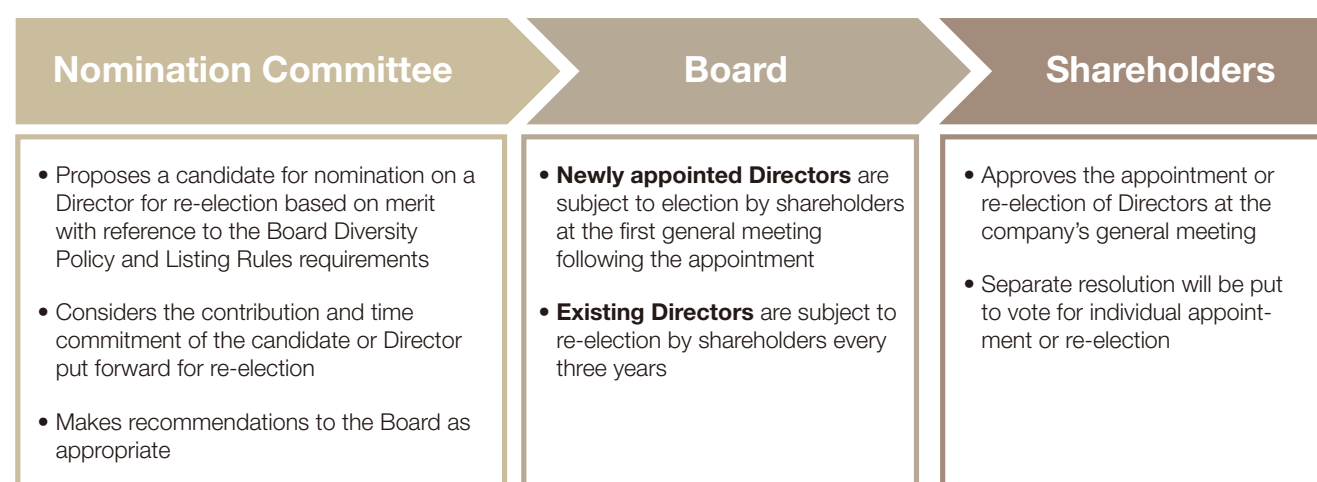
Other Compliance Matters

Appointment and re-election of Directors

The appointment and re-election of Directors are governed by the Nomination Policy which is set out below. The company confirms that all Directors' re-elections were conducted in compliance with the CG Code in 2021. NEDs are appointed for a term of three years. All Directors are subject to a term of re-election every three years. Details of the Directors who will retire and offer themselves for re-election in the 2022 Annual General Meeting are set out in the Directors' Report on page 148.

Nomination Policy¹⁷

Our Board always recognises the benefits of diversity and ensures that the selection criteria including contribution and time commitment, nomination process and procedures set out in the Nomination Policy and summarised below are followed when proposing a candidate for nomination or a Director for re-election.



Time commitment of Directors

The Board recognises that it is important that all Directors should be able to dedicate sufficient time to the company to discharge their responsibilities. The letters of appointment for NEDs and INEDs, as well as service contracts for Executive Directors, contain guidelines on expected time commitments required for the affairs of the company. Each individual confirmed his or her understanding of such time commitment when the appointment was accepted. In addition, the Board reviews annually the contributions required from the Directors and whether they are spending sufficient time performing their responsibilities.

All Directors have confirmed to the company that they have given sufficient time and attention to the company's affairs throughout 2021. The Board is satisfied that the Directors had a strong commitment to the company and positively contributed to the company's affairs, discussions and decisions, as reflected in their participation in the Board and Governance Board Committee meetings during the year.

¹⁷ Posted on the company's website: www.hshgroup.com/en/corporate-governance

Independence of INEDs

The independence of the INEDs is relevant to Board balance and assessed on a regular basis to ensure they remain capable of providing unbiased and objective contribution to the Board discussion. The company has received written confirmations of independence from each of its seven INEDs who served in 2021. The Nomination Committee and the Board considered that all seven INEDs who served in 2021 were and continued to be independent in accordance with the independence guidelines set out in rule 3.13 of the Listing Rules and that there were no business or other relationships or circumstances which are likely to affect the judgement of any of the INEDs.

Beyond the formal confirmation of independence referred to above, of overriding importance is that each INED has an independent mindset and brings the right experience and is prepared to challenge the Board in a constructive fashion. The Nomination Committee and the Board continue to believe that it is not appropriate to apply an arbitrary period of service beyond which a director is assumed to have lost his or her independence. The Board will continue to review the independence of its INEDs by assessing whether they remain independent in character and judgement and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board.

Directors' dealings with company securities

All Directors conduct their dealings in the company's Code for Dealing in the Company's Securities by Directors (Securities Code) which contains terms no less exacting than the standards set out in the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (Model Code). Directors must seek approval before engaging in any dealing.

All Directors have confirmed their full compliance with the required standards set out in the Model Code and the Securities Code in 2021. Details of the shareholding interests held by the Directors of the company as at 31 December 2021 are set out on page 149.

Our Code for Dealing in the Company's Securities is extended to specified employees including senior management who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the standards set out in the Code for Dealing in the Company's Securities by Specified Employees. Brief particulars and shareholding interests of the senior management are set out on pages 106 to 108, and 150 respectively.

Directors' disclosure on conflict of interest

We have established procedures to ensure we comply with disclosure requirements on potential conflicts of interests. All Directors are required to disclose to the Board the following sets of information in relation to their interests upon appointment and on an annual basis:

- The number and nature of offices they hold in public companies or organisations and other significant commitments (if any) and their time involvements
- Their interests as a Director or shareholder in other companies or organisations significant to the businesses of the company
- Whether he or she (other than an INED) or any of his or her close associates has an interest in any business which competes with the group, and none of them has any competing interests which need to be disclosed pursuant to rule 8.10 of the Listing Rules

In 2021, all Directors have fulfilled these disclosure requirements.

We have also extended the annual disclosure requirements on potential conflict of interests to senior management (other than the three Executive Directors) and leaders of key functions, which have also been fulfilled.

In addition, all Directors are also required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board. In 2021, no potential conflict of interest was determined by the Board to be material. Nevertheless, the continuing connected transaction as disclosed in the Directors' Report on page 148, which was reviewed in the March Board meeting.

Onboarding for new Directors

All new Directors receive a comprehensive onboarding programme which is tailored to their individual roles and needs, which is designed to facilitate their understanding of our group, our purpose, culture, values and strategy, our corporate governance and the markets in which we operate. This structured programme includes meetings with Chairman, Executive Directors, Company Secretary and senior management, and visiting a number of the group's properties. In addition, the Company Secretary will provide a tailored onboarding pack and a library of reference materials covering key areas such as Board and Committee papers, governance and directors' duties, risk management and internal controls matters. Mr Christopher Ip who joined the Board in

Corporate Governance Report

January 2021 has completed his tailored and comprehensive onboarding programme to allow him to gain valuable insight into our business, our colleagues and stakeholders.

Directors training and development

Our Directors participate in continuous training and development activities that keep them up to date on developments in all areas pertaining to the business of the company and the performance of their duties as Directors. In addition to Quarterly governance updates and anti-bribery and corruption reading materials, relevant publications and e-learning from the Stock Exchange are provided to our Directors and keep them abreast of the relevant rules and regulations affecting our businesses. Directors who individually attend seminars or conferences associated with their expertise and responsibility update the company annually. The training and development records of Directors and the Company Secretary for 2021 are reflected on page 119.

Codes and terms of reference

Each year we review our governance and securities codes and the relevant terms of reference of the Board and each Board Committee¹⁸ to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices and the needs of the company. The HSH Code together with the terms of reference of the Board and Governance Board Committees were reviewed in 2021 and the terms of reference of Remuneration Committee were revised to enable the Committee to focus more on the review of the remuneration policy for Directors and senior management.

The full terms of reference of the Board and each Board Committee can be viewed on the company's website¹⁹ and those of the Governance Board Committees²⁰ are also published on the Stock Exchange's website. The Governance Board Committees' reports are set out on pages from 138 to 146.

Internal control procedures on connected transactions

We have implemented a series of measures to ensure our connected transactions are conducted in compliance with the connected transaction rules. These measures include: (i) tracking all current and potential connected transactions semi-annually; (ii) Group Legal review is required before any potential connected transactions are entered into; (iii) monthly connected transactions reports are prepared for monitoring purposes; and

(iv) annual review of the continuing connected transaction of our office lease by Audit Committee, INEDs, external auditor and Board.

