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CORPORATE  
RESPONSIBILITY AND  
SUSTAINABILITY REPORT  
2017

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A VISION FOR SUSTAINABLE LUXURY







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## About the Cover Photo

Our commitment to sustainability also includes heritage preservation in the cities we operate. One such example is The Peninsula Academy's kite flying activity in the newly renovated, all-suite, The Peninsula Beijing, highlighting a beloved Chinese tradition. Under the guidance of the kite master, guests make animal-shaped kites from bamboo, paper, silk and rattan and are then flown at the nearby Temple of Heaven Park, allowing our guests to experience this unique local tradition.



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## ABOUT THIS REPORT

The Corporate Responsibility and Sustainability Report 2017, read together with our Annual Report 2017, aims to provide a connected view of different aspects of our performance and enable our stakeholders to have a more informed assessment of our company. In this report, we share the challenges and successes we faced over the past year in our company's sustainability journey. This report is one of the ways we engage with our stakeholders, we also conduct meetings and focus group sessions with interested stakeholders when relevant.

### Reporting Scope

This report focuses on the Group's hotels division, commercial properties division, The Peak Tram, Thai Country Club, Quail Lodge & Golf Club, and Tai Pan Laundry<sup>1</sup>. It accounts for 96%<sup>2</sup> of the Group's revenue<sup>3</sup>.

### Reporting Standards and Assurance

This report complies with the "comply or explain" provisions in the Stock Exchange's (HKEx) Environmental, Social, and Governance Reporting Guide (ESG Guide) (revised in December 2015), which includes a number of relevant recommended disclosures and contains standard disclosures from the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) (re-launched in November 2016), and read together with the Annual Report, references the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC).

KPMG was commissioned to conduct assurance and to provide an independent opinion on this report in accordance with the HKEx ESG Guide. This report can be read on pages 23 to 24.

We welcome your feedback. Please share your views with us by post or email:

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<sup>1</sup> In the clubs and services division where HSH maintains operational control.

<sup>2</sup> Based on the Group's annual revenue in 2017.

<sup>3</sup> HSH employees working for Peninsula Merchandising Limited (PML) and Peninsula Clubs & Consultancy Services (PCCS) are included in the workforce statistics. Facilities managed by PCCS and PML boutiques outside Peninsula hotels are not included in environmental data as HSH does not own these facilities nor has sole control of their policies.

## OUR SUSTAINABILITY VISION

Our company's key philosophies include conducting business with the highest level of integrity, respecting history and heritage, maintaining the best brand and reputation and passing on to future generations a portfolio of the highest quality assets. These permeate throughout our governance and management values and align with the principles of sustainability. This is why we have sought to have a positive social, economic and environmental benefit on the local communities and the wider societies in which we operate, and we remain committed to doing so. This means not only meeting local regulations, but where possible, aligning to international best practice and expectations. We have always believed that taking care of our people and world around us is simply the right thing to do.

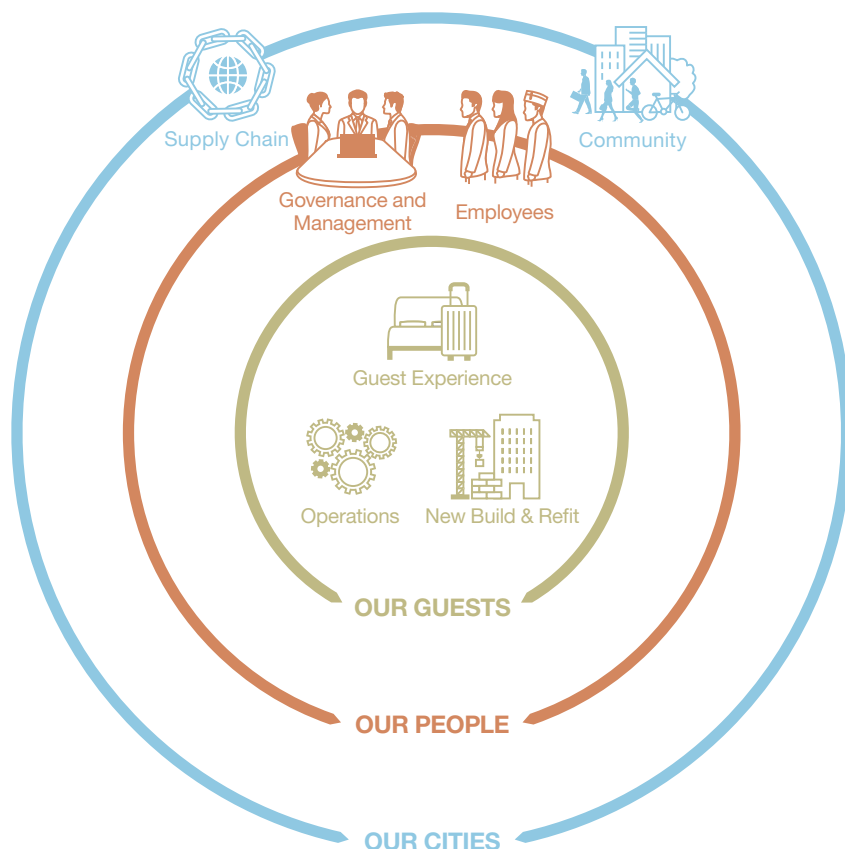
This long-term belief was formalised in 2007, when our CEO Clement Kwok, led the creation of the Group Corporate Responsibility Committee (GCRC) and later, formed our Corporate Responsibility and Sustainability Department to coordinate efforts across the Group.

We recognise that there is a perceived divide between the notion of luxury and the principles of sustainability. To bridge this divide can be challenging. However, we believe that attention to detail and quest for quality will help us to innovate by making sustainability part of the appeal of our luxury offering. We believe sustainable luxury is a long-term mindset based on managing risk and embracing the right opportunities, enabling a sense of belonging with our stakeholders, and providing an offering that is both thoughtful and purposeful.

