

CHAIRMAN'S GOVERNANCE OVERVIEW



Our key philosophy of acting with integrity is reflected in our brand and reputation. It is also 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”.

Dear Shareholders,

As the world emerges from the effects of the global pandemic, and we slowly return to “business as usual”, we have been reminded of the importance of corporate governance as the cornerstone of stability that holds a company in good stead to withstand the most challenging downturns, deliver our strategies and live up to our brand proposition in the face of adversity.

A governance framework at the heart of our culture

As Chairman of the Board, I am committed to ensuring that HSH operates to the highest standards of corporate governance. 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 and sustainability 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 is reflected in our brand and reputation. It is also 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 manage risks

We regularly review and seek improvements to our governance processes, policies and procedures to ensure that they are in line with global regulatory requirements and best practice. In 2022, using this sound governance framework, the focus continued to be on efforts to rebuild our business as we recover from the COVID-19 pandemic, and mitigate the impact in those markets where the effects were still significant, including Hong Kong and the Chinese mainland. The Board closely monitored the company's business recovery plan formulated by management, as well as our strategy to stay connected to guests, employees and shareholders.

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 three years. During the long road to recovery from pandemic we have become increasingly sensitive to new risks and have elevated existing ones. Our Group Risk Committee concentrated on enhancement of internal controls to manage our business as we emerge from the pandemic and other strategic risks of the group, with particular focus on recovery measures, the delivery of our new hotel projects and increasing climate change risks. Rising sea levels and coastal flood risks continue to be a concern for the Board. More details can be read in the Group Risk Committee Report on pages 164 to 167 of this report.

Board Effectiveness

We also took the opportunity to evaluate and measure the effectiveness of our Board during 2022 with an external facilitated evaluation, and to explore ways to enhance and improve our governance processes. The overall conclusion of the evaluation by the external facilitator was the Board is operating well with a healthy balance of discussion, debate and expertise. The evaluation noted that the Board is strong enough to enable the company to tackle and overcome the challenges that have arisen over the last few years.

I am pleased to welcome a new Non-Executive Director, Mr Diego González Morales, who has been appointed to the Board with effect from 31 March 2023. Mr William Mocatta will retire with effect from 31 March 2023 after 37 years with the group. On behalf of the Board I would like to record my sincere gratitude for his dedication and commitment to our company. At the same time we look forward to welcoming Diego to the Board.

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. We have adopted our new Corporate Responsibility and Sustainability (CRS) strategy, called *Sustainable Luxury Vision 2030* which was launched in 2021. We have seen rapid changes in our climate and corresponding severe weather events in many of the markets in which we operate. We are also concerned about increasing inequality and division in societies. As responsible corporate citizens and leaders in our local 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 168 to 171 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 in Appendix 14 of the Listing Rules that was in force during the financial year end 2022. 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 sustainability

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 and sustainability of the company.

The Hon. Sir Michael Kadoorie
15 March 2023

OUR LEADERSHIP - BOARD MEMBERS

Board Members



Non-Executive Chairman



The Hon. Sir Michael Kadoorie N E

Age: 81

Appointed: November 1964

Key strengths and experience

Sir Michael was appointed as Chairman in 1985. He holds board-level positions in one other listed company 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[#] (Non-Executive Chairman and Member of Nomination Committee)
CK Hutchison Holdings Limited[#] (Independent Non-Executive Director) (until December 2022)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Substantial Shareholder of the company
Director of two of the group's entities
Father of Philip Lawrence Kadoorie
Father-in-law of Diego Alejandro González Morales
Brother-in-law of Ronald James McAulay

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

Non-Executive Deputy Chairman



Andrew Clifford Winawer Brandler (A) (R) (E) (F)

Age: 66 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 Vice Chairman, Chairman of Finance & General Committee and Member of Sustainability Committee)
Tai Ping Carpets International Limited[#] (Non-Executive Director)
MTR Corporation[#] (Independent Non-Executive Director, Chairman of Finance & Investment Committee and Member of Audit & Risk Committee)
Sir Elly Kadoorie & Sons Limited* (Chairman)

Other information

Director of several of the group's entities

Executive Directors



Chief Executive Officer

Clement King Man Kwok (E) (F)

Age: 63 Appointed: February 2002

Key strengths and experience

Mr Kwok has over 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 and Chairman of Audit Committee)
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

Our Leadership - Board Members



Chief Operating Officer

Peter Camille Borer

Age: 69

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



Chief Financial Officer

Christopher Shih Ming Ip (F)

Age: 53

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: 70

Appointed: May 1985 (Retired on 31 March 2023)

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 February 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) (until December 2022)
CK Hutchison Holdings Limited# (Alternate Director for The Hon. Sir Michael Kadoorie, Independent Non-Executive Director) (until December 2022)

Other information

Director of several of the group's entities



John Andrew Harry Leigh ^E ^F

Age: 69

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: 63

Appointed: May 2006

Key strengths and experience

Mr Colfer has over 40 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# (Non-Executive Chairman and Chairman of the Executive Committee and Nomination Committee)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Director of one of the group's entities

Our Leadership - Board Members



James Lindsay Lewis

Age: 48

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.

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: 31

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 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

Other major offices

CLP Holdings Limited# (Non-Executive Director and Member of Sustainability Committee)
CK Hutchison Holdings Limited# (Independent Non-Executive Director)
Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Son of The Hon. Sir Michael Kadoorie
Brother-in-law of Diego Alejandro González Morales
Nephew of Ronald James McAulay



Diego Alejandro González Morales

Age: 39

Appointed: 31 March 2023

Key strengths and experience

Mr González Morales has broad, cross-functional corporate expertise spanning the financial services, healthcare, energy, and entertainment industries. He was previously VP, Private Equity at CLSA Capital Partners in Hong Kong. He started his career with General Electric as a graduate of GE's Financial Management Program. He then took on various corporate roles including internal audit and controls, investigations, compliance and M&A across GE's industrial businesses, GE Capital and NBC Universal.

Titles, qualifications and education

Bachelor of Engineering and MSc, EPF Ecole d'ingénieurs, France
Certification of International Business, Universidad Pontificia Comillas de Madrid, Spain
MBA, IESE Business School in Barcelona, Spain

Other major offices

Sir Elly Kadoorie & Sons Limited* (Director)

Other information

Son-in-law of The Hon. Sir Michael Kadoorie
Brother-in-law of Philip Lawrence Kadoorie

Independent Non-Executive Directors



Dr the Hon. Sir David Kwok Po Li N

Age: 84

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 and Member of Nomination Committee)
The Hong Kong and China Gas Company Limited[#] (Independent Non-Executive Director, Chairman of Board Audit and Risk Committee and Remuneration Committee and Member of Nomination Committee)
San Miguel Brewery Hong Kong Limited[#] (Independent Non-Executive Director, Chairman of Audit Committee and Member of Nomination Committee and Remuneration Committee)
Vitasoy International Holdings Limited[#] (Independent Non-Executive Director, Chairman of Remuneration and Nomination Committee and Member of Audit Committee)
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)



Patrick Blackwell Paul, CBE A R

Age: 75

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, Chairman of Audit Committee and Member of Nomination and Corporate Governance Committee)
Pacific Basin Shipping Limited[#] (Independent Non-Executive Director) (until April 2022)

Our Leadership - Board Members



Pierre Roger Boppe

Age: 75

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, qualifications 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 ^(N)

Age: 74

Appointed: January 2011

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 Türkiye, 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, Chairman of Nomination Committee
and Member of Remuneration Committee)
Global Brands Group Holding Limited
(In Liquidation) (Executive Chairman)
(until June 2022)
VTech Holdings Limited[#] (Independent
Non-Executive Director, Chairman of Nomination
Committee and Member of Audit Committee
and Remuneration Committee)
Sun Hung Kai Properties Limited[#] (Independent
Non-Executive Director)



Dr Rosanna Yick Ming Wong, DBE, JP [®]

Age: 70

Appointed: February 2013

Key strengths and experience

Dr Wong provides invaluable and independent advice to the Board, with over 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. Dr Wong was a Member of the National Committee of the Chinese People's Political Consultative Conference from 2003 to 2023.

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

CK Hutchison Holdings Limited[#] (Independent Non-Executive Director, Chairman of Nomination Committee and Remuneration Committee and Member of Sustainability Committee)
 Hutchison Telecommunications Hong Kong Holdings Limited[#] (Independent Non-Executive Director, Chairman of Nomination Committee and Member of Audit Committee and Sustainability Committee)
 The Hong Kong Jockey Club (Honorary 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: 64

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 and youngest commercial divisional board director.

She went on to successfully deliver turnarounds for the iconic British heritage brands Pringle of Scotland and Aquascutum as President and Chief Executive Officer, additionally served as special board advisor to the global digital e-commerce business Net-a-Porter.

Dr Winsor holds an independent advisory role in two global companies, Spora Biotech, a company in Chile developing mushroom mycelium into planet friendly leather, and PTP, an Australian based fitness company.

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

Our Leadership - Board Members



Ada Koon Hang Tse ^(A)

Age: 56

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. She is 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. Ms Tse also worked in investment banking at Morgan Stanley in New York and Hong Kong, and was previously a lawyer at Sullivan and Cromwell in New York. Ms Tse has served as Non-Executive Director on a number of corporate boards across the Asian region, such as President Chain Store Corp. (7-Eleven operator) in Taiwan and Biocon Limited (biopharmaceuticals) in India.

She was previously appointed to various Hong Kong government advisory bodies, including the Securities and Futures Commission Advisory Committee, the Land Planning Appeal Board and the Travel Industry Compensation Fund Management Board. In addition, she is active in non-profit organisations focused on education and the arts.

Titles, qualifications and education

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

Other major offices

Advisory Committee on Arts Development of
HKSAR Government (Member)
Solicitors Disciplinary Tribunal Panel of HKSAR
Government (Member)
Friends of Hong Kong Museum of Art (Chairman of
the Board of Trustees)

Honorary Life President

Ronald James McAulay

Age: 87

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 and an uncle of Mr Philip Lawrence 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 Executive and other members.

Group Executive:



Christobelle Liao

Group Director, Corporate and Legal

Appointed to GMB: 2011

Age: 54

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 and also continues to hold the Company Secretary position.