With respect to the connected transactions for the financial year of 2021, Audit & Risk Management Department has reviewed (i) the adequacy and effectiveness of the internal control procedures of connected transactions; and (ii) the continuing connected transaction of our office lease. Their findings are submitted to Audit Committee, please refer to the Directors' Report set out on page 148.

Annual Report and Corporate Responsibility and Sustainability Report

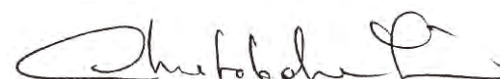
The annual report and CRS report are both important channels for the company to provide shareholders and stakeholders with a balanced assessment of our financial and non-financial performance as well as our commitment to the high standards of corporate governance and the evolving nature of our environmental, social and governance practices. We are constantly striving to improve the clarity and transparency of our reporting. This is recognised in the awards we received for our 2020 Annual Report and CRS Report. Details can be found in the "Awards in 2021" section on page 90.

In March, the Board reviewed and approved the 2021 Annual Report and Corporate Responsibility and Sustainability Report²¹. With respect to the Directors' responsibility for preparing the financial statements for the year ended 31 December 2021, please refer to the Directors' Report set out on page 152.

High Standards of Corporate Governance

Commitment to high standards of corporate governance and business integrity has seen us through years of operations and we continue to look for improvements in our corporate governance practices for the continued future success of the group.

By order of the Board



Christobelle Liao
Company Secretary
16 March 2022

¹⁸ Audit, Nomination, Remuneration, Executive and Finance Committees

¹⁹ www.hshgroup.com/en/corporate-governance/board-committees

²⁰ Audit, Nomination and Remuneration Committees




²¹ Posted on the company's website: www.hshgroup.com/en/sustainable-luxury

GROUP RISK COMMITTEE REPORT



“Robust risk management processes embedded within the organisation have contributed to the effective, agile and proactive responses to risks posed to our business in an everchanging environment.”

Christopher Ip
Chairman of the Group Risk Committee
16 March 2022

 Composition	<p>Chairman Mr Christopher Ip, Chief Financial Officer</p> <p>Members Group Director, Corporate and Legal Group Director, Properties Group Director, Information Technology Group Director, Brand and Operations Support Group General Manager, Audit & Risk Management</p>
 Meeting Frequency	<ul style="list-style-type: none"> • Quarterly • Four meetings in 2021
 Responsibilities	<ul style="list-style-type: none"> • To identify and assess the principal risks at group level and their corresponding mitigating treatments, as well as monitor the actions required for critical and major incidents within the group • To facilitate the process whereby each operation and project defines its business objectives, addresses the risks identified, conducts self-assessment of internal control activities and tracks progress of mitigating plans • To regularly review, assess and update material risks and related contingency plans to Group Management Board (GMB) for endorsement by the Audit Committee and the Board

With our risk governance structure and the Three Lines Model described on pages 120 to 122 in place, we have adopted across the group a practical, easy to understand 5-step risk management methodology.

Group Risk Committee Report

5-Step Risk Management Methodology



Whilst risk management is an ongoing and continuous process embedded into day-to-day organisational activities, the formal evaluation of risk is a semi-annual process starting with the evaluation of the external and internal environment and the identification of risk factors which have impacted the strategic, operational, financial or compliance objectives of each business unit. This is followed by the analysis of the likelihood and magnitude or change of impact (both financial and non-financial – such as operational and reputational) of each risk. Controls in place or new actions to be implemented to mitigate the risks are then identified with their effectiveness assessed. Thereafter, each business unit is required to assess the level of residual risks. Further actions must be taken if controls are not in place to address the risks, or existing controls are not effective to reduce the risk to an acceptable level.

Assessments from all business units are ultimately aggregated to compile a portfolio view of risks. Such process allows swift action to be taken by assessing similar risks across the other businesses, and allows the sharing of best practices, forming of group strategy on specific risks and responding to significant changes in the business environment, such as the COVID-19 pandemic.

Key Focus in 2021

COVID-19 global pandemic

Since its global outbreak in 2020, the COVID-19 pandemic has aggravated the level of risk facing the group at all levels of the business, across a range of financial and operational issues. In particular, the pandemic has heightened the level of risk associated with the group's ongoing hotel operations, investments and capital projects. Government guidelines on social distancing and travel restrictions have brought about significant business uncertainty, and have led to restricted operations in a number of our hotels during the year. The resultant financial impact continues to pose a key risk to the business. In addition, the ongoing pandemic has also exacerbated our ability to attract and retain talent in the hospitality industry. This has become a new principal risk for the group.

Import/export restrictions and reduction in workforce around the globe have significantly impacted international supply chains. We have seen delays in securing products and services necessary for daily operations of our hotels, properties and construction sites. We are monitoring this emerging risk and overall impact to the group.

The Group Risk Committee (GRC) continued to oversee the strategies adopted to respond to the operational and financial risks arising from the global pandemic since early 2020. Some of the key actions aimed at managing the day-to-day impact of the pandemic on our business are noted below:

- Encourage staff to receive vaccination against COVID-19 by providing incentives
- Strict social distancing measures in line with government guidelines were administered, such as work from home arrangements, and suspension of dine-in services in F&B outlets,
- Hygiene & Sanitation Guidelines & Principles were revised to heighten minimum standards and promote best practices in providing a safe and worry-free environment for our guests

- Construction site hygiene, sanitation and social distancing measures were implemented on all the construction sites in London and Istanbul
- More flexible ways of working and dynamic allocation of talent were reinforced for stronger performance orientation and employee engagement
- Products were strategically adapted to stimulate domestic demand such as staycation packages, take-away and deliveries at F&B outlets and special seating arrangements for banquets
- Cost saving measures and actively searching for alternative and diversified revenue generators
- Business continuity capability assessment on working out of office for every head office department

Investment and project development risks

GRC continued to monitor the key risks surrounding The Peninsula London, The Peninsula Istanbul and the Peak Tram upgrade. The reporting process has been streamlined to focus on the time-bound mitigating actions to be taken by designated personnel. In addition, a project owner's risk register is reviewed quarterly to facilitate the identification and management of risks the group has been facing as the owner of the new hotels. Controls such as budget and resource planning, rephrasing of fit-out and pre-opening schedules were implemented for the specific needs of each project.

Environmental and social (E&S) risks

The effects of climate change are observed in all parts of the world and has resulted in damage to our ecosystems, buildings, and to human health. As the global average temperature continues to rise, acute hazards (such as hurricanes, floods, or wildfires) are projected to increase both in frequency and severity, with longer-term impact (such as rising sea level and drought) expected to worsen. We need to ensure that the company is well-positioned to weather these impacts by continuing to monitor and deepen our understanding of the inter-related and complex nature of climate risks we are facing, embedding preventive measures to address these risks at all areas of our operations, and begin adaptation measures to strengthen resilience in a potentially volatile future.

In the past, we have completed an initial assessment of the risks related to the physical and reputational risks of climate change to our business. Regarding properties more susceptible to natural disasters and climate risks, our insurance costs are expected to increase and there is also the risk that it may negatively impact the value of our assets in very high risks areas. These risks may also lead to disruption of business operations and supply chains, affecting accessibility or attractiveness of a location resulting in reduced demand for our products and services, surges in operating costs and capital expenditure, as well as more stringent regulatory environment. In 2021, we focused on identifying the potential long-term consequences of sea level rises and coastal flood risks to the business. We have identified short and medium-term approaches to mitigate risks and building resilience across our portfolios.

Currently, we mitigate risk related to extreme climate events by (a) maintaining comprehensive insurance coverage for our properties, (b) enhancing the resilience of the physical structure through design, upgrade and regular maintenance, (c) establishing site and company level crisis management protocols. For long-term planning, we will integrate climate risks in the planning and design process of all future development and investment projects. Due to the cascading effects of climate change causing multiple risks, particularly the transitional and financial risks, we are committed to deepening our understanding of such impacts.

We are also aware of the multiplier effect and knock-on impact brought by climate change on other socioeconomic issues such as unemployment, poverty, social inequality, educational disparity, supply chain disruption, and more. The ongoing pandemic has also exacerbated these issues along with public health and safety concerns. *Vision 2030* will continue to guide our efforts in engaging with our local communities in meaningful ways²².