### Vision 2020

In 2013, we formalised our sustainability strategy known as Sustainable Luxury Vision 2020 (Vision 2020) that has helped to address our social and environmental impacts, and leverage opportunities for continued sustainable growth. We initially presented our Vision 2020 through seven pillars and 52 commitments. To simplify the communication of our sustainability efforts, we have summarised these into three key areas: our guests, our people and our cities.

While we continued to see good progress in achieving over 80% of our commitments, we have encountered challenges. Since the implementation of this strategy, we have become more aware of the systemic and multi-dimensional nature of sustainability issues.



### Support for the United Nations' Sustainable Development Goals (UN SDGs)

The UN SDGs were launched in September 2015 outlining its sustainable development agenda for the year 2030. We support global initiatives such as this, bringing stakeholders together – governments, business, communities to work collaboratively towards building a sustainable future for all. While our sustainability vision directly or indirectly contributes to most of the SDGs, in 2017, we identified three key goals of responsible consumption and production (SDG 12), decent work and economic growth (SDG 8) and sustainable cities and communities (SDG 11) that aligns with the focus areas of our sustainability vision – our guests, our people and our cities.



[Learn more about the UN SDGs](#)

## Our Sustainability Vision

### Our CEO's Message

"It is my belief that building our business to be sustainable for the long term is the most important task of our group. I believe we have exhibited a strong sense of responsibility, high level of consciousness and integrity which has contributed to our success. However, we understand that in creating a legacy and addressing the challenges we face, we must play a role in building a sustainable future, through continued dialogue, collaboration and innovation."



Clement K.M. Kwok  
CEO

**AR** Read the full GCRC Report in the 2017 Annual Report on pages 152 to 153.

For example, the lack of waste management infrastructure in specific regions, and the low value accorded to some natural resources such as water. With a more nuanced understanding, we are reassessing our approach, recognising that addressing these challenges requires concerted efforts and collaborative solutions with other stakeholders.

### Governance

Our sustainability performance is managed and governed by the GCRC, chaired by the CEO. The GCRC reports to the Group Management Board, who in turn, reports to the Board to review and address our sustainability practices and objectives. The GCRC members are Vision 2020 Group

Champions who guide and collaborate with operation teams on the ground to deliver progress on these pillars.

The GCRC is supported by the Director of Corporate Responsibility and Sustainability, who is responsible for setting the direction of the Group's policy and strategy on these topics, supporting senior management and managing stakeholder relationships on these specific issues.

At the local level, each operation has set up their own committees to develop relevant action plans, coordinate actions and review progress on our sustainability commitments.



## THE BOARD

Board of Directors

### GROUP LEVEL

Group Management Board

Group Corporate Responsibility Committee

Chaired by CEO, supported by Director of CRS and Vision 2020 Group Champions



### OPERATION LEVEL

Local CRS Committees

Chaired by General Managers/Hotel Managers, supported by key Function Heads

## STAKEHOLDER ENGAGEMENT AND MATERIALITY



We are proactive in the regular engagement of different stakeholders – from employees, customers, regulators, lenders, shareholders and investors, non-governmental organisations, media and others. These engagements enable us to capture and understand how stakeholder views are changing and ultimately implement continuous improvements to the business today and in the future.

### Identifying and Prioritising Material Issues

The identification and prioritisation of significant issues, known as our materiality approach, provided the foundation for Vision 2020 and considered the views of a broad range of stakeholders and their differing, and sometimes, competing interests. This approach enabled us to focus on issues that matter to both stakeholders and the business. We recognise that the materiality list is not a static document and we will continue to enhance our approach with the view of embedding

sustainability considerations into every decision we take.

In 2017, we implemented a revised approach to identifying material issues. We first constructed a list of issues based on a review of publications on risk and sustainability related to our industry from leading organisations such as the World Economic Forum and the World Travel and Tourism Council, to name a few. We then sought inputs from a range of stakeholders including customers, think tanks, NGOs and partners/suppliers. As a result, we have focused on guest experience, operations, new build and refit, supply chain, employees and community as primary themes for sustainability management and reporting.

We will continue to refine this process towards a more robust and embedded approach in 2018, with the aim of aligning to international best practice and detailing our integrated list in future reports.

Identify key CRS Issues



Understand external stakeholders perspectives



Link to business significance



Analyse findings and present outcome





# Our Guests





*We differentiate ourselves by bringing the destination to life for our guests, allowing them to experience it through the eyes of a "local", and discovering what makes each of our home cities special.*



The Peninsula Academy is a selection of inspired, bespoke experiences that aim to immerse our guests in our local communities. The lantern-making activity at The Peninsula Hong Kong is unique, highlighting a beloved Chinese tradition, iconic to its many cultural festivities and celebrations. Under the guidance of a lantern master, guests make their own lantern creations modelled after a signature Peninsula pageboy hat. They also learn about the tradition's history and take a tour inside an original paper craft and joss paper shop. A truly one of a kind experience!

#### Vision 2020 Commitments



Expand customer base by providing facilities and services that cater to their ever-changing needs: multigenerational travellers; sustainable meeting options; rejuvenate *Naturally Peninsula*



On Track

Engage customers in activities related to heritage preservation/nature conservation



On Track

## OUR GUESTS

The Peninsula brand has been synonymous with excellence, luxury and timeless elegance. It is this brand recognition and emotional engagement with our story that drives our business results and ensures that our guests return time after time.

### Guest Experience

We offer guests exceptional and memorable experiences through our superior and innovative product and dedication to personal, warm and genuine service.