Other members:



Joseph Chong

**Regional Vice President, Asia, The Peninsula Hotels and
Managing Director, The Peninsula Hong Kong**

Appointed to GMB: 2019

Age: 55

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 as well as the Hong Kong based Tai Pan Laundry. He is a Director of several of the group's entities.

¹ Profiles of Clement Kwok, Peter Borer and Christopher Ip are disclosed on pages 133 and 134

Our Leadership - Senior Management and Key Functions



Shirley Lam

Group Director, Properties

Appointed to GMB: 2022

Age: 42

Main responsibilities held with the group

Ms Lam joined the group in 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 is a Director of a number of the group's entities.



Maria Razumich-Zec

Regional Vice President and Managing Director, The Peninsula Chicago

Appointed to GMB: 2007

Age: 65

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: 41

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. He is a Director of several of the group's entities.



Sindy Tsui

Group Director, People and Culture

Appointed to GMB: 2011

Age: 54

Main responsibilities held with the group

Ms Tsui joined the group as General Manager, Human Resources (retitling to People and Culture) in 2007. She has many years of experience in human resources management in hospitality industry. As the Group Director, People and Culture, she holds overall responsibility for the group's strategy on employees experience 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.

Arnold Angeles, *Director, Research & Technology*

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*

Ming Chen, *General Manager, Group Business Development*

Jisoo Chon, *General Manager, The Peninsula Shanghai*

Mark Choon, *General Manager, The Peninsula Tokyo*

Jonathan Crook, *Managing Director, The Peninsula Istanbul*

Cameron Cundle, *General Manager, The Peninsula Beijing*

Aiden Fung, *General Manager, Corporate Finance and Investor Relations*

Michael Garcia, *Group General Manager, Technology*

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*

John 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*

Charlie Pojanartvichaikul, *General Manager, The Landmark Vietnam*

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*

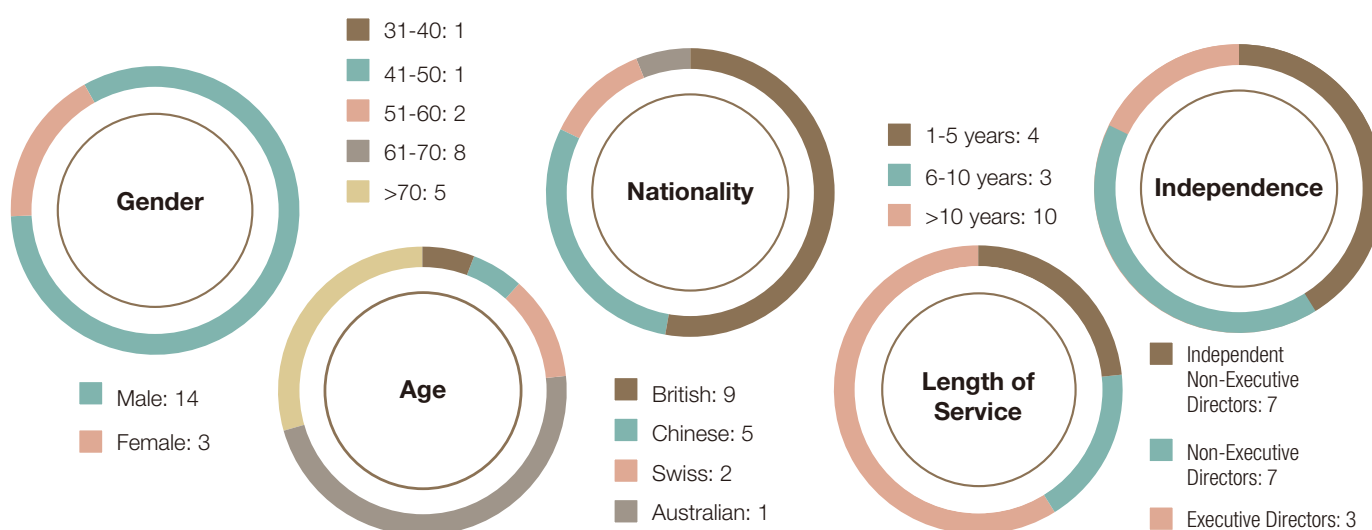
Kitty Wan, *Group General Manager, Audit & Risk Management and Head of Finance, The Peninsula London Project*

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

OUR LEADERSHIP - DIVERSITY

Board Composition & Diversity

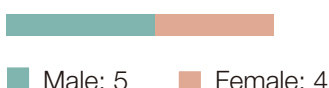
A strong and effective Board requires an appropriate mix of skills, experience and diversity, in order to provide sound judgement on strategic issues and effective oversight of guidance to management. The Board needs to be large enough to cover the broad array of skills required and encapsulate a diverse range of backgrounds and experience. The Board has determined that there will be no fewer than three female directors at all times and that other Board members should vary according to nationality, age, length of service and independence. Each Board member's relevant skills and experience have been highlighted in their individual profiles² and the following charts indicate the diversity of the Board in terms of gender, age, nationality, length of service and independence³.



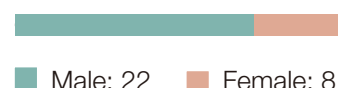
Senior Management and Leaders of Key Functions Diversity

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.

Gender of Senior Management*



Gender of Key Functions**



* 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 2022, our total workforce is comprised of 41% female employees and 59% male. Given the dynamic nature of our business, we have not specified any quotas or similar measurable objectives for achieving gender diversity, rather our focus is on identifying the right person for the right role whilst taking into account diversity in a range of areas, including gender. Further detail and a breakdown of gender distribution between total workforce and management positions across all HSH operations and corporate offices are disclosed on pages 39 and 62 of the CRS Report.

² Details can be found on pages 132 to 140

³ The charts reflect the position up to 15 March 2023

CORPORATE GOVERNANCE REPORT

Culture and Values

The Board believes that our strong corporate culture, which is aligned with our purpose, values and strategy, is key to the economic success and sustainable growth of the group. The culture and values of the company provide a strong foundation for its core governance structure and work in tandem to sustain the group over the long term through business challenges, changing regulatory and market environment. By putting in place the right governance framework and ensuring strong emphasis on culture in the recruitment and conduct of senior management, 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

Integrity and compliance

Integrity is key to 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 mutual respect, to being a team player, being passionate about excellence and others. This set of core principles is embedded in our people and culture practices, in the way we recruit, select and assess in our performance reviews.

These principles are supplemented by a robust set of policies such as the Board-endorsed Code of Conduct, Anti-Bribery Policy and Corruption Policy and Anti-Fraud Policy and Fair Competition Policy. These policies are kept under constant review and are being updated to reflect the increasingly complex, global regulatory environment in which we operate. In light of the diverse nature of our workforce, mandatory training is being enhanced to ensure that key principles of compliance remain at the forefront in everything we do.

Accountability

The group’s governance structure fosters a culture of accountability, which is led from the top by the Board (which is ultimately accountable to the company’s shareholders and stakeholders), and to senior management, which ensures that each level of the business is subject to appropriate and effective scrutiny and oversight.

Communication and transparency

The Board recognises the importance of transparency, accessibility, and visibility for itself and senior management. The Board encourages regular and ad hoc dialogue and communication with its shareholders and stakeholders, including employees, conducted through both the Board and management. The regular CEO Webcast has been supplemented with an in-person “open house” meeting for Head Office employees, which provides an opportunity for the CEO to give an overview of our business performance as well as an update on projects and areas of focus. Operational General Managers also hold regular Townhall Meetings. The company also strives to maintain regular dialogue and engagement with shareholders and stakeholders. Further details on such communications can be found on pages 158 and 118 to 121.

Corporate Governance Report

OUR PEOPLE

People first

Our people continue to be first and foremost in our business approach and this is demonstrated by our three-year People and Culture Strategy. We continue to implement the WorkPlace 2025 programme and this involves a focus on modernising our workplace and being an employer of choice.

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 relevant during the fifth wave of COVID-19 in Hong Kong in early 2022, where we provided counselling for affected employees and a delivery service for those colleagues who were isolating. We have also run a virtual online global fitness challenge, and rolled out nutritional and health updates provided by a third-party specialist.

Modernised workplace and environment

Our WorkPlace 2025⁴ programme, aims at modernising our workplace, working environment and company culture to attract and retain talent. During 2022, flexi-time, flexi-dress, work from home and lifestyle hubs were introduced. The purpose was to empower employees to take more control over their schedules and to provide more flexibility in line with other modern working environments. A communication and information hub will be rolled out and master classes and other training programmes are being provided which focus on "soft" skills.

Inclusivity and respect

We are committed to providing an inclusive and respectful workplace which provides equal opportunity to all employees. Our Inclusive Workplace Strategy⁵ aims at fostering an environment for employees to learn and grow while leveraging their unique strengths. We have launched our Hiring for Success programme, a global initiative for all hiring managers to recruit the right talent with the right mindset that is best suited for the role. It ensures an equal platform without bias and discrimination to provide an enhanced experience for all candidates to feel welcomed in joining the HSH family. We completed retitling of job positions to gender-neutral titles where applicable, as well as on job advertisements for future roles. We also provide meaningful employment opportunities to people with disabilities.

Listening

The Board recognises that the resilience of the company's culture is dependent to a large extent on employee sentiment, and with that in mind it is important to get a pulse on how employees are feeling and what support they require. An online sentiment survey is carried out globally every two years, with the last one taking place in 2021. Three of the group's operations were unable to fully participate in 2021 and therefore completed their surveys in 2022. The results have helped the group foster a greater understanding of the well-being and sentiment of our employees and to understand the key drivers of resilience, contentment, and empowerment.

Our WorkPlace 2025 programme was built largely based on listening to employees, through a combination of surveys and focus groups. This approach continues as various tenets of the programme are introduced, fostering a collaborative and consultative environment when it comes to workplace improvements. This gives our workforce an opportunity to be heard and to influence leaders about what matters to them most. As part of the WorkPlace 2025 programme, a "Work Improvement Teams" programme was launched, enabling colleagues to create and share business ideas, out of which three were then selected by the Group Management Board for further development and implementation⁶.

⁴ Details can be found on pages 36 and 37 of our CRS Report

⁵ Details of the strategy and related initiatives can be found on pages 38 and 39 of the CRS Report

⁶ Details can be found on pages 36 and 37 of our CRS Report

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*.