GRC and the Board will continue to receive regular updates from the CRS Department to understand the evolving E&S risks in order to determine effective short-term responses, and develop long-term adaptation strategies. More details of our approach to climate change can be read on pages 50 to 52 of our CRS Report, referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

22 Details of our community volunteering and investment programmes can be found on pages 42 to 44 of our CRS Report

Group Risk Committee Report

Other Principal Risks

The principal risks of the group are monitored and reviewed on an ongoing basis, by focusing on the environment, business conditions and organisational changes. In 2021, specific focus in some areas of the principal risks were discussed in more details below:

Other disaster events

The global pandemic continued to be the most significant risk for our group in 2021 as discussed above. Other disaster events, such as natural disasters, fire and terrorism, may also affect some of our properties. We regularly review our crisis management plans and maintain insurance coverage on property damage and business interruption to minimise impact caused by natural disasters. Structure of insurance for disasters have also been reviewed this year. E&S risks were also assessed and mitigation actions taken as discussed above.

Business dependency on Hong Kong

A significant portion of our group earnings has historically been contributed by our operations in Hong Kong. Such business dependency implies that the economic and political outlook of the city, especially its ability to recover from the pandemic, would have a crucial impact on our business, as this would lower our earnings and impact our asset values. To manage this risk, we have implemented and begun to explore alternative revenue streams outside of Hong Kong.

Competition in all markets

With the global pandemic, our hotels have had to steer towards the domestic and staycation market to keep occupancy and covers at reasonable levels. It has been challenging to realise the desired gains in revenue due to the competitive nature of the markets that we operate in, as the vast majority of competing hotels were chasing after the same leisure segment. Our operations have had to innovate and develop more enhanced offerings and services and develop alternative revenue streams to attract and compete in highly competitive markets.

Our retail leasing business

Our leasing business has also been adversely affected by the pandemic. A decrease in foot traffic in our arcades has affected our retail tenants. Leasing have also been impacted by the economic downturn, particularly commercial leasing. As a result, we have continued to work with retail tenants and make appropriate adjustments to rental and other contractual requirements. We have also focused on our tenant mix in our commercial properties this year, particularly at The Peninsula Hong Kong and The Peninsula Beijing, bringing in luxury lifestyle element into our arcades. The renovated Peninsula Arcade in Hong Kong re-opened during the year to offer unique brand mix of lifestyle and fashion to boost traffic. One of our luxury

anchor tenants, expanded and reconceptualized their boutique. The arcade basement space has also been upgraded to focus on high-end lifestyle retail to attract the domestic market and includes an Italian gourmet deli, a sushi bar, a men's grooming salon, high-end audio equipment store and a new and expanded Peninsula Boutique & Café which opened in May 2021.

Investments and developments

For our construction projects, the pandemic has resulted in site closures, social distancing and travel restrictions. All these have contributed to delays and increase in costs for The Peninsula London, The Peninsula Istanbul and the Peak Tram. In addition, we have encountered project management and other challenges. These risks are identified and mitigating measures are monitored by top level management. Task forces have been sent into London to ensure agile decision making in a timely manner. We implement enhanced oversight of tendering throughout project construction, and seek to develop clear pre-opening plans and early deployment of dedicated resources to support hotel openings. Where partners are involved, top level management are involved in partner relationships, particularly in managing the suspension of The Peninsula Yangon project.

Foreign exchange and interest rate fluctuations

Foreign exchange and interest rate fluctuations may lead to volatility in our financial statements and ratios. Unfavourable movements may increase our cost of securing financing. In particular Turkish Lira depreciated against US dollar by more than 40% during 2021. We regularly review major foreign exchange transactional and capital expenditure exposures, and adopt proactive management and balancing of fixed and floating rate loan exposures. To manage the uncertainty and construction payments for The Peninsula London and The Peninsula Istanbul projects, in 2021 we entered into forward exchange contracts to hedge Turkish Lira exposure against Euro and Euro exposure against Pound Sterling. We also conduct regular stress testing and calculation of value at risk to monitor the potential impact on the profit and loss, balance sheet and financial ratios.

Macroeconomic and political environment

As a multinational corporation, our business are impacted by geo-political influences. Incidents such as Russia-Ukraine conflict and US-China tensions may negatively impact the global economy, and may result in trade restrictions and sanctions. Regular risk and performance review of operations, properties and projects are carried out during the year. Political instability in countries such as Myanmar has impacted our investment. 2021's focus has been in managing the risks related to The Peninsula Yangon project.

Labour shortage in the hospitality industry












Finally, labour shortage in the hospitality industry has become an increasingly challenging problem. Apart from an overall decline in the attractiveness of the hospitality industry, the pandemic has also led talent to re-evaluate their career goals. This has resulted in staff resignations and difficulties in our recruitment efforts in most of our labour markets. This is further compounded by other industries that continued to do well during the pandemic increasingly offering more attractive pay and work practices.

To attract and retain our existing and future talent, we are conducting even more regular salary benchmarking exercises

and ensuring our total remuneration, benefits and health insurance stay highly competitive and relevant. As a result of employee feedback and focus groups under WorkPlace 2025, we have implemented more flexibility in working hours and work from home in our corporate offices in Hong Kong. We will also look into the relaxation of dress code and rolling out carer's leave for all employees in Hong Kong to ensure they can take time to look after their immediate family if they are ill.

Most importantly, efforts are placed to enhance our employees' mental well-being and a strong sense of care and belonging in the company especially during these difficult times.

Principal Risk Movements in 2021

	Principal Risk	Risk Category	Movement
	DISASTER EVENTS	External	►
	BUSINESS DEPENDENCY	Strategic	►
	MACROECONOMIC AND POLITICAL	External	▼
	INVESTMENTS AND DEVELOPMENTS	Strategic	►
	RETAIL, COMMERCIAL AND RESIDENTIAL LEASING	Financial	►
	COMPETITION	External	▼
	FOREIGN EXCHANGE AND INTEREST RATES	Financial	▼
	CYBERSECURITY	Operational	▲
	DATA PRIVACY	Compliance	►
	BRAND AND REPUTATION	Strategic	▼
	LABOUR SHORTAGE	Operational	new

2022 Major Initiatives

In 2022, the GRC's main focus will continue to be on (i) enhancement of internal controls to manage the strategic risks of the group, especially risks pertinent to the recovery from the pandemic and development projects, and (ii) a focus on communication, awareness and ownership of risks and controls across the group.

GROUP CORPORATE RESPONSIBILITY COMMITTEE REPORT



“With rising environmental and social risks coming to the fore, we are ready to step up, do our part and contribute to collaborative global efforts, using *Vision 2030* as our blueprint to navigate the volatile environment arising in the coming decade.”

Clement Kwok
Chairman of the Group Corporate Responsibility Committee
16 March 2022

 Composition	<p>Chairman Mr Clement Kwok, Chief Executive Officer</p> <p>Members Group Director, Corporate and Legal Group Director, Human Resources Group Director, Brand and Operations Support Head of Corporate Responsibility and Sustainability Select members of General Managers of operations and Heads of corporate departments</p>
 Meeting frequency	<ul style="list-style-type: none"> • At least three meetings each year • Four meetings in 2021
 Responsibilities	<ul style="list-style-type: none"> • To propose, recommend, monitor and report to the Group Management Board and support the Board of Directors on corporate responsibility and sustainability (CRS) topics, including the implementation of the company's <i>Sustainable Luxury Vision 2030</i> • To review practices, standards, trends, regulations, plans related to CRS topics that may have an impact on the operations of the group

Our CRS Approach

In 2021, we launched our new CRS strategy *Sustainable Luxury Vision 2030 (Vision 2030)* to step into the next decade as a responsible corporate citizen and guide us in responding to our world's environmental and social challenges. As we write this report, many parts of the world continue to be impacted by the global pandemic. Whilst society and businesses are recovering from economic downturn and slowly adapting to the new normal, we continue to face socioeconomic difficulties and challenges. Yet as stewards of our communities, we need to continue to do our part to build on the progress we have made in the past decade, and be prepared to overcome the future challenges brought about by increasing environmental and social risks we may face.