### Key Highlights

27

Environmental and heritage-themed programmes available for guests under our Peninsula Academy



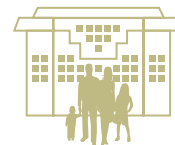
5

Pillars under the rejuvenated *Naturally Peninsula* which includes sustainably sourced food to support guests' wellness lifestyles



230

all-suite rooms in the recently renovated The Peninsula Beijing, designed for multi-generational travellers as well



### Our Approach

Our hotels and properties are designed to reflect the unique cities we operate in and strive to embrace the local culture, style and history. It is important that we embed our operations deeper into the life of the community we serve.

We are committed to refining luxury in tandem with the evolving needs of our guests – such as groups with multigenerational travellers and the changing expectations of all our guests and clients.

We also introduced nature-inspired programmes in some of our hotels to raise awareness amongst our guests and showcase the ecological heritage and biodiversity of these locations.



## Operations

To deliver our products and services to the highest standards of luxury and quality, we rely on an array of resources ranging from the energy and water that we use, to the ingredients in the food that we serve. We consider each of these aspects to ensure that these are sustainable, cost effective and above all beneficial to the health and experiences of our guests.

### Key Highlights

**20.0%**

Energy intensity reduction achieved in 2017 from baseline at 1,326 MJ/m<sup>2</sup>



**19.8%**

Water intensity reduction from baseline achieved in 2017 for the Hotels division at 1,100 L/guest night



**47.5%**

Waste diversion rate for 2017; with our hotels in Beijing, Beverly Hills and Tokyo reaching more than 80% diversion



### Our Approach

While we comply with relevant regulations such as carbon reporting in Beijing, water savings in California, to preparing for waste charging in Hong Kong, we are deeply committed to driving continuous improvement in other aspects of our operational performance while managing our unwavering luxury standards. Policies and procedural manuals such as the energy conservation manual, water management guide and waste management guide have been put in place to provide guidance. All operations across the Group provide regular sustainability performance reports which are reviewed by the GCRC. In addition, the Group Chief Engineer leads inspections at each operation twice per year. Self-assessment checklists on water and waste are provided to support the assessment of yearly performance.

However, despite our best efforts, performance improvements have hit a plateau in the past three years largely because most of the immediate gains that could come from environmental engineering projects and back-of-house improvements have already been realised. Currently, we are looking at increasing our understanding of potential reduction and efficiency opportunities through for example, energy audits.

*We believe that luxury is not about wasteful overabundance, but pampering our guests with the finest, being thoughtful to their needs and delighting them with unique experiences that last a lifetime.*



Everyone loves fresh linens and fluffy towels! There is a lot that goes behind the scenes to provide this small luxury in an environmentally friendly way. Five of the seven hotels where we manage laundry have now implemented a low-temperature laundry programme which uses less energy and water. We also use biodegradable chemicals to achieve our goal of sustainable luxury.

### Vision 2020 Commitments



Improve utility resource use whilst not compromising our luxury/service standards:\*

25% energy intensity



On Track

30% carbon intensity



On Track

10% absolute carbon emission



On Track

25% water intensity



Behind Plan  
(refer to p.11)

25% waste intensity (2012 baseline)



Behind Plan  
(refer to p.12)

\*Baseline of 2006-08, except for waste intensity.



## Our Guests

*We are mindful that in some cities where we operate, sustainability impact may differ. Our sustainability approach allows us to focus deeply on local impact and play our part as a responsible corporate citizen.*



In a severely water-stressed area like California, water conservation is a priority at The Peninsula Beverly Hills. Through diligence, perseverance and attention to detail, it achieved a 30.2% reduction in water use per guest night from baseline at the end of 2017, one of the consistent top performers in the Group. A combination of small operational initiatives such as installing faucet aerators, modernising the irrigation system, implementing waterless car wash and urinals in public areas and increased staff awareness leading to behavioural change, have resulted to this efficient and effective outcome! The hotel will continue to look into more opportunities for water efficiencies and share its learnings with the rest of the Group.

### Vision 2020 Commitments

In water stress regions, support initiatives that increase water efficiency



Behind Plan

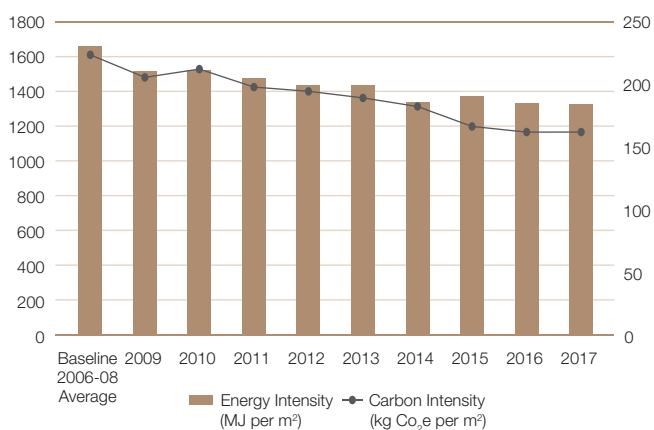
Achieve excellent rating in IAQ assessment



On Track

**Energy and Carbon Footprint:** Due to initiatives solely from within our operations, such as LEDs, equipment upgrades/optimisation we met our carbon intensity target with a 30.9% reduction from baseline. Overall energy intensity reduced by 0.2% from 2016 and 20% from baseline with absolute emissions 13.1% lower than baseline.