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 149 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 and sustainability 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. In December 2022, a Lifestyle Taskforce, was set up to identify business opportunities in Hong Kong for the group.

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.

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

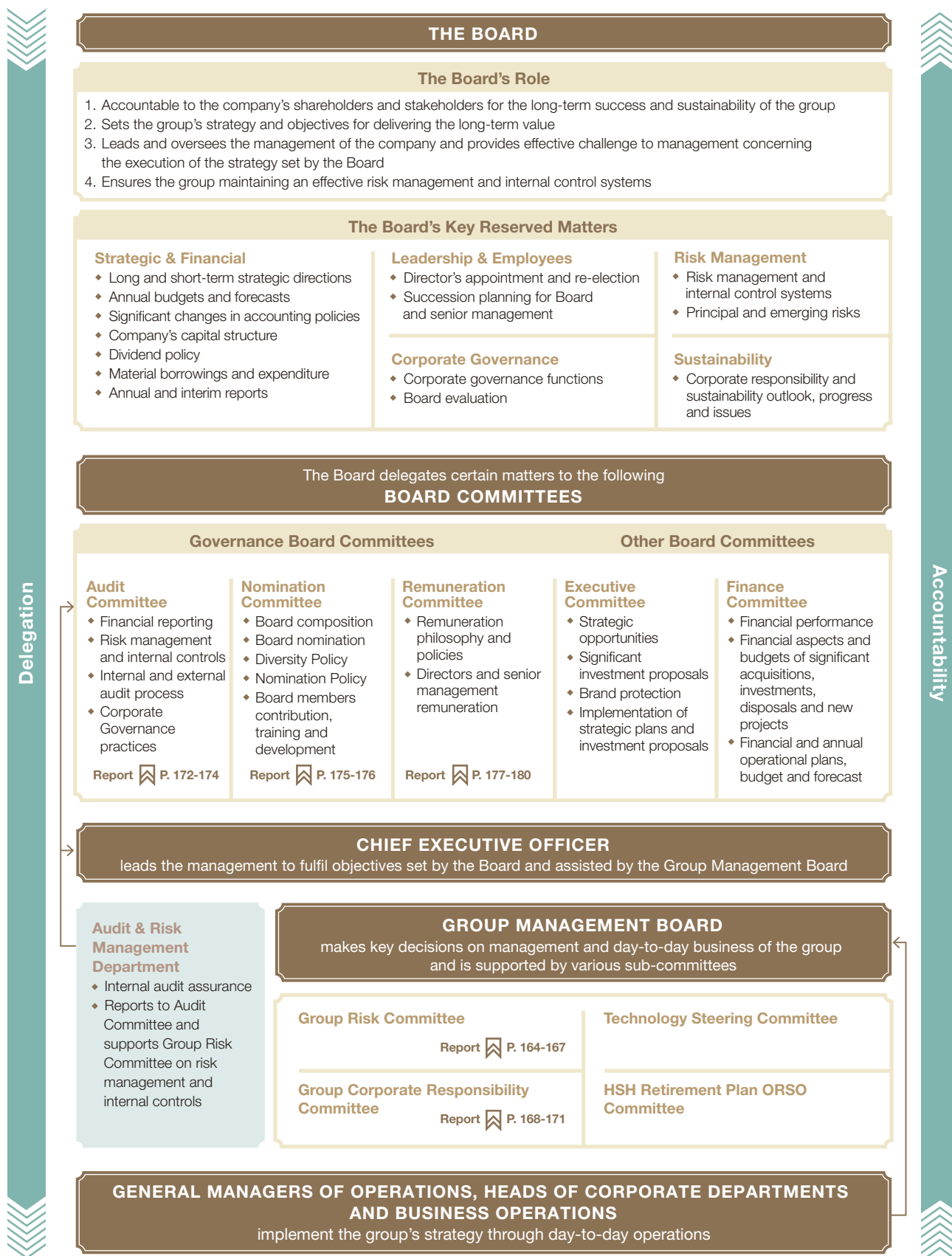
Corporate Governance Report

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.132 to 140 | <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 141 and 142



Corporate Governance Report

2022 Board Activities

Our 2022 Board meetings continued to focus largely on the long road to recovery from the pandemic and the successful execution of the group's projects in London and Istanbul. The Board continues to focus on the development of company strategy through other means. Discussions on short to medium term focus and longer term strategy took place during the Board meetings in 2022. Following the relaxation of social distancing measures in Hong Kong, regular Board lunches resumed in December 2022. This provided a good opportunity for our directors to interact with each other in an informal setting and to discuss a wide range of issues concerning the group.

In addition, the Board continued to cover all customary matters. We highlight below the Board's other main activities during 2022.

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



STRATEGY

- Discussed strategy in relation to Peninsula Merchandising and its China expansion plans
- Reviewed and noted the impact of the world politics on the business, particularly with respect to any impact on the group's external borrowing
- Reviewed new marketing campaigns to promote The Peninsula Hotels and the two new hotels
- Reviewed the expanded Technology Steering Committee role on technology related matters
- Formation of the Lifestyle Taskforce to look for business opportunities in Hong Kong for the group



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. This included the impact of depreciation of the Turkish Lira on The Peninsula Istanbul project costs, the additional project costs for The Peninsula London, and the suspension of the Yangon project
- Reviewed the best case and worst case financial forecasts for the group
- Evaluated key themes for the 2023 budget process and ultimately approved the 2023 budget with different recovery scenarios expectations and necessary cost controls, whilst taking into account investments for the future
- Approved the company's announcement on increase of The Peninsula London project cost



LEADERSHIP AND EMPLOYEES

- Reviewed the progress of WorkPlace 2025, a group-wide initiative to modernise our culture, work practices and working environment
- Reviewed initiatives of different operations on keeping up staff morale in the midst of COVID-19



CORPORATE GOVERNANCE

- Reviewed and discussed the Board evaluation results⁹
- 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 increase of fees for the Chairman and Members of Audit Committee in view of their additional role on corporate governance matters
- Approved the proposed changes to HSH Corporate Governance Code, the terms of reference for the Board, the Audit and Nomination Committees and Board Diversity Policy to align with the changes to the Listing Rules with effect from 1 January 2022
- Approved the Nomination Committee's decision to set a minimum requirement for three female Board members as the measurable objective for implementing the policy of gender diversity
- Noted the retirement of Mr William Mocatta and endorsed the appointment of Mr Diego González Morales as recommended by Nomination Committee



RISK MANAGEMENT

- Reviewed the principal risks to the business and their movement
- Conducted in-depth reviews of the cybersecurity risk including cybersecurity incidents, governance structure and measurement programmes implemented by management; global talent shortage and the group's approach to hiring talent; and rising interest rate risk for the group and current hedging strategy
- Monitored and reviewed the effectiveness of risk management and internal control systems through the Audit Committee

⁹ Details of Board evaluation can be found on pages 152 and 153

Corporate Governance Report



SUSTAINABILITY

- Reviewed the progress of Sustainable Luxury Vision 2030 (*Vision 2030*), identification and prioritisation of material issues through the Group Corporate Responsibility Committee
- Reviewed the progress of corporate responsibility and sustainability initiatives of the group
- Discussed risks to the business brought about by climate change and measures taken by the group to mitigate such risks
- Reviewed the key outcomes of UN COP27 Climate Summit and the latest development on sustainability and climate-related disclosures and actions to be considered by the company
- Discussed the communication strategy of our corporate responsibility and sustainability efforts
- Approved the updated Modern Slavery Statement¹⁰, which explains the activities we have undertaken during the year to demonstrate our commitment in ensuring there are no unethical labour practices or human trafficking within any part of our business or within our supply chain

Board Evaluation

In line with best practice, the performance and effectiveness of the Board is assessed every two years through a formal performance evaluation process. The purpose of this review is to identify areas for enhancement and improving the Board's effectiveness. In 2022, the Board again engaged an independent facilitator to lead the process and a similar methodology to the last review was adopted.

Process

The independent facilitator reviewed the company's corporate governance structure and Board documents, sought feedback from Deputy Chairman, Chief Executive Officer and Company Secretary, and circulated an extensive questionnaire to all Board members covering a variety of topical issues. A total of five one-on-one interviews were conducted, covering one Executive Director, one NED and three INEDs. The facilitator analysed the completed questionnaires and the interview findings, and presented these along with recommendations for discussion at the October Board meeting.

Questionnaire – Key Topics Discussion

- Group objectives, strategy and performance assessment
- Covid and Way forward
- Financial and Project Management
- Risk Management systems and process effectiveness
- Sustainability and Climate Change
- Governance Board Committees streamline the process of the Board
- Composition and effectiveness of the Board and Governance Board Committees
- Board relationship with management and staff
- Directors' Development and Compensation
- Individual Board member's performance

¹⁰ Posted on the company website: www.hshgroup.com/en/sustainable-luxury

Areas of focus

The overall conclusion of the Board evaluation was the Board is operating well with a healthy balance of discussion, debate and expertise. The evaluation noted that the Board is strong enough to enable the company to tackle and overcome the challenges that have arisen over the last few years. The Board has identified the following top priorities on which it wishes to focus in the short term.

| Priorities | Actions to be taken |
|---|---|
| Succession and development | <ul style="list-style-type: none"> Introducing one or two younger members to the Board to provide new ideas and perspectives, in particular expertise in digital transformation and sustainability |
| Business performance | <ul style="list-style-type: none"> Continue to review and provide advice to management in terms of strengthening business performance |
| Overall Strategic direction | <ul style="list-style-type: none"> Face-to-face strategy meeting to discuss short-term and long-term strategies and priorities and new ideas New taskforce to look at possible new business opportunities |
| Financial management including debt management | <ul style="list-style-type: none"> To scrutinise and provide independent oversight over the group's financial planning and overall indebtedness |
| Risk Management | <ul style="list-style-type: none"> In-depth and focused discussion on critical risks which include financial and interest rate risks in current operating environment |
| Environment, Social and Governance | <ul style="list-style-type: none"> Continue to focus on employee engagement, human capital, public policy and community relations, group sustainability and climate change strategy |

Other areas for improvement included administrative matters which management had taken into consideration for future planning of meetings and information sharing to the Board.