CRS issues are having an ever-increasing impact on businesses and society at large, and we believe that as a responsible corporate citizen, we must work and collaborate with other

key stakeholders to address our society's biggest problems. *Vision 2030* was developed through detailed benchmarking with industry peers and thought leadership studies to set ambitious, extensive internal and stakeholder engagements to ensure buy-in and feasibility analysis and assessments to enable implementation²³. We seek to leverage the strengths of our business, focusing on issues requiring significant attention, scaling positive benefits from our offering, while effectively reducing our negative impacts. Our new strategy also incorporates a deeper focus on business integration and using regenerative and proactive approaches. The key topics we have identified which will have the most impact on our business and societies that are addressed in *Vision 2030* are:

- diminishing natural resources such as energy, water and food;
- the climate change crisis; and,
- growing social instabilities and inequalities.

²³ More details of our stakeholder engagement and materiality approach can be found on pages 10 to 11 of our CRS Report

Vision 2030 seeks to address these issues by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by our 10 key commitments as set out below.

To enable our stakeholders to have a holistic view of our company, we continued to publish a detailed Corporate Responsibility and Sustainability Report online. Additional information on our CRS approach, initiatives and performance can be found in our CRS Report²⁴.



Group Corporate Responsibility Committee Report

Our Guests: Enhancing our guest experience

To uphold our commitment of enhancing our guests' experience, we look to provide sustainable luxury while creating a positive impact on our guests and the world around us. This means holding ourselves accountable for reducing our environmental footprint across our operations, while setting our sights to increase the use of renewable and regenerative energy and water sources. In particular, we will be addressing our stakeholders' expectations by developing medium to long-term strategies to move towards a low carbon future, undertaking holistic water assessments, and implementing the principles of "circularity" to divert waste sent to landfill in the coming decade. We recognise that we also have a role to play in effecting change among our stakeholders. We aim to influence our suppliers and partners by responsibly sourcing key products and services in alignment with our environmental, social and ethical standards. In our properties, we will continue to promote and increase sustainability awareness with our guests and customers through knowledge sharing and interactive sustainable experiences.

Our People: Empowering our people

At HSH, we acknowledge that our people are our most valuable asset. We will continue to listen to and respond to their needs, with the aim of empowering our people in the workplace. We will continue to be transparent and honest, committing to fair compensation for all our employees. This also means promoting a safe and inclusive workplace where our employees can thrive regardless of their gender, race, age, sexual orientation or culture. We are also expanding our focus on employee health and safety and work life balance to take a more holistic approach in supporting both the physical safety as well as overall mental and physical wellness of our staff.

Our Communities: Enriching our communities

Our communities are our homes – when our communities thrive, we thrive. *Vision 2030* will continue to guide our efforts in engaging with our local communities in meaningful ways, moving away from monetary-based to outcome-based community investment. We commit to prioritising our efforts in supporting our local communities in ways that will create long-term impact on their lives, focusing on youth development, elderly care and uplifting marginalised communities within cities we operate in. At HSH, we acknowledge that more minds are better than one in solving some of the most pressing issues we face. *Vision 2030* emphasises on forging partnerships and collaboration with like-minded businesses to drive sustainable change together.

Managing and Adapting to Climate Change

The impacts of the climate crisis are evident, we want to ensure we are well-positioned to weather these impacts by continuing to monitor and deepen our understanding of the inter-related and complex nature of the climate risks we are facing, embedding preventive measures to address climate risks in all areas of our operations, and begin adaptation measures to improve resilience in a potentially volatile future. We will remain vigilant to evaluate these risks on a yearly basis²⁵.

In 2021, we focused on identifying the potential long-term consequences of sea level rises and coastal flood risks to the business. We have identified short and medium-term approaches to mitigate risks and building resilience across our portfolios. We are also aware of the multiplier effect and knock-on impact brought by climate change on other socioeconomic issues. *Vision 2030* will continue to guide our efforts in engaging with our local communities in meaningful ways.

Governance on CRS

We regard the integration of sustainability as a sensible and necessary strategy that benefits the overall value of the group in both the short and long term. The Board oversees the management of sustainability issues through regular engagement and updates from the Group Corporate Responsibility Committee (GCRC). While we do not have a separate sustainability committee at board level, the Board considers this topic to be of substantial importance, warranting yearly review²⁶ of the group's sustainability approach, strategy and performance.

GCRC has been given responsibility by the Group Management Board (GMB) to manage all aspects of the implementation of our sustainability approach. GMB, also headed by the CEO and comprised of other group executives and senior management, is the principal decision-making body responsible for management and day-to-day business of the group. GCRC is supported by the Corporate Responsibility and Sustainability (CRS) Department, spearheaded by the Head of CRS, who reports directly to the CEO, to coordinate and formalise sustainability efforts across the group.

The Head of CRS regularly reports to the Board and GMB and updates the Group Risk Committee on environmental and social risks related to the business. The Head of CRS also coordinates CRS-related risk mitigation actions and adaptation strategies across the group. In 2021, the potential long-term consequences of sea level rise and coastal flood risk to the business was discussed with the Board.

²⁵ More details of our approach to climate change can be read on pages 50 to 52 of the CRS Report, referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

²⁶ Sustainability topics reviewed and discussed at Board level can be found on page 118

Key Work in 2021

We continued to monitor progress on our commitments and provided support and focused attention on those that needed more traction. With these objectives in mind, the Committee's work in 2021 revolved around launching our new CRS strategy *Vision 2030*. In addition, the Committee carried out the following:

- Reviewed CRS performance data and recommended actions relating to energy, water and waste management, responsible sourcing, health and safety, empowering our people in the workplace, ethical standards and community engagement
- Considered recent sustainability trends including latest marketing development (specifically on sustainable seafood, palm oil, cottons, cage-free eggs, and others), sustainability innovations, new legislations, updates on reporting and management best practices
- Discussed potential consequences of sea level rise and coastal flood risk to our properties and business
- Discussed potential transition risks for the group in light of latest research studies on climate change

Progress on Vision 2030

In 2021, we continued our ongoing CRS work and started identifying new initiatives for *Vision 2030*. Some key achievements and progress in 2021 include:

Our Guests

- On track to achieve BREEAM, one of the world's leading sustainable building standards for our new projects in London and Istanbul
- Continue to implement alternative packaging such as recycled aluminium and petroleum plastic-free materials for our new guest room amenities
- Explored several sustainable alternatives for food safety and hygiene items
- Commenced energy saving and efficiency projects with a projected return of investment within one year

- Ensured that majority of paper products, cleaning products, tea and coffee are sourced sustainably or responsibly
- Conducted baseline assessments and identified an implementation roadmap on sourcing cage-free eggs across our group
- Piloted projects to recover wastes such as upcycling retired pillow and repurposing oyster shells

Our People

- Developed a comprehensive approach on diversity and inclusion
- Launched the new global wellness approach focusing on mental wellbeing
- On-going gap analysis to improve our safety and security approach

Our Communities

- Continued to support our local communities focusing on areas of youth development, elderly care and uplifting marginalised communities, especially those most impacted by the global pandemic with a total of HK\$4.5 million contribution and more than 6,000 volunteering hours
- Strengthened the group's approach on modern slavery, including the prevention of child labour, and human trafficking across our supply chain, particularly among high-risk suppliers such as those supplying seafood and cotton products, as well as engaging with employment agents in Hong Kong on the hiring of casual labour
- Secured our first sustainability-linked loan totalling HK\$1.25 billion which is directly linked to our sustainability targets




We are grateful to see progress on these initiatives which are supported by our colleagues around the world even during such challenging times. We remain committed to implementing our *Vision 2030* objectives in as practicable a manner as possible. We look forward to creating more impactful programmes that would in turn drive more progress next year.

AUDIT COMMITTEE REPORT



“Robust risk management, internal control systems, financial reporting and audit processes are fundamental cornerstones of the group’s governance. The Audit Committee provides independent and impartial oversight in relation to the group’s overall approach to risk.”

Patrick Paul
Chairman of the Audit Committee
16 March 2022

 Composition	Chairman Mr Patrick Paul, INED Members Ms Ada Tse, INED Mr Andrew Brandler, NED
 Meeting Frequency	<ul style="list-style-type: none"> At least four times every year with senior management, the external auditor and Group General Manager, Audit & Risk Management in attendance by invitation Four meetings in 2021
 Responsibilities	<ul style="list-style-type: none"> To assist the Board in carrying out its responsibility of overseeing financial reporting, external audit, internal audit, risk management and internal controls

COVID-19

The COVID-19 pandemic continues to present significant risks to the current operating environment, in light of new variants and unpredictable government imposed restrictions. The Audit Committee continues to review and monitor the risks and mitigation actions associated with the pandemic.