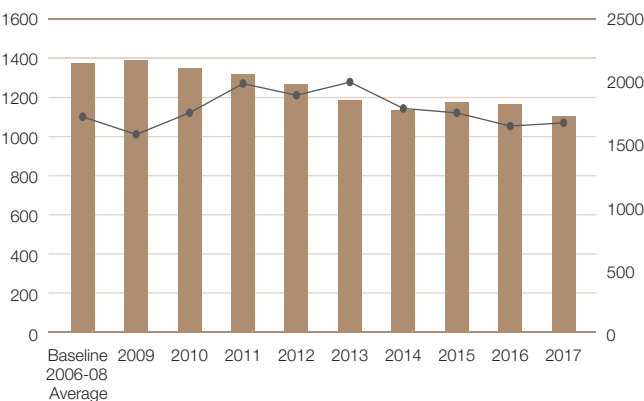
### Group Energy and Carbon Intensity







Group Water Intensity\*



\*Water Intensity of Tai Pan Laundry is excluded as its intensity is measured on differed metrics from that of properties and clubs

■ Hotel Division (litres per guest night)  
● Commercial Properties & Clubs (litres per m²)

**Water Efficiency:** Water remains an undervalued resource with costs still not reflecting its true value, making it challenging to prioritise investment due to long payback periods. With our operations located in water-stressed regions, such as China and California, it is essential that we are committed to reducing water usage despite these challenges. For 2018, we aim to be able to identify initiatives that could increase general water efficiency in our communities, as our focus in previous years has been within our own operations.

In 2017, we met our water intensity target for the hotels division, with a reduction of 4.7% from 2016 and 19.8% from baseline. However, water intensity at commercial properties increased by 1.6% from 2016 and decreased by 2.8% from baseline. This was due to increased business; additional infrastructure and less rainwater collected due to the changing weather. Tai Pan Laundry’s water consumption, using a different parameter of litres per kilogram washed, decreased by 1.6% from 2016 and down 35.6% from baseline, exceeding the target.



## Our Guests

*Behind the scenes, we work with other organisations to find win-win solutions for waste management. We are delighted when we can find a second life for the resources we use.*



We continued our work with the international non-profit organisation, Clean The World, in operations where they are located – US, Hong Kong and Tokyo. Through the hard work of our housekeeping teams, we segregate partially used soap bars and/or bottled bathroom amenities and donate them to be re-manufactured as new soap bars for impoverished communities, helping to address preventable hygiene-related illnesses; while our bottled amenities are then sent for recycling. In 2017, these operations donated 3.2 tonnes of partially used soap bars and 1.9 tonnes of bottled amenities which may otherwise have become landfill waste. Other Peninsula hotels also worked with their local partners to support similar causes locally.

### Vision 2020 Commitments



Achieve 60% waste diversion rate



On Track

Implement robust food safety management system, including achieving HACCP/appropriate certification



On Track

**Waste Management:** The nature of our operations produces waste that needs to be effectively managed. We are committed to managing our waste properly, implementing the concept of a circular economy – reducing, reusing, recycling and replacing throughout our operations, where possible.

| Waste Intensity               | 2017 | Change | 2012 |
|-------------------------------|------|--------|------|
| Dry Waste (kg per sq.m)       | 6.8  | ↑22.8% | 5.6  |
| Wet Waste (kg per food cover) | 0.76 | ↓17.5% | 0.92 |

While our wet waste intensity has decreased, our dry waste intensity has not shown improvement since 2012. This might impact our ability to achieve our waste diversion rate, however, in 2017, waste diversion improved at 47.5% in 2017, up by 5.3 percentage points from 2016, with improvements coming from operations in cities with a lack of comprehensive waste disposal infrastructure. This is heartening to see as we began a re-assessment of our waste management – including its measurement methodology and availability (or lack thereof) of local recycling and disposal infrastructure. In response, we started to develop tools to support operations and clarified our monitoring approach.

We also identified other areas of improvement, such as prioritising waste streams based on volume and disposal methods, in which we identified two streams of focus: food waste and single use disposable plastics, as well as providing clearer guidance for staff. Specifically, for plastic items, 262 tonnes were recycled with the support of our staff, suppliers and recycling contractors; this was a 119% improvement from 2016.

We are currently revising our waste management guide to enable clarity on better practices that begin even at the procurement stage. In the future, we hope to see continued improvement in our performance.



## Our Guests

### New Build and Refit

Our hotels and other developments are built to appeal to a timeless aesthetic that showcases both our heritage and the traditions and culture of the cities where we operate.

#### Key Highlights

3

new projects are being developed with BREEAM in mind



### A first

The major renovation for The Peninsula Beijing has received BREEAM Good certification in 2018, the first certificated refurbishment project in Beijing.



### Top of the class

Our renovation of 21 Avenue Kléber in Paris has achieved the international BREEAM Excellent class and the HQE Outstanding environmental certifications, the highest sustainable building level in Europe. Using sustainable materials, it was also designed to be 40% more energy and water efficient.



**AR** Learn more about The Peninsula Beijing renovation in the 2017 Annual Report pages 88 to 92.

### Our Approach

We aspire for HSH properties to be iconic, built from materials that are both sustainable and enduring. As such, we pay close attention to design specifications and product standards in any new construction or renovation. This includes examining the fittings and furnishings to ensure that they are luxurious, and where possible, sustainable and resource-efficient.

For our hotel developments, we adopt the British-based Building Research Establishment Environmental Assessment Method (BREEAM), one of the world's leading standards on sustainable buildings, to guide the integration of sustainability considerations into our properties. We also work with trusted vendors and artisans to design bespoke furnishings that meet our high-quality standards. The materials we choose must meet high environmental and safety requirements, contributing to the well-being and comfort of our guests. We aim to continue building on the research and use of sustainable materials and incorporate more recycled items into our new projects.

*We consider the entire product lifecycle and work closely with our design and procurement partners to emphasise that our interior furnishings must be comfortable, luxurious and sustainable.*



In our adoption of BREEAM in our hotel projects, our Projects Group, along with our BREEAM and design consultants, conducted detailed research to form a holistic view of our design approach to make the most relevant sustainable choices for our guests. These have been incorporated in our renovation of The Peninsula Beijing, where we implemented the use of paints, adhesives, wall coverings, fabrics, and carpets with low VOCs, wall coverings with recycled content, metal-free leather using water-based and water-soluble finishes, fabric that meets the international circular economy standard Cradle to Cradle or C2C, and sustainable wood in the millwork and furniture. Our choices for energy efficient fan-coil units and LED lighting have also reduced energy consumption. A great example of sustainability combining with luxury!