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 independent views 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 2022, the topics raised included enhancing our existing portfolio, completed project review, exploring business opportunities in new areas and the company's medium to long-term strategy and succession planning. Some of these topics were duplicated in the Board evaluation, which management will continue to address.

Corporate Governance Report

Directors' Attendance and Training and Development

The Board held five scheduled meetings and three Board resolutions were approved by circulation in 2022. Meetings have been held without physical attendance by all Directors and were 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 2022 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 <i>Non-Executive Chairman</i> | 6(6) | | 2(2) | | 1(1) | ✓ |
| Mr Andrew C.W. Brandler ⁽³⁾ <i>Non-Executive Deputy Chairman</i> | 5(5) | 3(4) | | 2(2) | 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 ⁽⁴⁾ | 4(5) | | | | 1(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) | | 2(2) | 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) | | | 2(2) | 1(1) | ✓ |
| Dr Kim L. Winser | 6(6) | | | | 1(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(2) | 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) Mr Andrew Brandler was unable to attend the Audit Committee meeting due to a pre-existing commitment
- (4) Mr Philip Kadoorie was unable to attend the Board meeting due to a pre-existing commitment
- (5) During 2022, 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 2022 topics included: anti-bribery and corruption, corporate governance, sustainability, regulatory compliance and directors duties

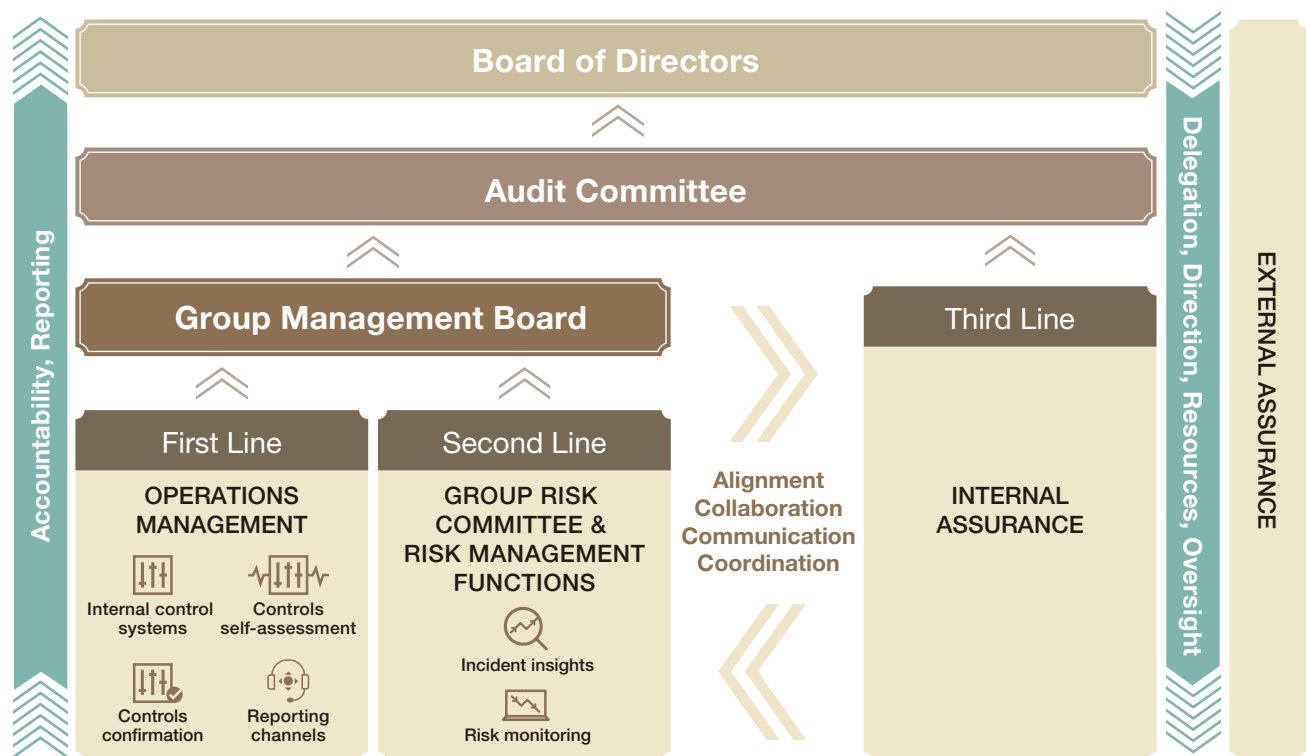
Risk Governance

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). A risk management report summarising the latest risk landscape and the key internal controls in place for each principal risk would be submitted to the Board every six months.

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.



Corporate Governance Report

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. The Group Purchasing & Tendering Policy was updated in October 2022 to strengthen procurement governance and operation efficiency across the group. Training was provided to staff regarding the new purchasing policy.

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 and strengthened a number of controls to cope with the ever-changing regulatory and operational environment.

Please refer to the GRC report on pages 164 to 167 for the key controls undertaken in 2022 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.

In addition, the Speak Up Policy¹¹ 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 2022, six reports of potential integrity issues were received via Speak Up. All of these reports were investigated. Of the six reports: three were closed with recommendations to enhance operational internal controls; two were closed with no follow-up required; and one was still ongoing 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 methodology¹² 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 2022, please refer to the GRC Report on pages 164 to 167.

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 2022 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 2022 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.

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

12 Details of 5-step risk management methodology can be found on page 165 of the GRC Report

Corporate Governance Report

Shareholders Engagement

The company values continuous engagement 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:

• Annual General Meeting

The Annual General Meeting is the central focal point in the company's annual corporate governance calendar. We encourage our shareholders to participate in our Annual General Meeting and directly communicate with our Directors. Due to the uncertain development of the Covid-19 pandemic in Hong Kong in early 2022, we had made special arrangements for the Annual General Meeting to be held online. Shareholders attended, voted and asked questions on the relevant resolutions at the meeting via an online platform¹³. Our Directors, including the Chairman of the Audit and Remuneration Committees, were present at the 2022 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. In 2023 we plan to have a physical meeting unless there are government restrictions.

• Investor relations activities

Our Executive Directors and Investor Relations team engaged with shareholders and potential investors via one-on-one meetings and conference calls, as well as holding regular briefings with research analysts.

• Shareholder Communication Policy

Our Shareholder Communication Policy¹⁵ has specified the various communication platforms which our shareholders and stakeholders can access as well as various communication channels for them to communicate their views. These details can also be found on the company website. For more information on how we engage our stakeholders, please refer to Creating Stakeholder Value on pages 118 to 121.

• Company website

Our company 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.

• Social media

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.

Reviewing and enhancing shareholder communications

Our Audit Committee reviewed the multiple platforms used for engaging with our investors and confirmed that the company has maintained sufficient channels to engage with our shareholders and our Shareholder Communication Policy remains effective.

¹³ The poll results are posted on the company website: www.hshgroup.com/en/investors/general-meetings

¹⁴ www.hshgroup.com/en/investors

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

Our Shareholders

HSH had 1,741 registered shareholders as at 31 December 2022. 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 | 536 | 30.787 | 68,650 | 0.004 |
| 501-1,000 | 189 | 10.856 | 151,018 | 0.009 |
| 1,001-10,000 | 580 | 33.314 | 2,378,102 | 0.144 |
| 10,001-100,000 | 345 | 19.816 | 11,067,160 | 0.671 |
| 100,001-500,000 | 60 | 3.446 | 11,757,664 | 0.713 |
| Above 500,000 | 31 | 1.781 | 1,624,011,612 | 98.459 |
| Total | 1,741 | 100.000 | 1,649,434,206 | 100.000 |

Note: As at 31 December 2022, 36.60% 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 72.43% as disclosed in “Interests of Directors” and “Interests of Substantial Shareholders” in Directors’ Report on pages 183 to 185. The remaining HSH shares are mainly held by institutional and private investors, with a considerable number of those investors being Hong Kong residents.

From publicly available information and within the knowledge of the Directors, HSH has maintained the required 25% public float throughout 2022 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 website¹⁶ 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.

Other Information

Other information for our shareholders including our financial calendar and contact details are set out on page 266.

The company’s share price information as well as share and dividends per share information for the last ten years are disclosed on pages 23 and 96 respectively. In addition, the company’s dividend policy is set out in note 10 to the financial statements.

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 these principles to our corporate governance structure and practices, as disclosed in this Governance section.

Throughout 2022 we have complied with all of the code provisions and recommended best practices in the CG Code with the exception of the following:

Corporate Governance Report

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

Our Corporate Responsibility and Sustainability Report¹⁷ 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 in reference to the updated Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The CRS Report also references the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standard Board (SASB). KPMG was commissioned to conduct limited 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 Personal Information Protection Law and updates to the EU's and the UK's Standard Contractual Clauses. We remain committed to maintaining our guests' privacy in accordance with all applicable laws, and we keep our people regularly updated on privacy legislation, compliance, challenges and risks in this complex and highly regulated area.

Other Compliance Matters

Appointment and re-election of Directors

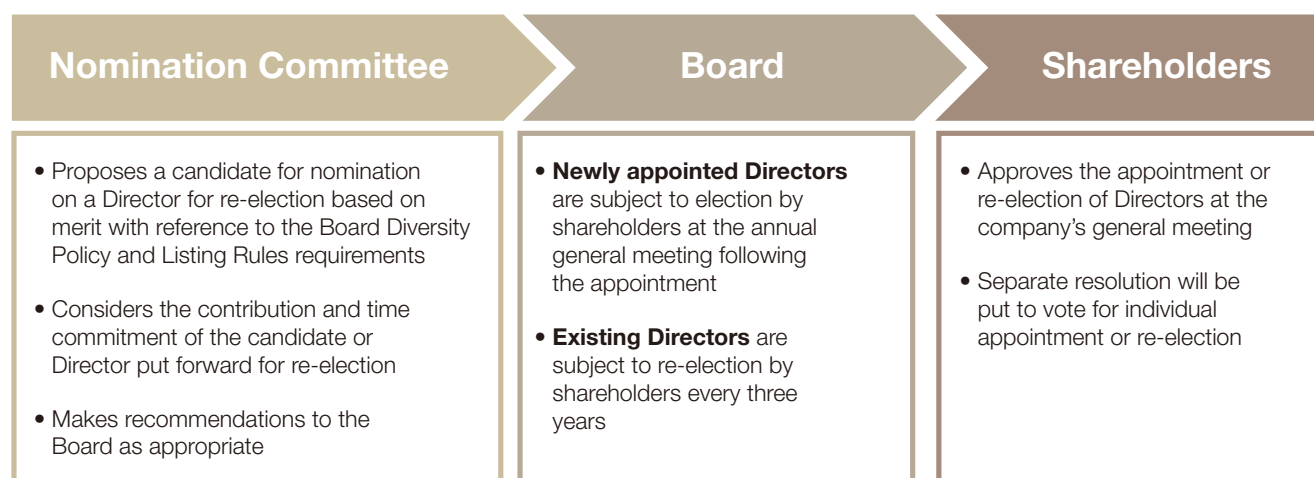
The appointment and re-election of Directors are governed by the Nomination Policy which is set out below. In 2022, the nomination and appointment of Mr Diego González Morales followed the selection criteria as well as the nomination process and procedures of the Policy as disclosed in the next section. The company confirms that all Directors' re-elections were conducted in compliance with the CG Code in 2022. 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 2023 Annual General Meeting are set out in the Directors' Report on page 182.