Development Projects

During the year, the Audit Committee reviewed the progress on The Peninsula London, The Peninsula Istanbul and the Peak Tram projects. The Committee also reviewed the management’s impairment assessment in respect of the group’s non-investment properties and projects under development, due to the continued uncertainty and the challenging outlook. As a result, in March 2022, the Committee endorsed the impairment provision for The Peninsula Yangon.

Other Key Work in 2021

Annual/Interim Report and Financial Information

- Reviewed and endorsed the 2020 Annual Report, Corporate Responsibility and Sustainability Report, and the annual results announcement, as well as the 2021 Interim Report and the interim results announcement

Internal and external audits

- Approved the proposed 3-year internal audit plan commencing in 2022 and assessed the proposed audit methodology
- Reviewed the 2021 internal audit plan progress and the audit areas of focus. The Audit Plan for 2021 was amended due to travel restrictions, prioritising those audits that could be performed remotely through desktop reviews

- Reviewed the key internal audit findings and initiatives recommended to the relevant operations and Head Office departments
- Reviewed the consulting projects undertaken by Audit & Risk Management, including the new global finance system, risks and controls
- Reviewed the IT Audit findings on the new global financial system before implementation, focusing on data integrity, access control and system interface
- Endorsed KPMG's audit report on the financial statements for the 2020 Annual Report and discussed the key observations identified by KPMG during the course of their audit and the related recommendations
- Reviewed 2021 audit plans and reports from the external auditor on its audit scope, approach and areas of focus, and the financial statements including accounting policies and areas of judgement and its comments on control matters
- Noted the external auditor's assurance of continuing connected transaction and Corporate Responsibility and Sustainability Report

Financial reporting system, risk management and internal control systems

- Reviewed the new global finance system project roadmap, project governance structure, key risks and mitigation measures Programme to improve operational efficiency and business support effectiveness
- In-depth review of the business of the Peninsula Clubs & Consultancy Services
- Discussed the valuation process and the methodology of revaluing the properties
- Reviewed and approved the structure, adequacy of resources, staff qualifications and experience, training programmes of the group's accounting, internal audit and financial reporting functions and CRS

- Reviewed and endorsed semi-annually the Group Risk Management Report detailing the COVID-19 risk, new perceived risk in terms of labour shortages, and other principal risks facing the group, mitigation controls and the adequacy and effectiveness of risk management and internal control systems.
- Considered summaries of the internal representation letters from business operations which in turn formed the basis by which management confirmed the effectiveness of the group's risk management and internal control systems; and approved the representation letters to the external auditor before issuance of the 2020 Annual Report and Corporate Responsibility and Sustainability Report and 2021 Interim Report

Governance

- Reviewed all connected transactions and related party transactions, including endorsing the continuing connected transaction of tenancy agreement for the head office for Board approval
- Reviewed the group's tax position and the impacts arising from the changes in the tax laws and regulations and the relevant actions being taken
- Discussed and reviewed reported speak up cases and investigations undertaken²⁷

As the Chairman of the Audit Committee, I have met separately with the Group General Manager, ARM and the Audit Committee has met the external auditor without management being present during the year.

Based on the reports from Group General Manager, ARM, summaries of internal representation letters and reports of the external auditor, the Audit Committee considers the overall financial and operating controls, risk management and internal control systems for the group during 2021 to be effective and adequate. Issues raised by the internal and external auditors during 2021 have been, or are being addressed by management, and the Audit Committee advised the Board that there are no issues required to be raised to shareholders.

²⁷ Details can be found on reporting channels on pages 121 and 122

AUDIT COMMITTEE REPORT

In March 2022, the Audit Committee reviewed and endorsed this annual report, the Corporate Responsibility and Sustainability Report, which is posted on the website²⁸ and the annual results announcement, and recommended the same to the Board for approval.

Ensuring the Independence of our External Auditor

The group's external auditor is KPMG. We believe the independence of our external auditor is crucial to the effectiveness of our corporate governance and should not be compromised. The issue of auditor independence is reviewed annually. In engaging the external auditor for non-audit work, we take into account the internal guideline adopted to monitor the amount of non-audit work given to the external auditor to ensure the provision of such services do not impair KPMG's independence or objectivity. In 2021, apart from audit work, the company also awarded non-audit work to KPMG including taxation and other services. In our first meeting in 2022, the Audit Committee reviewed the nature of non-audit work performed by KPMG and confirmed that it gave rise to no impairment of actual or perceived independence or objectivity of the audit work itself. The Committee has recommended to the Board the re-appointment of KPMG as independent auditor for Shareholders' approval at the 2022 Annual General Meeting.

A summary of fees for audit and non-audit services to KPMG for the financial years ended 31 December 2021 and 2020 is as follows:

Nature of Services	2021 HK\$m	2020 HK\$m
Audit Services	10	9
Non-audit Services		
Taxation and other services	3	2

Looking Forward

The past 12 months have continued to present heightened levels of business risk at all levels. The role of the Audit Committee and the function of the internal and external audit teams remains vital to ensuring that strong governance and appropriate risk mitigation measures are implemented and rigidly enforced in order to maintain sensible levels of risk to the business. We expect the Committee to continue to play an instrumental role as we navigate through these challenging times.




28 www.hshgroup.com/en/sustainable-luxury/sustainability-reports

NOMINATION COMMITTEE REPORT



“We operate a global business with a diverse workforce and I believe we have a diverse Board with a truly global experience, mindset and knowledge to guide the company on its growth.”

The Hon. Sir Michael Kadoorie
Chairman of the Nomination Committee
16 March 2022

 Composition	<p>Chairman The Hon. Sir Michael Kadoorie, Non-Executive Chairman</p> <p>Members Dr the Hon. Sir David Li, INED Dr William Fung, INED</p>
 Meeting frequency	<ul style="list-style-type: none"> • At least two meetings every year • Two meetings in 2021
 Responsibilities	<ul style="list-style-type: none"> • To evaluate the structure, size and composition of the Board. This includes selecting new Directors and/or maintaining an appropriate, adequate and balanced make-up of an effective Board and reviewing of independence of INEDs

Board Composition and Diversity

A diverse Board brings constructive challenge and fresh perspectives to Board discussion. The company approaches diversity in the broadest sense, recognising the benefits of a diverse mix of skills, knowledge, age, race, gender and experience on its Board. Our Diversity Policy adopted since 2013 can be found on the company's website²⁹. The Nomination Committee, when considering Board composition and in its process of recommending Board appointments, is guided by the principles of the company's policy on diversity which goes beyond gender. While we recognise that gender diversity at Board level can be improved and this is taken into consideration, we continue to apply the principle of appointments based on merit.

The Nomination Committee regularly reviews the composition, balance, skills and experience of the Board. It has confirmed that the Board has continued to contribute positively, with diverse views from each Director based on the wide mix of skills, knowledge, and experience.

In addition, the Committee also reviewed the appropriateness of an express diversity quota or measurable objective. On the basis that the company already has a large Board which contribute positively with diverse views to the Board's discussions and decisions, the Committee decided not to set any specific gender targets during 2021, with selection continuing to be based on merit, with reference to our diversity policy. Our policy takes into account skill set, experience, knowledge, expertise, culture, level of independence from the company, age, race, gender and others. This approach has been endorsed by the Board. However, the Committee has noted the provisions of the new Corporate Governance Code in respect of gender diversity and will be reviewing its diversity policy against it during 2022.

Nomination Committee Report

Nomination Policy

In 2020, when selecting our new Chief Financial Officer, whilst recognising the benefits of gender diversity, we also followed the selection criteria and nomination process and procedures set out in our Nomination Policy³⁰. The Nomination Committee reviewed the selection and assessment approach and endorsed the appointment of Mr Christopher Ip who joined the Board on 18 January 2021 as Chief Financial Officer.

Other Key Work in 2021

The Nomination Committee assessed and reviewed all INEDs' confirmations of independence and the cross-directorships of Dr Rosanna Wong³¹ and The Hon. Sir Michael Kadoorie, who served on boards of the company and CK Hutchison Holdings Limited, and affirmed the Committee's view of their independence.

The Committee also evaluated the contribution and time commitment of Directors (including INEDs) put forward for re-election as well as their respective skills and experience and recommended them for re-election.