#### Vision 2020 Commitment

All new build and major refit projects meet the relevant international sustainable building standards





# Our People



## OUR PEOPLE

*Investing in our people is perhaps the most important investment we can make for the long-term sustainability of our business.*



Enhancing the relevant skill sets of our people, broadening their horizons and developing their confidence are some of the aims of our learning and development programmes. The English Language Programme is a development opportunity between The Peninsula Tokyo and The Peninsula Manila where staff from Tokyo learn English in an immersive setting in Manila for two to three months. It is a notable example of our two operations learning from each other. Participants also complete practical work experience, learning about a new culture and sharing each other's work practices. We believe that when we invest in the potential of our people, they flourish, remain engaged, develop empathy and deliver the exceptional level of service that we are known for.

### Vision 2020 Commitments



Strengthen executive and leadership development and build a robust succession planning framework for senior leadership



On Track

Provide learning & development opportunities on CRS issues and topics to all staff in a relevant manner



On Track

Maintain zero work fatality or incidents resulting in permanent disability



On Track

Minimise OHS incidents by implementing robust safety management systems referring to relevant international standards or others where appropriate



On Track

The face of our brand and the heart of the HSH Group are our people. They shape the experiences of thousands of our guests and customers every day. We put significant emphasis on the selection, development and retention of the right talent, which allows us to deliver the highest standards of quality and service and contributes to the growth and success of our business.

Our family culture of care, respect and fairness extends to all aspects of our business and to every interaction with our people. We always aspire to provide the environment and opportunities that allow our people to flourish and be their best selves.

 **Read more about our people in our 2017 Annual Report pages 93 to 98.**



### Key Highlights

40.7

Lost day rate  
Due to better incident reporting and training  
↓ 10.9% compared to LY



500

Staff included in our succession planning programme



21.3%

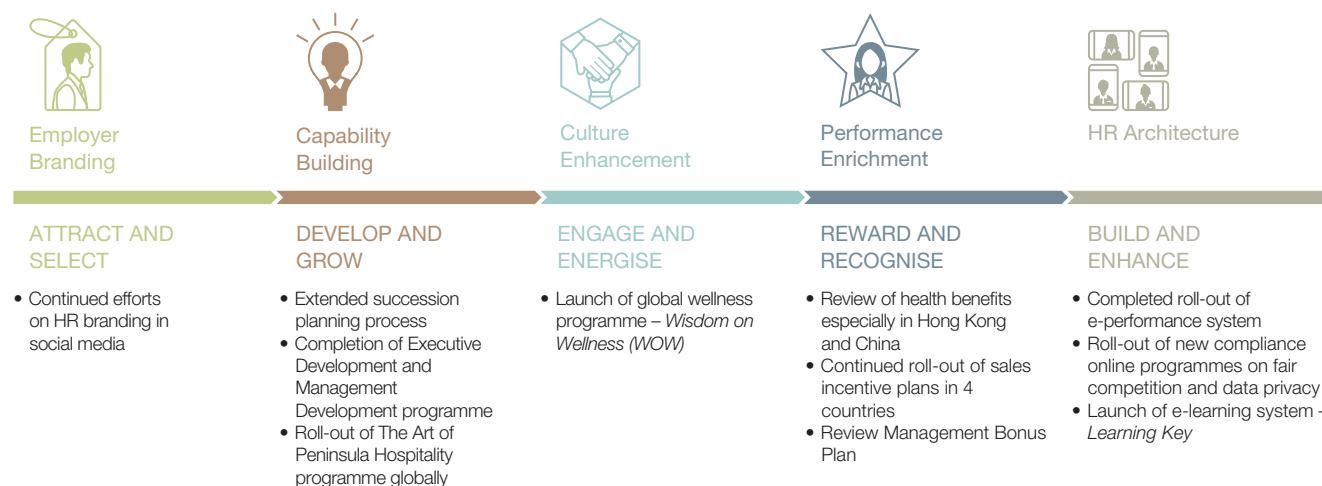
Overall staff turnover  
A reduction of 0.7pp from 2016 due to continued effort on HR branding on social media and extension of succession planning; voluntary turnover was up by 0.3pp.





## Our Approach

Since 2015, we continued to implement our five-year Human Resource Strategy comprising of five key focus areas, including key highlights for 2017:



## Our Work Environment

**Diversity:** We are committed to providing an inclusive and harmonious workplace which provides equal opportunity to all employees regardless of gender, age, nationality, religion, sexual orientation, disability, or other aspects of diversity. In 2017, 42.2% of management positions and 41.9% of total workforce were female. Our policy and processes are in place to ensure that reported incidents of discrimination are heard and handled in a fair and appropriate manner. We deal with these reports very seriously and encourage reporting. In 2017 we received two reports of discrimination, which were lodged, investigated and managed in accordance with the Group's policy. In the spirit of continuous improvement, we will be rolling out several initiatives in 2018 with the aim of increasing awareness and enhancing better outcomes in this area.

**Health, Safety and Security:** It is a priority that we ensure the health and safety of guests and employees at our hotels, clubs and properties. Many nations across the globe, including some of our operational regions, are dealing with issues such as terrorism and/or social unrest. We aim to maintain effective systems and policies to safeguard the guests who stay and visit our properties and staff who work there. Each operation has their own health and safety committee meeting regularly to review performance and implement improvements. Our operations have systems or management procedures in place that comply with local regulations as a minimum and where possible to supplement with alignment or compliance to OHSAS 18001, the internationally recognised occupational health and safety management standard. In 2017, we continued our efforts to enhance our security management and systems, for example we began to upgrade our physical security systems, rolled out the operational security risk manual to operations which were developed aligned with the principles of ISO 31000, the international benchmark on security management.