Nomination Policy¹⁸

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.

¹⁷ Posted on the company website: www.hshgroup.com/en/sustainable-luxury

¹⁸ Posted on the company website: www.hshgroup.com/en/corporate-governance



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 has tasked the Nomination Committee with the responsibility for reviewing annually the expected contributions 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 2022. The Nomination Committee is satisfied that the Directors had 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. The Board concurred with this conclusion.

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 contributions to the Board discussion. The company has received written confirmations of independence from each of its seven INEDs who served in 2022. Beyond the formal confirmation of independence, 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.

The Nomination Committee and the Board considered that all seven INEDs who served in 2022 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 and they continue to bring an independent view to our Board discussions and strategy oversight.

Mechanisms for ensuring independent views and input

The company has established channels for our INEDs to express their independent views and input to the Board and its Committees. These include INEDs having access to management at all times on any queries they may have. All INEDs are given regular updates, from monthly reports to minutes of all Governance Board Committees and the Executive Committee to allow them to make informed decisions. The Chairman meets INEDs annually to seek their independent views, and these views are then discussed at the Board. Board strategic meetings and Board evaluations are arranged every two years with the full participation of INEDs.

The Board has reviewed these channels and confirmed that the company has sufficient mechanisms to ensure independent views and input are available to the Board and these mechanisms remain effective.

Corporate Governance Report

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 2022. Details of the shareholding interests held by the Directors of the company as at 31 December 2022 are set out on page 183.

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 141 and 142, and 184 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 2022, 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 2022, 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 182, 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 Diego González Morales (who will join the Board in March 2023) will complete 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 2022 are reflected on page 154.

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 Committee¹⁹ to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices and the needs of the company. In light of the revised CG Code which came into effect on 1 January 2022, the company has undertaken a review on the HSH Code and the relevant terms of reference of the Board and each Board Committee and other relevant policies and revised them in line with the CG Code and our own governance practices.

The full terms of reference of the Board and each Board Committee can be viewed on the company website²⁰ and those of the Governance Board Committees²¹ are also published on the Stock Exchange website. The Governance Board Committees' reports are set out on pages from 172 to 180.

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 2022, Audit and 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 182.

Annual Report and Corporate Responsibility and Sustainability Report

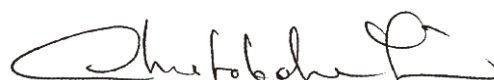
The annual report and CRS report are both important channels for the company to provide shareholders and stakeholders with a balanced assessment of our financial and non-financial performance as well as our commitment to the high standards of corporate governance and the evolving nature of our environmental, 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 2021 Annual Report and CRS Report. Details can be found in the "Awards in 2022" section on page 122.

In March, the Board reviewed and approved the 2022 Annual Report and Corporate Responsibility and Sustainability Report²². With respect to the Directors' responsibility for preparing the financial statements for the year ended 31 December 2022, please refer to the Directors' Report set out on page 186.

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
15 March 2023

19 Audit, Nomination, Remuneration, Executive and Finance Committees

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

21 Audit, Nomination and Remuneration Committees



22 Posted on the company website: www.hshgroup.com/en/sustainable-luxury

GROUP RISK COMMITTEE REPORT



“Effective risk management has enabled the organisation to evaluate risks, make better decisions and take appropriate actions in an increasingly complex and dynamic environment.”

Christopher Ip
Chairman of the Group Risk Committee
15 March 2023

| | |
|--|---|
|  Composition | <p>Chairman Mr Christopher Ip, Chief Financial Officer</p> <p>Members Group Director, Corporate and Legal Group Director, Properties Group Director, Brand and Operations Support Group General Manager, Audit & Risk Management Group General Manager, Technology</p> |
|  Meeting Frequency | <ul style="list-style-type: none"> • Quarterly • Four meetings in 2022 |
|  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 155 to 157 in place, we have adopted across the group a practical, easy to understand 5-step risk management methodology.

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 2022

Challenges post global pandemic recovery

Since its global outbreak in 2020, the COVID-19 pandemic had aggravated the level of risk facing the group at all levels of the business, across a range of financial and operational issues. The resultant financial impact had posed key risks to the business in the past two years. Since mid-2021, quarantine requirements and travel restrictions started to be relaxed or lifted in our markets in Europe and the USA, which slowly led our way to

recovery. With the gradual easing of restrictions in Hong Kong in last quarter of 2022 and the opening of quarantine-free travel to and from mainland China in Q1 2023, the pandemic risk appeared to have moderated. Workforce shortages around the globe have also 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. During the year, the group has put much effort to attract and retain talent in the hospitality industry. We are monitoring these emerging risks 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 post-pandemic era. Some of the key actions aimed at managing the day-to-day impact on our business are noted below:

- Strict social distancing measures in line with government guidelines were administered, such as work from home arrangements
- More flexible and dynamic ways of working and allocation of talent were reinforced for stronger work performance and employee engagement
- Products were strategically adapted to stimulate domestic demand such as staycation packages, take-away and deliveries at food and beverage outlets and special seating arrangements for banquets
- Cost saving measures and actively searching for alternative revenue streams
- Business continuity capability assessment on working out of office for every head office department

Labour shortage in the hospitality industry

The pandemic has led to re-evaluations of personal career goals for talent within the industry. This has resulted in staff resignations and difficulties in securing manpower in most of our labour markets. This is further compounded by other industries that continued to do well during the pandemic offering increasingly attractive pay and more flexible work models.

To attract and retain talent, we are conducting more frequent salary benchmarking exercises and ensuring our total remuneration, benefits and health insurance stay highly competitive and relevant. One of the WorkPlace 2025 initiatives is to offer more flexibility in working hours and opportunity to work from home in our corporate offices in Hong Kong. We have also considered flexible leave for operational employees and rolled out talent development programmes to boost competitiveness and retention.

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 difficult times.

Group Risk Committee Report

Environmental and social (E&S) risks

The impacts of the climate crisis are evident. Climate risks and the associated social impacts continue to be widely discussed among world leaders in United Nations (UN) summits and within business communities. We must take a more proactive approach to assess and address E&S risks we may face, and ensure that the company is well-positioned to weather these impacts.

In the past year, we commenced work to undergo initial assessments of our buildings' physical risks. Properties more susceptible to natural disasters and extreme weather events such as typhoons, cyclones, heat waves, floods, wildfires, may expect to see increased insurance costs and asset valuation being negatively impacted due to exposure to longer term climate shift such as sea level rise, drought and temperature rise. Other possible impacts may include 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. We are aware of the multiplier effect and knock-on social impacts brought by climate change such as social inequality, educational disparity, involuntary migration, modern slavery, and more.

GRC and the Board receive regular updates from the Corporate Responsibility and Sustainability (CRS) Department to understand the evolving E&S risks in order to determine effective short-term mitigation responses, and develop long-term adaptation plans. Our CRS strategy, *Vision 2030* will continue to facilitate our response to these risks and future-proof our business. We have group-wide targets and commitments for greenhouse gas emissions, water efficiency, actions related to mitigation of climate change such as adopting sustainable building design, offering sustainable products and services within our businesses, and specific programmes to promote social inclusions and engage with our local communities in meaningful ways²³. More details of our approach to climate change and climate risk mitigation measures can be read on pages 53 to 55 of our CRS Report, referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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 2022, specific focus in some areas of the principal risks were discussed in more details below:

Macroeconomic and political environment

As a multinational corporation, our business are impacted by geo-political influences. Incidents such as the continuing Russia-Ukraine conflict and US-China tension may negatively

impact the global economy, and may result in trade restrictions and sanctions. Moreover, expected economic downturns and energy price inflation could negatively impact revenue and operations of our properties. Regular risk and performance review of operations, properties and projects are carried out during the year.

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, the US Fed raised interest rates by 4.25% which is the largest rate increase since 1994. Interest rate increase is expected to continue for the coming year. Despite a rising interest rate environment, we entered interest rate swaps in early 2022 which has mitigated the adverse financial impact. In addition, we regularly review major foreign exchange transactional and capital expenditure exposures, and adopt proactive management, such as balancing of fixed and floating rate loan exposures, conducting regular stress testing and monitoring financial ratios.

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 after the relaxation of travel related restrictions in Q4 2022, would have a crucial impact on our business, earnings and asset values. To manage this risk, we have implemented and begun to explore alternative revenue streams outside of Hong Kong. For instance, our Greater China specific Sales & Marketing team has been developing specific sales and digital marketing approaches in the China market. Moreover, Peninsula Merchandising has embarked on a 5-year expansion plan in the Chinese mainland to penetrate deeper into six target cities and e-commerce channels.

Competition in all markets

With pandemic restrictions easing globally, our hotels have started to steer away from the domestic and staycation market and towards international travelers. We have seen significant increases in average daily rates in some markets. However, 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, the competition in the hospitality market has been relentless. In order to better understand our customers, our operations have had to adopt new technologies to identify customers' ever-changing needs and enhance digital customer experience. We have also strengthened our brand marketing and communications with our customers by implementing global initiatives and brand partnerships.