In addition, the Committee discussed the proposed changes to the Listing Rules which will have an impact on the Board composition.

In March 2022, the Committee approved this report for inclusion into the company's 2021 Annual Report.

Looking Forward

Diversity is a key aspect of a rich and varied approach to governance, and the Nomination Committee is proud of the range and breadth of experience the Board can offer, without yet having implemented quotas. The Nomination Committee will continue to monitor and make appropriate adjustments to the diversity of the Board to ensure its effectiveness.

³⁰ Please also refer to page 126 on Nomination Policy




³¹ Dr Rosanna Wong serves as an INED and does not hold any shares in CK Hutchison Holdings Limited

REMUNERATION COMMITTEE REPORT



“The Remuneration Committee strives to strike the right balance between attracting, retaining and motivating high performing senior executive talent, and exercising financial prudence consistent with the environment in which we operate.”

Patrick Paul
Chairman of the Remuneration Committee
16 March 2022

 Composition	Chairman Mr Patrick Paul, INED Members Dr Rosanna Wong, INED Mr Andrew Brandler, NED
 Meeting Frequency	<ul style="list-style-type: none"> At least two meetings every year with the Chief Executive Officer and Group Director, Human Resources in attendance Four meetings in 2021
 Responsibilities	<ul style="list-style-type: none"> To review and approve remuneration packages for Executive Directors and senior management To review and recommend proposals for Non-Executive Directors' fees and Board Committee Chairmen and members' fees for approval by shareholders and the Board respectively

HSH Rewards Philosophy

In 2021, we carried out a review and simplified the philosophy with more focus on benefits and other career planning programmes considering the unprecedented and challenging labour market in the hospitality industry. We continue to ensure that compensation and benefits designed for the group and its executives accord with an overall framework of guiding principles. We work within this framework to adjust compensation and benefits as appropriate in light of changing financial and market conditions. Our objective remains to attract and retain high performing talent by offering a mix of financial and non-financial rewards to stay competitive and meet our employees' expectations.

Key guiding principles

- Aim to pay a total remuneration package that is competitive with the relevant external market and achieves consistency and fairness with existing employees
- Design an appropriate mix of fixed and variable pay, taking into account the group's pay policy and market practice to incentivise management and individual performance

- Provide meaningful and competitive benefits that resonate with our corporate values on employee care and inclusion, encourage long-term careers, and brand HSH as an employer of choice

Remuneration for Executive Directors and Senior Management

The Committee recognises that there is a competitive market for successful executive talent and believes that remuneration packages being offered must be set competitively with the market in order to attract, retain and motivate the group's key executives.

As part of its scope of responsibility, this Committee is involved in reviewing and approving the terms of service of all Executive Directors and senior management, including remuneration and duration of the service contracts. No individual is involved in determining his or her own remuneration.

There are four components of remuneration paid to Executive Directors and senior management:

Remuneration Committee Report

Basic compensation

Basic compensation includes salary and other allowances and the general policy is to set them at the level required to retain and motivate, taking into account the scope and complexity of responsibilities, market pay levels in the defined markets, as well as individual performance.

Bonuses and incentives

The provision of appropriate bonus and incentive awards for performance is vital to the continued growth to the business. Executive Directors' bonuses consist of contractual and discretionary components while the two Group Executives are under a discretionary bonus plan to align with market practice. Other senior management participates in the HSH Management Bonus Plan³² which is a short-term incentive scheme calculated by reference to financial and non-financial considerations as follows:

- The group's financial performance
- The Business Units' quality measurement³³
- Individual performance
- Share price

In 2020 the Committee approved the suspension of quality measurements in the light of the severe covid disruptions. It approved the proposal to develop an updated set of Peninsula Service Principles for the hotels. This methodology will be used to establish a revised set of quality measurements for the application of the Management Bonus plan to hotels operations. In light of the continuing pandemic, the Committee agreed that the roll out of this methodology be deferred until 2022.

Retirement benefits

The Executive Directors and most of the senior management participate in the company's retirement plan which is a scheme set up under the Occupational Retirement Scheme Ordinance of Hong Kong – The Hongkong and Shanghai Hotels, Limited 1994 Retirement Plan or a local plan. The employer contributions to the company's plan for the Executive Directors, senior management and all other Hong Kong employees are made according to the plan's defined contribution level and vesting conditions. Employees can opt to pay contributions.

Other benefits

The benefits available to Executive Directors and senior management include, but are not limited to, health, life, disability and accidental insurance.

Remuneration for Non-Executive Directors

Fees for Non-Executive Directors (NEDs) are fixed at shareholders general meetings, while any additional fees of NEDs for serving on Board Committees are fixed by the Board. The Committee has the responsibility for reviewing management's annual recommendations for these fees. Factors taken into account in this process include estimated time spent in the discharge of these duties and benchmarking against other Hong Kong listed companies of similar size and activities as well as other international companies. After review, the Committee makes recommendations to the Board. No director approves his or her own remuneration.

In light of the group's financial situation in 2021 caused by COVID-19, the Committee endorsed management's cost saving proposal to continue for 2021 the waiver of fees for NEDs and the reduction of 20% of fees for INEDs and Governance Board Committees. This was accepted by all the NEDs and INEDs. In November 2021, the Committee endorsed management's proposal for the fees payable to NEDs and INEDs to revert to pre-pandemic levels from 1 January 2022.

Other Key Work in 2021

2022 salary and 2021 bonus

In 2021, the Committee noted management's recommendation on a group-wide 2022 general salary increase and a 2021 discretionary bonus proposal for a certain operations considering the financial performance of the group, the COVID-19 environment, and other various factors including retention challenges, market pay trends and inflationary forecasts. Similar percentage salary and bonus awards to Executive Directors and senior management were approved by the Committee.

Remuneration of Group Director, Properties

The Committee reviewed and endorsed the remuneration package of the new Group Director, Properties, Shirley Lam, and gave careful consideration to the proposed remuneration in the context of her experience as well as market competitiveness.

Others

The Committee discussed its responsibilities and approved a change to its terms of reference to focus more on directors' and senior management's remuneration. It also approved the terms of the letters of appointment of two INEDs.

In March 2022, the Committee approved this report for inclusion into the company's 2021 Annual Report.

³² Senior staff also participates in the HSH Management Bonus Plan

³³ A quality score measuring user experience and/or operational excellence against a set of standards

2021 Remuneration of Directors and Senior Management

The following information is an integral part of the audited financial statements for the year ended 31 December 2021.

Non-Executive Directors – remuneration

Executive Directors serving on the Board and Board Committees are not entitled to any Directors' fees.

(HK\$'000)	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Total ⁽¹⁾ 2021	Total ⁽¹⁾ 2020
Non-Executive Directors							
The Hon. Sir Michael Kadoorie	0	0	–	–	0	0	0
Mr Andrew C.W. Brandler	0	0	0	0	–	0	0
Mr William E. Mocatta	0	–	–	–	–	0	0
Mr John A.H. Leigh	0	0	–	–	–	0	0
Mr Nicholas T.J. Colfer	0	–	–	–	–	0	0
Mr James L. Lewis	0	–	–	–	–	0	0
Mr Philip L. Kadoorie	0	–	–	–	–	0	0
Independent Non-Executive Directors							
Dr the Hon. Sir David K.P. Li	300	–	–	–	32	332	332
Mr Patrick B. Paul	300	–	148	80	–	528	528
Mr Pierre R. Boppe	300	–	–	–	–	300	300
Dr William K.L. Fung	300	–	–	–	32	332	332
Dr Rosanna Y.M. Wong	300	–	–	48	–	348	348
Dr Kim L. Winser	300	–	–	–	–	300	300
Ms Ada K.H. Tse	300	–	120	–	–	420	420
	2,100	0	268	128	64	2,560	2,560

Executive Directors – remuneration

The remuneration paid to Executive Directors of the company in 2021 was as follows:

(HK\$'000)	Basic compensation	Bonus	Contractual Share-based Payment	Deferred Share-based payment	Retirement benefits	Other benefits	Total ⁽¹⁾ 2021	Total ⁽¹⁾ 2020
Executive Directors								
Mr Clement K.M. Kwok	7,260	5,200	1,477	0	1,194	181	15,312	12,699
Mr Peter C. Borer	5,211	2,155	886	0	844	133	9,229	7,734
Mr Matthew J. Lawson ⁽²⁾	0	0	0	0	0	0	0	5,003
Mr Christopher S.M. Ip ⁽³⁾	4,924	840	1,221	0	802	203	7,990	–
	17,395	8,195	3,584	0	2,840	517	32,531	25,436