Our injury rate for 2017 is at 7.9 injury cases per 100 employees, down by 5.1% from 2016 due to increased staff awareness of reporting incidents, majority of which were minor injuries. Our lost day rate in 2017 at 40.7 lost days per 100 employees is a significant improvement at 10.9% from 2016. While we continued to have no work fatalities, we regret to report one incident resulting in permanent disability due to an occupational injury that led to a reduced ability to work, compensation has been provided to the relevant staff and learnings from this incident taken onboard. To further reduce the incidence of injuries, we are strongly committed to increase training and to roll-out supporting tools and programmes.

**Ethical Conduct:** Our values as a company underpin our high standards of ethical conduct. We respect human rights, embrace diversity and stand firm against corruption. This is core to who we are as a business, and essential to our sustainable growth. In 2017, we launched the Group's revised Code of Conduct, to improve understanding of our expectations on staff conduct, particularly on anti-bribery, fair competition, equal opportunity, customer data privacy and anti-discrimination, as well as to facilitate training amongst our staff. This Code continues to recognise international conventions and charters such as the United Nations Declaration on Human Rights. There were two reports of major breaches of our Code of Conduct in 2017, which are currently being investigated and managed under our Group policy. All employees undergo training on our Code of Conduct to ensure they are familiar with the Group's expectations on ethical and professional conduct. A Speak Up Policy outlines the systems that facilitate reporting of misconduct and the procedures for investigation and resolution of malpractice.



# Our Cities





## OUR CITIES

*Throughout our long history, we have always believed that taking care of our local communities is simply the right thing to do.*



Now in its fifth year, the Honing Skills in Hospitality programme provides a unique platform in the industry where selected secondary school students with ethnic origin backgrounds in Hong Kong receive training and a 5-week internship and mentorship at our operations. With keen competition for university admissions and a lack of mastery of written Chinese, ethnic minority youth in Hong Kong face many barriers in society. This programme offers students an opportunity to be introduced to the Group's operations and gain real life job experience that they can take into their future careers. Since then, more than 50 students have benefitted. We are expanding this programme to include continuous life skills training after they graduate high school and well into their university years.

### Vision 2020 Commitments



Contribute 100,000 hours of community service with 10% of employees engaged



On Track

Develop group-wide community investment programmes to be implemented at all HSH operations



Behind Plan  
(to work further  
in 2018)

The success of our business is inextricably linked to the success and sustainability of the cities and communities where we operate. These communities provide the resources, infrastructure and markets that our businesses rely on. It is essential that they benefit from having us there. We believe we have a responsibility to deliver positive, lasting impacts that contribute shared and sustained value for all.

### Community

It is our aim to support the development of our communities by leveraging the strengths in our operations. We hope through our community partnerships with international and local charities we can address pressing social needs and reinforce our commitment to enduring positive impact.

#### Key Highlights

22.2%

Employees engaged in community work with over 240 charities totalling over 57,000 community hours since 2013



713

Community programmes supported worldwide with more than HK\$12 million in cash and kind donated



### Finalist

Nominated globally for *The Ethical Corporation's* Best Domestic Community Investment, for our Honing Skills in Hospitality Programme, shining a light on the challenges of ethnic minority youth in Hong Kong

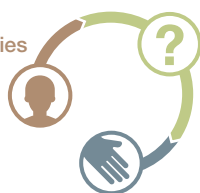


### Our Approach

We recognise that different communities face distinct challenges, and for this reason, each hotel and property tailors their efforts to match community needs through local action plans. We engage and invest in our local communities in a manner that responds to their needs in a strategic, relevant and focused way. Our volunteering and community initiatives also emphasise the manner and importance of delivering care, a skill that is integral in our daily work.

**WHO**  
are our beneficiaries

- Elderly
- Youth
- Under-served

**WHY**  
we help them

- Elderly: Caring for our heritage
- Youth: Preparing for the future
- Under-Served: Helping those who need it the most

**HOW**  
do we help them

- Charitable Donations/Cause Marketing (e.g. Trees of Hope)
- Employee Volunteering (e.g. Elderly Visit)
- Community Partnerships (e.g. Honing Skills in Hospitality)

## Our Community Development Work

### Some Examples

#### Elderly caring

The increasing elderly population in Japan has led to a rise in supporting their specific physical, social and emotional requirements. The Peninsula Tokyo's contribution to this societal need includes providing services such as bed making, facility clean-up, cooking and entertaining the elderly in two wards in the local Chiyoda-ku area.



#### Youth development

In Paris, we work with *les Apprentis d'Auteuil*, preparing young people from underprivileged or refugee backgrounds, providing training so they can succeed in their future life and career. We contribute our hospitality knowledge to their cooking school, sharing our professional skills. In 2017, as the official partner of their gala dinner, we not only donated auction items raising EUR 10,000 but also helped to plan the menu and service with 75 students participating. At the end of the event, four of the best students were given internship opportunities at The Peninsula Paris.

#### Helping the underserved

Since 2009, The Peninsula New York has worked with the New York Center for Children, providing support to victims of child abuse and their families, as well as its prevention. We contribute to the centre in different ways, by employee volunteering, donating from our Trees of Hope programme, and as the official partner of its annual gala dinner.

Aimed at developing underprivileged and at-risk youth in China through life skills and hospitality vocational training, The Peninsula Shanghai Mentoring Programme celebrated the graduation of 11 participants in 2017, with several of them now working at the hotel.

The two-year mentoring programme started in 2015 and was developed by the Sir Horace Kadoorie Youth Development Foundation, an initiative made possible through a private donation from HSH's current chairman, The Hon Sir Michael Kadoorie and Lady Kadoorie as a tribute to Sir Michael's uncle, Sir Horace Kadoorie, a former chairman of HSH for 35 years.