²³ Details of *Vision 2030* commitments and specific initiatives can be found in our online CRS Report

Our leasing business












Our retail leasing business remained under pressure from lowered occupancy and unbudgeted rental concession offered to tenants. Foot traffic levels remained at low levels compared to the pre-Covid period which affected our retail tenants. For our hotel arcade leasing business, we have focused on promotion activities, such as 2022 Christmas Campaign for The Peninsula Hong Kong, The Peninsula Shanghai and The Peninsula Beijing to boost foot traffic. Commercial and residential leasing to a lesser extent, has also been impacted by the economic downturn. As a result, we have continued to work with tenants and make appropriate adjustments to rental and other contractual requirements.

Investments and developments

Delays and increase in costs caused by the pandemic continued to affect the construction projects of The Peninsula London, The Peninsula Istanbul (opened on 14 February 2023) and Peak Tramways (re-opened in Q3 2022). Mitigating measures have been strengthened throughout the year.

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.

Principal Risk Movements in 2022

| | 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 | ↑ |

2023 Major Initiatives

In 2023, the GRC's main focus will continue to be on (i) overseeing risks pertinent to finishing projects and new hotel openings, (ii) enhancement of internal controls to manage the strategic risks of the group, especially risks associated with the recovery from the pandemic, and (iii) a focus on communication, awareness and ownership of risks and controls across the group.

GROUP CORPORATE RESPONSIBILITY COMMITTEE REPORT



“We must take a more proactive approach to identify and manage our sustainability risks, step up our actions and contribute to global collaborative 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
15 March 2023

| | |
|--|---|
|  Composition | <p>Chairman Mr Clement Kwok, Chief Executive Officer</p> <p>Members Group Director, Corporate and Legal Group Director, People and Culture 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 2022 |
|  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 and plans related to CRS topics that may have an impact on the operations of the group |

Our Sustainability Approach

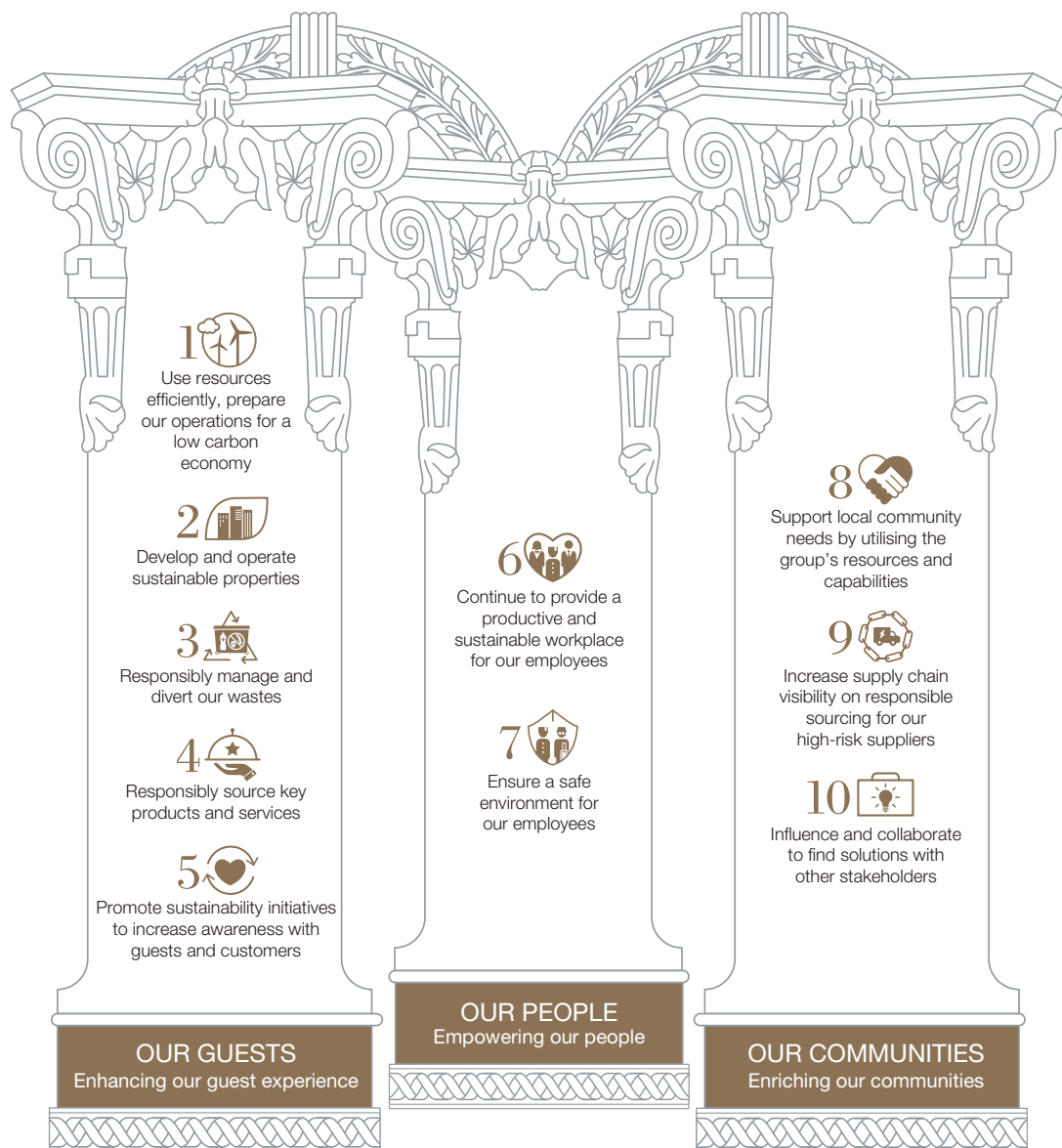
Sustainability issues are having an ever-increasing impact on businesses and societies at large, and businesses play a key role in facilitating an inclusive, low carbon transition. Our latest sustainability strategy, *Sustainable Luxury Vision 2030 (Vision 2030)* will continue to facilitate our response to the sustainability issues we are facing and guide us on navigating the environment in the coming decade.

The strategy incorporates a deeper focus on business integration and using regenerative and proactive approaches. We seek to leverage the strengths of our business, focusing on issues requiring urgent attention, ensuring our offerings bring positive benefits to the environment and our communities. 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.

We seek 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.

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 to enhancing our guests' experience, we look to provide sustainable luxury while not compromising on the well-being of our people, our communities or the environment. This means implementing sustainable design and practices to lower our environmental impact across our operations. 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. We will continue to promote and increase sustainability awareness with our guests and customers through knowledge sharing and interactive sustainable experiences.

Key initiatives

- On track to achieve BREEAM, one of the world's leading sustainable building standards, for our projects in London and Istanbul
- Hotels in Hong Kong, Tokyo, New York, Chicago, Shanghai and Paris received EarthCheck Certification, one of the world's leading benchmarking on sustainable tourism
- Launched new guestroom amenities featuring local scent and alternative packaging such as recycled aluminium and petroleum plastic-free materials
- Implemented energy saving and efficiency projects with a projected return on investment of less than three years
- Piloted our group's first on-site solar farm project at Quail Lodge & Golf Club
- Ensured that majority of paper products, cleaning products, tea, coffee and chocolate are sourced sustainably or responsibly
- Assessed market availability of cage-free eggs across our group, with 50% of our current egg spend coming from cage-free sources
- *Naturally Peninsula* menu re-launched to be fully plant-based
- Continue to support waste recovery projects such as oyster shells upcycling for marine restoration and research on recovering textile waste in Hong Kong

Our People: Empowering our people

At HSH, our people are the heart and soul of the company, and we want to build a lasting and genuine relationship with them. We continue to listen and respond to their needs, with the aim of empowering our people in the workplace. We 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.

Key initiatives

- Developed a comprehensive approach to diversity and inclusion
- Launched the new global wellness strategy focusing on employee mental wellbeing
- Launched group Occupational Safety and Health Management System (OSHMS)

Our Communities: Enriching our communities

Our communities are our homes – we stand to benefit when our communities thrive. *Vision 2030* will continue to guide our efforts in engaging with our local communities in meaningful ways, moving away from monetary-based to contributing time, expertise, vocational training opportunities, and other in-kind support. 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. 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.

Key initiatives

- Continued to support our local communities through vocational training, volunteering and donations, benefiting more than 160 charities and long-term partners, with a total of HK\$3.65 million contribution and more than 7,100 volunteering hours in 2022
- 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 employment agents on the hiring of casual labour
- Sustainability-linked and Green loan totalling HK\$10.5 billion which is directly linked to our sustainability targets and performance

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 review²⁵ 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 Group Executive and other 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 2022, overall climate risk management approach, key outcomes of the UN COP27 Climate Summit, and latest development on sustainability and climate-related disclosures were discussed with the Board.

Key Work in 2022

We continued to monitor progress on our commitments in *Vision 2030* and provided support and focused attention on areas that needed more traction. 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 market development (specifically on single-use plastics, electric vehicles, cage-free eggs, and others), technological innovations, emerging regulations and legislations, updates on reporting standards and management best practices
- Discussed the impact of environmental and social risks to our operations and supply chain referencing research and publications from globally respected organisations (such as the World Economic Forum and China Water Risk)
- Discussed climate risks management approach and decarbonisation roadmap
- Reviewed and approved our first Green Financing Framework

Looking Forward

In 2023, the GCRC's focus will be on (i) stakeholder engagement to better understand the evolving expectations from our external stakeholders, and raise awareness of sustainability topics across internal stakeholders and employees at all levels, (ii) assessing climate risks and setting a group net-zero carbon strategy to mitigate our climate impacts, (iii) continue to enhance our internal controls for sustainability-related compliance and risks, particularly on the upcoming changes in ESG reporting standards and requirements.




25 Sustainability topics reviewed and discussed at Board level can be found on page 152

AUDIT COMMITTEE REPORT



“The Audit Committee has continued to play a key role supporting the Board in matters relating to internal control, corporate governance, risk management, financial reporting and the rigorous independent assessment of the group’s principal risks and risk tolerance.”