Notes:

- (1) In line with industry practice, the group operates a scheme which encourages Directors and senior management to use the facilities of the group to promote its business. For this purpose, discount cards are issued to the Directors. The remuneration disclosed does not include the amount of discounts offered to the Directors and senior management
- (2) Mr Matthew J. Lawson resigned as a Director of the company with effect from 1 October 2020
- (3) Mr Christopher S.M. Ip was appointed as a Director of the company with effect from 18 January 2021

Remuneration Committee Report

Senior Management – remuneration

Remuneration for senior management (GMB members other than Executive Directors*) disclosed pursuant to the Listing Rules falls within the following bands:

	2021 Number	2020 Number
HK\$2,500,001 – HK\$5,000,000	3	4
HK\$5,000,001 – HK\$7,000,000	3	3
HK\$7,000,001 – HK\$9,000,000	1	0

* GMB, the company's management and operations' decision-making authority, comprises the three Executive Directors and seven (2020: seven) senior management who represent the various key functions and operations of the company

Individuals with highest remuneration

The five highest paid individuals of the group included three (2020: two) Executive Directors and two (2020: three) members of senior management. The remuneration of the three (2020: two) Executive Directors are set out above. The remuneration of the two (2020: three) individuals with highest remuneration are within the following bands:

	2021 Number	2020 Number
HK\$5,000,001 – HK\$5,500,000	0	1
HK\$5,500,001 – HK\$6,000,000	0	2
HK\$6,000,001 – HK\$6,500,000	0	0
HK\$6,500,001 – HK\$7,000,000	1	0
HK\$7,000,001 – HK\$7,500,000	1	0

The aggregate of the remuneration in respect of these two (2020: three) individuals is as follows:

(HK\$'000)	2021	2020
Basic compensation	10,816	13,245
Bonus	1,830	0
Contractual Share-Based Payment	0	0
Deferred Share-Based Payment	0	1,808
Retirement benefits	474	1,042
Other benefits	1,004	911
	14,124	17,006
Number of Individuals	2	3

The Committee has reviewed the methodology and benchmarking of the remuneration disclosed above and has endorsed and approved the same.

2022 and beyond

The Committee endeavours to strike the right balance between the need for financial prudence in challenging times, and the need to attract and retain high-performing talent in an increasingly competitive market. The Committee's decisions in 2021 were made with this balance in mind, as we were expecting the worst effects of the pandemic to start receding as we move into 2022.

DIRECTORS' REPORT

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 the principal activities of its subsidiaries, joint ventures and associates are the ownership, development and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services.

Particulars of the principal subsidiaries of the company are set out in note 33 to the financial statements.

Business Review and Performance

A review of the business of the company 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, are provided in the Operational Review on pages 35 to 64 and Financial Review on pages 66 to 82. Description of the principal risks and uncertainties facing the group can be found throughout this annual report, particularly in Group Risk Committee Report on pages 129 to 133. The future development of the group's business is discussed throughout this annual report including in the CEO Statement and Strategic Review on pages 32 and 33.

Details regarding compliance with relevant laws and regulations which have a significant impact on the group can be found throughout this annual report and the Corporate Responsibility and Sustainability Report (CRS Report). Further details regarding the environment and social related policies and performance are provided in the CRS Report and an account of the group's relationships with its key stakeholders in Creating Stakeholder Value on pages 86 to 89.

The discussions with respect to the above topics in the annual report and CRS Report which is available online³⁴ form part of this Directors' Report.

Ten Year Operating Statistics and Financial Summary

The group's key operating statistics and financial data for the last ten years are set out on pages 14 and 15.

Share Capital

Movements in the share capital of the company during the year are set out in note 25 to the financial statements.

Equity-linked Agreements

No equity-linked agreement was entered into by the company during the year or subsisted at the end of the year.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the company's listed securities by the company or any of its subsidiaries during the year.

Dividends

During 2021, given the underlying loss of the company, the Board of Directors has resolved not to declare an interim dividend (2020: nil) or a final dividend (2020: nil) and this is in line with our dividend policy which is linked to the cash flows from operating activities and underlying earnings.

Borrowings

Particulars of all borrowings are set out in note 23 to the financial statements.

Charitable Donations

Cash donations made by the group for charitable purposes during the year amounted to HK\$1.43 million (2020: HK\$3 million)³⁵.

Major Customers and Suppliers

The diversity and nature of the group's activities are such that the percentage of sales or purchases attributable to the group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the group during the year.

³⁴ www.hshgroup.com/en/sustainable-luxury/sustainability-reports

³⁵ The donations amount of HK\$1.55 million (2020: HK\$3.2 million) referred to in the Sustainability Data Statements on page 226 include donations by managed properties owned by a joint venture and associates and employees

Directors' Report

Connected Transactions

Audit & Risk Management Department has reviewed and confirmed that (i) the internal control procedures of connected transactions are adequate and effective; and (ii) the continuing connected transaction of the company set out below was undertaken in the ordinary and usual course of business and it is fair and reasonable and entered into on normal commercial terms. Their findings are submitted to Audit Committee. The Audit Committee and the Board have also reviewed the continuing connected transaction below.

On 27 March 2019, HSH Management Services Limited (HMS), an indirect wholly-owned subsidiary of the company, entered into a tenancy agreement with Kadoorie Estates Limited (KEL) to renew the office lease of 7th and 8th Floors of St. George's Building, 2 Ice House Street, Central, Hong Kong (Office Premises) for three years commencing on 1 April 2019 at a market rent of HK\$2,385,830 per month plus a monthly service charge of HK\$259,246.8. The rent and service charge incurred in 2021 amounted to HK\$32 million (2020: HK\$34 million).

KEL is the agent of the registered owner of the Office Premises. The registered owner is controlled by one of the substantial shareholders of the company. The lease constituted continuing connected transaction of the company and subject to the disclosure requirements under the Listing Rules. Details of the transaction were disclosed in the announcement dated 27 March 2019.

All the Independent Non-Executive Directors, who were not interested in the above continuing connected transaction, have reviewed the transaction and confirmed that the transaction has been entered into:

- (i) in the ordinary and usual course of business of the group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing the transaction on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

The company's auditor was engaged to report on the above continuing connected transaction 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. The company's auditor has issued an unqualified letter containing its findings and conclusions in respect of the above continuing connected transaction in accordance with rule 14A.56 of the Listing Rules. The company provided a copy of the said letter to the Stock Exchange.

Material Related Party Transactions

Details of material related party transactions which were undertaken in the ordinary and usual course of business are set out in note 31 to the financial statements.

Directors

Biographical details of the Directors in office at the date of this report are shown on pages 98 to 105. All these Directors held office throughout 2021 with the exception of Mr Christopher Ip who was appointed as an Executive Director and Chief Financial Officer with effect from 18 January 2021.

In accordance with the Articles of Association of the company, all the Directors who will retire at the 2022 Annual General Meeting³⁶ and, being eligible, have agreed to offer themselves for re-election are The Hon. Sir Michael Kadoorie, Mr Peter Borer, Mr Patrick Paul, Dr Rosanna Wong and Dr Kim Winsor.

None of the Directors proposed for re-election at the 2022 Annual General Meeting has a service contract with the company which is not determinable by the company within one year without payment of compensation, other than statutory compensation.

³⁶ Annual General Meeting will be held on 11 May 2022

Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the company during the year and up to the date of this report is shown on the company's website³⁷.

Senior Management

Biographical details of senior management are shown on pages 106 to 108. All members of senior management held office throughout the year except Ms Shirley Lam who was appointed as a member of the Group Management Board with effect from 1 March 2022 replacing Mr Martyn Sawyer who will retire in summer 2022.