*"The idea started five years ago with the intent to pay tribute to my late uncle, Sir Horace Kadoorie, for his contribution to the hospitality industry and his philanthropic work in China and Hong Kong."* – The Hon Sir Michael Kadoorie, Founder and Benefactor, Sir Horace Kadoorie Youth Development Foundation

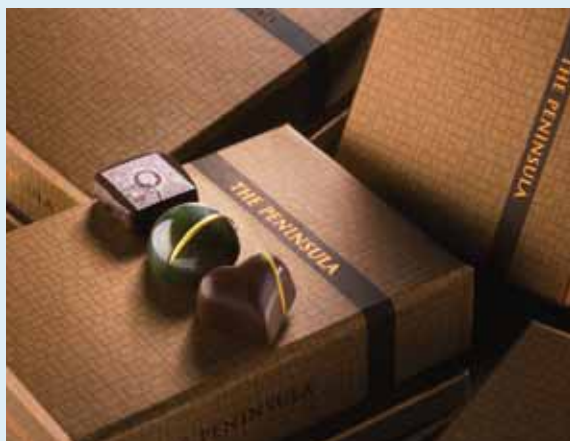
During the programme, participants completed interactive classes on different topics, supplemented with regular cultural outings as part of a wider enrichment programme. Hospitality vocational training and a six-month industry work experience followed the mentorship which was supported by volunteers from The Peninsula Shanghai.

The programme, now in its second cycle, is expected to further expand its reach and scale in 2019 with the opening of the Sir Horace Kadoorie Youth Development Centre for Hospitality in Shanghai, serving more young people and helping them build their own sustainable futures.



## Our Cities

*Our aim is to make thoughtful and responsible choices to achieve and create luxurious and sustainable experiences for our guests.*



Peninsula Merchandising, which develops and sells a range of food products and gift items beautifully packaged under The Peninsula brand, is the single largest user of paper products in the Group. It now obtains 100% of its packaging boxes and shopping bags from certified sources such as the Forest Stewardship Council (FSC) certification. We will continue to work on our other packaging materials to reduce its environmental impact.



### Vision 2020 Commitments

Enforce shark fin ban and remove critically endangered species in our F&B offerings



On Track

Procurement contracts comply with HSH Supplier Code of Conduct and verified by sample audit



On Track

These products to come from sustainable materials/certified sustainable/ethical sources where relevant: paper\*; tea/coffee/chocolate\*; guestroom amenities; 50% cleaning products; source 50% of perishables locally or regionally



On Track;  
Behind Plan\*

## Supply Chain

We are aware that the purchasing choices we make not only affect the experience we create for guests, but also have a direct impact on the wider environment and society in general, as well as require work with not only our suppliers, but with the wider community. Therefore, we have included these supply chain initiatives under this section.

### Key Highlights

90.4%

of paper from sustainable sources; nearly meeting our target for 2017  
↑ 0.9pp compared to LY



62.8%

of the coffee we served was responsibly sourced, with 45.4% for tea and 22.2% for chocolate



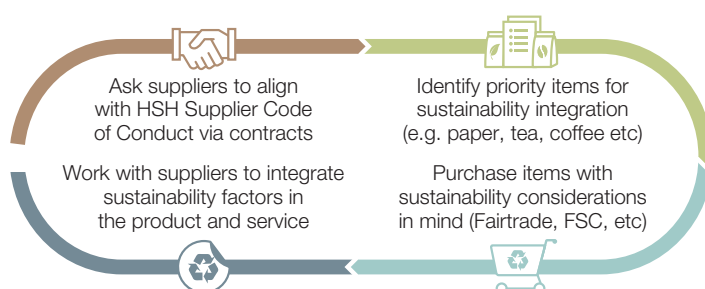
92.8%

of our cleaning products are biodegradable  
↑ 2.9pp compared to LY



### Our Approach

We work with our suppliers to identify and source services and products that are not only cost-efficient, but also demonstrate the ideal of sustainable luxury, contributing to the effort of making sustainability desirable to our guests.



In 2017, some of our key initiatives were:

- a simplified decision tree methodology to aid procurement decisions on selected items and to expand to other items such as single use disposable plastics;
- development of a holistic sustainable assessment of seafood working with an NGO and their experts; and,
- beginning work on the implementation of a framework to verify alignment of suppliers to our Supplier Code of Conduct.

# INDEPENDENT ASSURANCE REPORT

## Independent assurance report to the Directors of The Hongkong and Shanghai Hotels, Limited

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited (“HSH”) to undertake a limited assurance engagement on identified elements (“Identified Elements”) of the Corporate Responsibility and Sustainability Report and Data Statements 2017 of HSH (further referred to as “the Report”) for the year ended 31 December 2017 being prepared in accordance with the Reporting Criteria.

## Identified Elements of the Report

The Identified Elements are as follows:

- The following data points and relevant narratives included in the Report on pages 3 to 22
- The following data points as included in the Data table on page 25

### Economic

Revenue (incl. interest income)  
Operating costs  
Employee wage and benefits  
Capital expenditure  
Payments to providers of capital  
Tax payments to governments  
Total floor area  
Total number of guest nights

### People

Headcount  
Turnover  
Headcount by Gender

### Safety

Injury rate  
Lost day rate

### Community

Donations in cash and in kind  
Other contributions for  
community development

### Environment

Greenhouse gas emissions  
Group carbon intensity  
Total energy use  
Energy Intensity  
Energy saved through reduction initiatives  
Direct water consumption  
Water intensity  
Water recycled and other water sources  
Waste generated  
Waste diverted

## Responsibilities of the Directors of The Hongkong and Shanghai Hotels, Limited

The Directors of HSH are responsible for the preparation and presentation of the Report specifically ensuring that in all material respects the Report is prepared and presented in accordance with the Reporting Criteria, being the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx ESG Guide”). This responsibility also includes designing, implementing and maintaining internal controls relevant to the preparation of the Report that is free from material misstatement whether due to fraud or error.