Patrick Paul
Chairman of the Audit Committee
15 March 2023

| | |
|--|---|
|  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 2022 |
|  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, internal controls and corporate governance |

Special Audits

Apart from the normal internal audit cycle, every year the Audit and Risk Management Department conducts special audits to ensure our business is conducted with the highest levels of integrity. During the year, the Audit Committee reviewed the group-wide audit on the preferred supplier process in the areas of accountability, control and transparency. The overall results indicate that the Group Purchasing & Tendering Policy remains effective. The Committee also reviewed the recruitment of contingent labour in the group’s Asia operations. Internal control gaps in relation to the physical attendance of casual labour staff and performance issues were identified. Standard Operating Procedures coordinated by Operations Finance were rolled out to control the hiring of casual labour. Findings and recommendations on the two special audits are discussed at the Committee meetings and areas of improvements have been communicated to individual operations.

Corporate Governance

During the year, the Audit Committee was delegated with additional responsibilities on corporate governance matters. The Committee reviewed the latest Listing Rules requirements on corporate governance and endorsed the proposed changes to the HSH Corporate Governance Codes, terms of reference of Board and Audit Committee for Board approval and approved the updates on Shareholder Communication Policy and Speak Up Policy. In addition, the Committee reviewed the group’s communication channels, shareholders and investors engagement activities conducted in 2022²⁶ and was satisfied with the implementation and effectiveness of the Shareholder Communication Policy.

²⁶ Details on shareholders engagement can be found on page 158

Other Key Work in 2022

Annual/Interim Report and Financial Information

- Reviewed and endorsed the 2021 Annual Report, Corporate Responsibility and Sustainability Report, and the annual results announcement, as well as the 2022 Interim Report and the interim results announcement

Internal and external audits

- Approved the proposed 3-year internal audit plan commencing in 2023 focusing on cash and revenue management, compliance matters and payroll process following the implementation of new time and attendance and payroll system
- Reviewed the 2022 internal audit plan progress and the audit areas of focus. Due to travel restrictions, online reviews were conducted during the first half of the year and site based audits resumed during the second half of the year
- Reviewed the key internal audit findings and initiatives recommended to the relevant operations and Head Office departments and sharing of the best practices and good controls across the group
- Reviewed The Peninsula Istanbul audit findings, focusing on contracting strategy, procurement process and document retention
- Reviewed The Peninsula London audit findings, focusing on reporting, budget management, costs and savings strategies
- Reviewed and endorsed KPMG's audit report on the financial statements for the 2021 Annual Report and discussed the key observations identified by KPMG during the course of their audit and the related recommendations
- Reviewed 2022 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 roles and responsibilities, key accomplishments and priorities of the Finance Systems and Operations Finance team which was leading the global finance system project to improve operational efficiency and business support effectiveness
- Reviewed the valuation process and the methodology of revaluing the Hong Kong properties by independent valuers
- Discussed the impairment assessment for the existing hotels and hotel projects and agreed that no impairment would be required
- Reviewed the environmental and social risks that the group are facing and most of these risks are managed through 2030 sustainability initiatives
- Reviewed and approved the structure, adequacy of resources, staff qualifications and experience, training programmes of the group's accounting, internal audit, financial reporting and CRS functions
- Reviewed and endorsed semi-annually the Group Risk Management Report detailing the principal risks facing the group and any variances in 2022, 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 2021 Annual Report and Corporate Responsibility and Sustainability Report and 2022 Interim Report

Audit Committee Report

Governance

- Reviewed all connected transactions and related party transactions, including endorsing the connected transaction of tenancy agreement for the head office and continuing connected transaction of master agreement of carpet purchases for Board approval
- Discussed and reviewed reported speak up cases and investigations undertaken²⁷

Other

- 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

As the Chairman of the Audit Committee, I have met separately with the Group General Manager, ARM and 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 operational, financial reporting and compliance controls, risk management and internal control systems for the group during 2022 to be effective and adequate. Issues raised by the internal and external auditors during 2022 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.

In February 2023, 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 2022, apart from audit work, the company also awarded non-audit work to KPMG including taxation and other services. In our first meeting in 2023, 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 2023 Annual General Meeting.

A summary of fees for audit and non-audit services to KPMG for the financial years ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|-----------------------------|-------|-------|
| Nature of Services | HK\$m | HK\$m |
| Audit Services | 10 | 10 |
| Non-audit Services | | |
| Taxation and other services | 3 | 3 |

Looking Forward

The Committee has continued to provide crucial independent insight over the group's risk control measures in an increasingly volatile international business environment. Strong governance and appropriate risk mitigation measures must be rigorously and enforced in order to maintain the high standards of excellence expected by the group and its stakeholders. We expect that 2023 will bring additional challenges as we enter an uncertain global economic outlook, underlining the need for vigilance in respect of the group's financial and internal control mechanisms.

²⁷ Details can be found on reporting channels on page 157



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

NOMINATION COMMITTEE REPORT



“We are proud to have a Board which brings such a diverse range of skills, experience and personalities to successfully drive the group’s strategy. I am also pleased that Mr Diego González Morales joins our Board as Non-Executive Director from March 2023, underlining our commitment to selecting and mentoring the next generation of leaders.”

The Hon. Sir Michael Kadoorie
Chairman of the Nomination Committee
15 March 2023

| | | | | | |
|--|--|----------|---|---------|---|
|  Composition | <table> <tr> <td>Chairman</td><td>The Hon. Sir Michael Kadoorie, Non-Executive Chairman</td></tr> <tr> <td>Members</td><td>Dr the Hon. Sir David Li, INED Dr William Fung, INED</td></tr> </table> | Chairman | The Hon. Sir Michael Kadoorie, Non-Executive Chairman | Members | Dr the Hon. Sir David Li, INED Dr William Fung, INED |
| Chairman | The Hon. Sir Michael Kadoorie, Non-Executive Chairman | | | | |
| Members | Dr the Hon. Sir David Li, INED Dr William Fung, INED | | | | |
|  Meeting frequency | <ul style="list-style-type: none"> • At least two meetings every year • Two meetings in 2022 | | | | |
|  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 • To review the Board members contributions, and training and development | | | | |

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, whilst not compromising on the central principle of appointments based on merit. Our Diversity Policy can be found on the company website²⁹.

With the retirement of Mr William Mocatta as a Non-Executive Director, Mr Diego González Morales, was appointed to the Board, both effective on 31 March 2023. Having regard to the Board’s desire to appoint younger directors to bring a different mindset and insights to the business, the Committee considered that the appointment of Mr González Morales would bring fresh ideas and values to the Board with his expertise, background and experience. The process of appointment followed the selection criteria, nomination process and procedures set out in our Nomination Policy³⁰.

Mr González Morales has experience in internal audit and controls, investigations, compliance and M&A, covering financial services, healthcare, energy and entertainment. Having been invited to attend our Executive Committee meetings since April 2021 as an observer, Mr González Morales is closely acquainted with our business.

²⁹ www.hshgroup.com/en/corporate-governance

³⁰ Please also refer to pages 160 and 161 on Nomination Policy

Nomination Committee Report

The Nomination Committee reviews the composition, balance, skills and experience of the Board annually. 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.

The Committee also reviewed the appropriateness of an express diversity quota or measurable objective. It believes that the current large size of the Board enables it to benefit from a diverse set of views based on the different backgrounds and experiences of all Directors. In addition, given the current size of the Board, looking only at numerical targets for gender diversity on its own would be counter productive as the Committee continues to believe in identifying the right person for the role taking into account diversity including gender. On that basis, the Committee is currently of the view that the existing gender mix is sufficient, but is committed to keeping no less than three female Board members on the Board. In particular, three females out of seven INEDs, which is 43% represent independent views at the Board level. The gender mix will be reviewed on an annual basis and it is noted that the Board concurred with the views of the Committee.

Other Key Work in 2022

The Nomination Committee assessed and reviewed all INEDs' confirmations of independence and the cross-directorships of Dr Rosanna Wong³¹ and Mr Philip Kadoorie (who replaced The Hon. Sir Michael Kadoorie on the Board of CK Hutchison Holdings Limited on 16 December 2022), 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 Nomination Committee reviewed and endorsed the changes to the Board Diversity Policy and its terms of reference in line with the changes to the Listing Rules and our own corporate governance practices. The Committee also reviewed the Nomination Policy and confirmed it remained relevant and no revision was required.

In March 2023, the Committee approved this report for inclusion into the company's 2022 Annual Report.

Looking Forward

The Nomination Committee continues to strengthen the array of skills, knowledge, and experience available on the Board, both through its process of new appointments and its oversight over continuous professional development of all Directors. The Nomination Committee will continue to promote diversity whilst not compromising on the level of skill and experience required to serve on our Board.




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 is focused on maintaining competitive levels of remuneration to attract and motivate senior talent whilst closely monitoring the company’s financial capacity to navigate a challenging international economic environment.”

Patrick Paul
Chairman of the Remuneration Committee
15 March 2023

| | |
|--|---|
|  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, People and Culture in attendance Two meetings in 2022 |
|  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

HSH's Rewards philosophy is 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 latest review of the philosophy was carried out in 2021, with the aim of simplifying it with more focus on benefits and other career planning programmes considering the unprecedented and challenging labour market in the hospitality industry. 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

Remuneration Committee Report

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:

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 Group Executive is 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 2022 the Committee approved the continuation of the suspension of quality measurements in the light of the continuing covid disruptions.

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.

As disclosed in last year's annual report, the Committee endorsed management's proposal for the fees payable to NEDs and INEDs to revert to pre-pandemic levels from 1 January 2022. In November 2022, the Committee approved management's proposal for the fees payable to the Chairman and members of the Audit Committee to be respectively increased to HK\$200,000 and HK\$165,000 per annum with effect from 1 January 2023, given the additional responsibilities in respect of corporate governance matters. As the hospitality industry has yet to fully recover, the Committee endorsed all the other fees of the NEDs and INEDs be maintained at the current levels.

Other Key Work in 2022

2023 salaries

In 2022, the Committee noted management's recommendation on a group-wide 2023 general salary increase.

2022 bonuses

In 2022, the Committee reviewed and approved the bonus awards to Executive Directors and senior management as well as the HSH Management Bonus Plan proposal after considering the financial performance of the group, the COVID-19 environment, and other various factors including retention challenges, market pay trends and inflationary forecasts.