Interests of Directors

As at 31 December 2021, the interests or short positions of the Directors of the company in the shares, underlying shares and debentures of the company or any associated corporation, within the meaning of Part XV of the Securities and Futures Ordinance (SFO), as recorded in the register required to be kept under section 352 of the SFO, are as follows:

Long position in shares of the company

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
The Hon. Sir Michael Kadoorie	Note (a)	702,931,684	42.617
Mr Clement K.M. Kwok	Beneficial Owner	760,122	0.046
Mr Peter C. Borer	Beneficial Owner	378,936	0.023
Mr William E. Mocatta	Beneficial Owner	17,000	0.001
Mr John A.H. Leigh	Note (b)	85,220,232	5.167
Mr Philip L. Kadoorie	Note (c)	702,931,684	42.617
Dr the Hon. Sir David K.P. Li	Beneficial Owner	1,137,146	0.069
Mr Pierre R. Boppe	Beneficial Owner	30,000	0.002

Notes:

- (a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the SFO) to be interested in 702,931,684 shares in the company. These shares were held in the following capacity:
- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder; and
 - (ii) 346,264,853 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder.

After the year end, the deemed interests of The Hon. Sir Michael Kadoorie in the shares of the company were increased, please refer to Note (vi) in the "Interests of Substantial Shareholders".

- (b) Mr John A.H. Leigh was deemed (by virtue of the SFO) to be interested in 85,220,232 shares in the company. These shares were ultimately held by a discretionary trust. Mr John A.H. Leigh was deemed to be interested in such 85,220,232 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 85,220,232 shares.

- (c) Mr Philip L. Kadoorie was deemed (by virtue of the SFO) to be interested in 702,931,684 shares in the company. These shares were held in the following capacity:

- (i) 356,666,831 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries; and
- (ii) 346,264,853 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries.

After the year end, the deemed interests of Mr Philip L. Kadoorie in the shares of the company were increased, please refer to Note (vi) in the "Interests of Substantial Shareholders".

Messrs Andrew Brandler, Christopher Ip, Nicholas Colfer, James Lewis, Patrick Paul; Dr William Fung, Dr Rosanna Wong, Dr Kim Winsor and Ms Ada Tse who are Directors of the company have each confirmed that they had no interests in the shares of the company or any of its associated corporations as at 31 December 2021.

37 www.hshgroup.com/en/corporate-governance/directors-of-subsidiaries

Directors' Report

Certain Directors held qualifying shares in two subsidiaries of the company, on trust for the parent company of that subsidiaries.

Except as set out above, as at 31 December 2021, none of the Directors of the company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the company or its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO.

At no time during the year was the company, or its subsidiaries, or its associated companies, a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the company or of any other body corporate.

Interests of Senior Management

As at 31 December 2021, none of the senior management (other than Directors) had any interests in the shares and underlying shares of the company.

Interests of Substantial Shareholders

So far as is known to any Director of the company, as at 31 December 2021, shareholders (other than Directors of the company) who had interests or short positions in the shares and underlying shares of the company as recorded in the register required to be kept under section 336 of the SFO, are as follows:

Long position in shares of the company

(a) Substantial shareholders

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
Acorn Holdings Corporation	Beneficiary	201,195,388	12.20 ⁽ⁱ⁾ and (vi)
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	286,415,620	17.36 ⁽ⁱ⁾ and (vi)
Guardian Limited	Beneficiary/Interest of controlled corporation	85,220,232	5.17 ^(v)
Harneys Trustees Limited	Interests of controlled corporations	702,931,684	42.62 ⁽ⁱⁱⁱ⁾ and (vi)
Lawrencium Holdings Limited	Beneficiary	346,264,853	20.99 ⁽ⁱⁱ⁾ and (vi)
Lawrencium Mikado Holdings Limited	Beneficiary	356,666,831	21.62 ⁽ⁱⁱ⁾
The Magna Foundation	Beneficiary	356,666,831	21.62 ⁽ⁱⁱ⁾
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	702,931,684	42.62 ⁽ⁱⁱⁱ⁾ and (vi)
The Oak Private Trust Company Limited	Trustee/Interests of controlled corporations	85,220,232	5.17 ^(v)
Oak (Unit Trust) Holdings Limited	Trustee	85,220,232	5.17 ⁽ⁱ⁾
Oak HSH Limited	Beneficiary	85,220,232	5.17 ^(v)
Mr Richard Parsons	Trustee	85,220,232	5.17 ^(v)

Notes:

- (i) Bermuda Trust Company Limited was deemed to be interested in the shares in which Acorn Holdings Corporation, Oak (Unit Trust) Holdings Limited and The Oak Private Trust Company Limited 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.
- (ii) The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited and Lawrencium Mikado Holdings Limited were 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 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 a discretionary trust of which The Hon. Sir Michael Kadoorie and/or Mr Philip L. Kadoorie are among the discretionary beneficiaries and/or a founder as disclosed in "Interests of Directors".
- (iii) 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.
- (iv) The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak HSH 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.
- (v) Mr Richard Parsons, in his capacity as one of the trustees of a trust, controlled Guardian Limited and therefore was deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 85,220,232 shares in which Guardian Limited was interested was duplicated within the interests attributed to Mr Richard Parsons and was also duplicated within the interests attributed to Mr John A.H. Leigh as disclosed in "Interests of Directors".

(b) Other substantial shareholders

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
Seekers Partners Limited	Interest of controlled corporation	185,179,077	11.23 ^(vi)
Mr Ng Chee Siong	Trustee	84,828,218	5.14 ^(vii)
Mr Philip Ng Chee Tat	Trustee	84,828,218	5.14 ^(vii)
Sino Hotels (Holdings) Limited	Interests of controlled corporations	84,828,218	5.14 ^(vii)

Notes:

- (vi) On 13 January 2022, Seekers Partners Limited, together with its subsidiary, Solis Capital Limited, entered into a conditional share sale and purchase agreement (Conditional SPA) with Acorn Holdings Corporation and Lawrencium Holdings Limited (which are trust structures/entities established for the benefit of the members of the Kadoorie family) selling 185,179,077 shares of the company. The Conditional SPA also included an additional 20,132,108 shares of the company held by undisclosed persons. Completion of the Conditional SPA took place on 11 February 2022. Details of the Conditional SPA and its completion were disclosed in the announcements dated 14 January and 11 February 2022³⁸.
- (vii) Mr Ng Chee Siong and Mr Philip Ng Chee Tat, had trustee interest in their capacity as the co-executors of the estate of Mr Ng Teng Fong, who controlled Sino Hotels (Holdings) Limited and therefore they were both deemed to be interested in the 84,828,218 shares in which Sino Hotels (Holdings) Limited was deemed to be interested. Hence, the share interests of Mr Ng Chee Siong, Mr Philip Ng Chee Tat and Sino Hotels (Holdings) Limited as disclosed were duplicated.

Except as set out above, as at 31 December 2021, the company had not been notified of any substantial shareholder (other than Directors of the company) who had interests or short positions in the shares or underlying shares of the company that were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

Interests of Any Other Person

As at 31 December 2021, the company had not been notified of any person 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 the SFO.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the company or its subsidiaries was a party and in which a Director of the company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2021 or at any time during the year.

Directors' Indemnities

The company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal action brought against its Directors. The level of the coverage is reviewed annually by Finance Committee. The company has also granted indemnities to each Director of the company and some of the Directors of its associated companies to the extent permitted by law. The indemnity was in force throughout the financial year and is currently in force.

Employee Retirement Benefits

Details of the group's employee retirement benefits are shown in note 27 to the financial statements.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the company was entered into or existed during the year.

Corporate Governance Report

The Corporate Governance Report outlines the company's approach to governance is set out on pages 111 to 128.

Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholder

The company has not entered into any new loan agreements containing any covenant relating to specific performance of the controlling shareholder, which is required to be disclosed in accordance with rule 13.18 of the Listing Rules.

Directors' Responsibilities for the Financial Statements

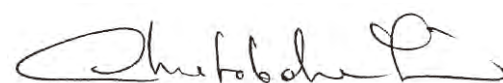
The Directors are responsible for preparing the financial statements for each financial period. These financial statements must present a true and fair view of the state of affairs of the group and of the results and cash flows of the relevant period. The Directors are also responsible for ensuring that the group operates an efficient financial reporting system and keeps proper accounting records which disclose at any time and with reasonable accuracy the financial position of the group.

In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

Auditor

The financial statements for the year ended 31 December 2021 have been audited by KPMG who will retire at the 2022 Annual General Meeting and, being eligible, offer themselves for re-appointment. A resolution to re-appoint KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance) as auditor and authorise the Directors to fix their remuneration will be proposed at the 2022 Annual General Meeting.

By Order of the Board



Christobelle Liao
Company Secretary
16 March 2022