Others

The Committee reviewed and confirmed its terms of reference remained relevant and no revision was required. It also approved the terms of the letter of appointment of an INED.

In February 2023, the Committee approved this report for inclusion into the company's 2022 Annual Report.

³² Senior staff also participates in the HSH Management Bonus Plan

³³ A quality score measuring user experience and/or operational excellence

2022 Remuneration of Directors and Senior Management

The following information is an integral part of the Audited financial statements for the year ended 31 December 2022.

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* 2022 | Total* 2021 |
|--|-------|---------------------|-----------------|------------------------|----------------------|-------------|-------------|
| Non-Executive Directors | | | | | | | |
| The Hon. Sir Michael Kadoorie | 325 | 100 | – | – | 40 | 465 | 0 |
| Mr Andrew C.W. Brandler | 325 | 100 | 150 | 60 | – | 635 | 0 |
| Mr William E. Mocatta | 325 | – | – | – | – | 325 | 0 |
| Mr John A.H. Leigh | 325 | 100 | – | – | – | 425 | 0 |
| Mr Nicholas T.J. Colfer | 325 | – | – | – | – | 325 | 0 |
| Mr James L. Lewis | 325 | – | – | – | – | 325 | 0 |
| Mr Philip L. Kadoorie | 325 | – | – | – | – | 325 | 0 |
| Independent Non-Executive Directors | | | | | | | |
| Dr the Hon. Sir David K.P. Li | 375 | – | – | – | 40 | 415 | 332 |
| Mr Patrick B. Paul | 375 | – | 185 | 100 | – | 660 | 528 |
| Mr Pierre R. Boppe | 375 | – | – | – | – | 375 | 300 |
| Dr William K.L. Fung | 375 | – | – | – | 40 | 415 | 332 |
| Dr Rosanna Y.M. Wong | 375 | – | – | 60 | – | 435 | 348 |
| Dr Kim L. Winser | 375 | – | – | – | – | 375 | 300 |
| Ms Ada K.H. Tse | 375 | – | 150 | – | – | 525 | 420 |
| | 4,900 | 300 | 485 | 220 | 120 | 6,025 | 2,560 |

Executive Directors – remuneration

The remuneration of Executive Directors of the company for 2022 was as follows:

| (HK\$'000) | Basic compensation | Bonus | Contractual Share-based Payment | Retirement benefits | Other benefits | Total* 2022 | Total* 2021 |
|-------------------------------------|--------------------|-------|---------------------------------|---------------------|----------------|-------------|-------------|
| Executive Directors | | | | | | | |
| Mr Clement K.M. Kwok | 7,406 | 6,200 | 1,487 | 1,218 | 202 | 16,513 | 15,312 |
| Mr Peter C. Borer | 5,315 | 2,583 | 892 | 861 | 121 | 9,772 | 9,229 |
| Mr Christopher S.M. Ip [#] | 5,263 | 857 | 892 | 857 | 231 | 8,100 | 7,990 |
| | 17,984 | 9,640 | 3,271 | 2,936 | 554 | 34,385 | 32,531 |

* 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

[#] 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:

| | 2022 Number | 2021 Number |
|-------------------------------|----------------|----------------|
| HK\$2,500,001 – HK\$5,000,000 | 4 | 3 |
| HK\$5,000,001 – HK\$7,000,000 | 3 | 3 |
| HK\$7,000,001 – HK\$9,000,000 | 1 | 1 |

* GMB, the company's management and operations' decision-making authority, comprises the three Executive Directors and eight (2021: 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 (2021: three) Executive Directors whose remuneration is set out above. The remuneration of the other two (2021: two) individuals with highest remuneration are within the following bands:

| | 2022 Number | 2021 Number |
|-------------------------------|----------------|----------------|
| HK\$6,500,001 – HK\$7,000,000 | 0 | 1 |
| HK\$7,000,001 – HK\$7,500,000 | 1 | 1 |
| HK\$7,500,001 – HK\$8,000,000 | 1 | 0 |

The aggregate of the remuneration in respect of these two (2021: two) individuals is as follows:

| (HK\$'000) | 2022 | 2021 |
|-----------------------|--------|--------|
| Basic compensation | 9,848 | 10,816 |
| Bonus | 3,745 | 1,830 |
| Retirement benefits | 476 | 474 |
| Other benefits | 924 | 1,004 |
| | 14,993 | 14,124 |
| Number of Individuals | 2 | 2 |

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

2023 and beyond

2023 is likely to be a challenging economic environment on a global scale with a number of our key markets predicted to enter into recession. With that in mind, the Committee will continue to maintain the delicate balance between the need for financial prudence and the need to maintain fair and market competitive remuneration packages.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2022.

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 41 to 78 and Financial Review on pages 80 to 96. 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 164 to 167. The future development of the group's business is discussed throughout this annual report including in the CEO Statement and Strategic Review on page 39.

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 118 to 121.

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 22 and 23.

Share Capital

There was no movement in the share capital of the company during the year.

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 2022, given the underlying loss of the company, the Board of Directors has resolved not to declare an interim dividend (2021: nil) or a final dividend (2021: 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\$0.75 million (2021: HK\$1.43 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\$0.94 million (2021: HK\$1.55 million) referred to in the Sustainability Data Statements on page 262 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 for the period from 1 January to 31 March 2022 amounted to HK\$7.9 million.

KEL is the agent of the registered owner of the Office Premises. The registered owner is ultimately controlled by certain substantial shareholders of the company. The lease constituted continuing connected transaction of the company and subject to annual reviews by Independent Non-Executive Directors and the auditor 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.

On 28 March 2022, HMS entered into a new tenancy agreement with KEL to renew the Office Premises for two years commencing on 1 April 2022 at a market rent of HK\$1,747,098 per month plus a monthly service charge of HK\$259,246.8. In accordance with HKFRS 16 "Leases", the transaction under the new tenancy agreement had been regarded as an acquisition of asset by the group and the value of the right-of-use asset recognised by the group was HK\$41 million. The lease constituted a connected transaction of the company and details of the transaction were disclosed in the announcement dated 28 March 2022.

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 are shown on pages 132 to 140. All of them held office throughout 2022 and up to the date of this report, with the exception of Mr William Mocatta who will retire as a Non-Executive Director and Mr Diego González Morales who will join the Board, both with effect from 31 March 2023.

In accordance with the Articles of Association of the company, all the Directors who will retire at the 2023 Annual General Meeting³⁶ and, being eligible, have agreed to offer themselves for re-election. They include Mr Andrew Brandler, Mr Clement Kwok, Mr Pierre Boppe, Dr William Fung and Mr Diego González Morales.

None of the Directors proposed for re-election at the 2023 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 10 May 2023

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 website³⁷.

Senior Management

Biographical details of senior management are shown on pages 141 and 142. 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 retired on 31 August 2022. Mr Shane Izaks retired in May 2022 and will continue in his role as Consultant Director of Information Technology for the group for one year.

Interests of Directors

As at 31 December 2022, 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) | 848,805,369 | 51.460 |
| 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) | 84,170,232 | 5.103 |
| Mr Philip L. Kadoorie | Note (c) | 848,805,369 | 51.460 |
| 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 848,805,369 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) 492,138,538 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder.
- (b) Mr John A.H. Leigh was deemed (by virtue of the SFO) to be interested in 84,170,232 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 84,170,232 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 84,170,232 shares.
- (c) Mr Philip L. Kadoorie was deemed (by virtue of the SFO) to be interested in 848,805,369 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) 492,138,538 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries.

Messrs Andrew Brandler, Christopher Ip, Nicholas Colfer, James Lewis, Patrick Paul; Dr William Fung, Dr Rosanna Wong, Dr Kim Winser 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 2022.

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 2022, 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 2022, 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 2022, 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 | 261,682,888 | 15.87 ⁽ⁱ⁾ |
| Bermuda Trust Company Limited | Trustee/Interests of controlled corporations | 345,853,120 | 20.97 ⁽ⁱ⁾ |
| Guardian Limited | Beneficiary/Interest of controlled corporation | 84,170,232 | 5.10 ⁽ⁱⁱⁱ⁾ |
| Harneys Trustees Limited | Trustee/Interests of controlled corporations | 932,975,601 | 56.56 ⁽ⁱⁱⁱ⁾ |
| Lawrencium Holdings Limited | Beneficiary | 492,138,538 | 29.84 ⁽ⁱⁱ⁾ |
| 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 | 848,805,369 | 51.46 ⁽ⁱⁱ⁾ |
| The Oak Private Trust Company Limited | Trustee/Interests of controlled corporations | 84,170,232 | 5.10 ^(iv) |
| Oak (Unit Trust) Holdings Limited | Trustee | 84,170,232 | 5.10 ⁽ⁱ⁾ |
| Oak HSH Limited | Beneficiary | 84,170,232 | 5.10 ^(iv) |

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 was deemed to be interested in the shares in which The Mikado Private Trust Company Limited and Guardian Limited were deemed to be interested, either by virtue of having direct or indirect control over such companies and/or in the capacity as one of the trustees of a discretionary trust.

The shares in which Guardian Limited was deemed to be interested was duplicated within the interests attributed to Mr John A.H. Leigh in his capacity as one of the trustees of a discretionary trust as disclosed in "Interests of Directors".

- (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.

(b) Other substantial shareholders

| | Capacity | Number of shares held in the company | % of total number of shares in issue of the company |
|--------------------------------|--------------------------------------|--------------------------------------|---|
| Mr Ng Chee Siong | Trustee | 84,828,218 | 5.14 ⁽ⁱ⁾ |
| Mr Philip Ng Chee Tat | Trustee | 84,828,218 | 5.14 ⁽ⁱ⁾ |
| Sino Hotels (Holdings) Limited | Interests of controlled corporations | 84,828,218 | 5.14 ⁽ⁱ⁾ |

Note:

- (i) 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 2022, 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.

Interests of Any Other Person

As at 31 December 2022, 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' Report

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 2022 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 145 to 163.

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 2022, 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 2022 have been audited by KPMG who will retire at the 2023 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 Accounting and Financial Reporting Council Ordinance) as auditor and authorise the Directors to fix their remuneration will be proposed at the 2023 Annual General Meeting.

By Order of the Board



Christobelle Liao
Company Secretary
15 March 2023