## Responsibilities of the Independent Assurance Provider

Our responsibility is to express a conclusion to the Directors of HSH based on our limited assurance procedures referred to below as performed over the Identified Elements of the Report. Our independent limited assurance report is made solely to HSH in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Directors of HSH those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than HSH for our work, for this independent limited assurance report, or for the conclusion we have reached. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



## Basis of Our Work

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements. These standards require the assurance team to possess the appropriate knowledge, skills and professional competencies needed to perform the assurance engagement.

## Our Independence and Quality Control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## Work Performed

Our limited assurance engagement on the Identified Elements of the Report consists of making inquiries, primarily of persons responsible for the preparation of Identified Elements presented in the Corporate Responsibility and Sustainability Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Conducting interviews with management and staff responsible for the collection and review of Identified Elements at HSH Head Office to obtain an understanding of the information collection process;
- Attending a site visit to understand the data collection processes used to gather and review Identified Elements included in the Report;

- Examining and testing the systems and processes in place to generate, aggregate and report the Identified Elements;
- Agreeing the Identified Elements, on a sample basis, to underlying calculations and supporting schedules;
- Performing an analytical review of data provided by each operation and investigating, through discussion with management, key movements compared to prior year, expectations and targets;
- Comparing the definitions as included in the HKEx ESG Guide against the definitions used by HSH to prepare the metrics;
- Reading the Sustainability Reporting Content Index on pages 28 to 32 to determine whether it is in line with our understanding of HKEx ESG Guide;
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of the sustainability performance of HSH.

## Conclusion

Based on the limited assurance procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Identified Elements, as described above, of the Corporate Responsibility and Sustainability Report and Data Statements 2017 of HSH for the year ended 31 December 2017, are not prepared, in all material respects, in accordance with the Reporting Criteria.



KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
16 March 2018

# SUSTAINABILITY DATA STATEMENTS

This section provides statistical information on the Group's sustainability performance. To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the HKEx ESG and GRI Standards.

## 1. Performance Highlights <sup>(1)</sup>

|                   |  |  | 2017   | 2016  | 2015  | 2014  | 2013   | 2006-08<br>baseline |
|-------------------|--|--|--------|-------|-------|-------|--------|---------------------|
| Economic          | Revenue (incl. interest income)                              | HK\$m  | 5,804  | 5,668 | 5,797 | 5,903 | 5,554  | –                   |
|                   | Operating costs  | HK\$m  | 2,102  | 2,134 | 2,142 | 2,168 | 2,164  | –                   |
|                   | Employee wage and benefits                                   | HK\$m  | 2,135  | 2,108 | 2,063 | 2,052 | 1,951  | –                   |
|                   | Capital expenditure  | HK\$m  | 1,827  | 2,479 | 1,379 | 354   | 3,183  | –                   |
|                   | Payments to providers of capital                             | HK\$m  | 224    | 239   | 217   | 211   | 372    | –                   |
|                   | Tax payments to governments <sup>(2)</sup>                   | HK\$m  | 442    | 410   | 480   | 458   | 362    | –                   |
|                   | Total floor area   | '000 m <sup>2</sup>                                | 652    | 651   | 651   | 651   | 588    | 518                 |
|                   | Total number of guest nights                                 | '000   | 1,240  | 1,262 | 1,256 | 1,277 | 1,211  | 1,119               |
| People            | Headcount  |  | 7,534  | 7,985 | 8,447 | 8,728 | 8,216  | –                   |
|                   | Turnover   | %  | 21.3%  | 22.0% | 22.6% | 19.9% | 20.3%  | –                   |
|                   | Headcount by Gender  | % Female   | 41.9%  | 42.6% | 42.8% | 42.3% | 41.5%  | –                   |
| Health and Safety | Injury rate <sup>(3)</sup>                                   | reported incidents per 200,000 hours reported days | 7.9    | 8.3   | 7.9   | 7.4   | 7.2    | –                   |
|                   | Lost day rate <sup>(3)</sup>                                 | reported days per 200,000 hours                    | 40.7   | 45.6  | 57.0  | 75.6  | 77.1   | –                   |
| Environment       | Greenhouse gas emissions                                     | '000 tCO <sub>2</sub> e                            | 102    | 103   | 107   | 116   | 112    | 117                 |
|                   | Group carbon intensity                                       | kg CO <sub>2</sub> e per m <sup>2</sup>            | 156    | 158   | 164   | 178   | 190    | 226                 |
|                   | Total energy use <sup>(4)</sup>                              | '000 GJ  | 864    | 866   | 892   | 871   | 843    | 858                 |
|                   | Energy intensity <sup>(4)</sup>                              | MJ per m <sup>2</sup>                              | 1,326  | 1,329 | 1,369 | 1,338 | 1,434  | 1,658               |
|                   | Energy saved through reduction initiatives <sup>(5)</sup>    | GJ   | 13,136 | 4,522 | 6,644 | 6,517 | 10,383 | –                   |
|                   | Direct water consumption                                     | '000 m <sup>3</sup>                                | 1,784  | 1,776 | 1,899 | 1,880 | 1,846  | 1,921               |
|                   | Water intensity  |  |        |       |       |       |        |                     |
|                   | Hotels Division <sup>(6)</sup>                               | litres per guest night                             | 1,100  | 1,154 | 1,168 | 1,132 | 1,181  | 1,373               |
|                   | Commercial Properties, Clubs & Services Division             | litres per m <sup>2</sup>                          | 1,665  | 1,638 | 1,752 | 1,765 | 2,012  | 1,712               |
|                   | Water recycled and other water sources                       | '000 m <sup>3</sup>                                | 489    | 613   | 137   | 124   | 126    | –                   |
| Community         | Waste generated <sup>(7)</sup>                               | tonnes   | 7,605  | 7,746 | 7,832 | 7,778 | 7,101  | –                   |
|                   | Waste diverted <sup>(7)</sup>                                | tonnes   | 3,610  | 3,270 | 3,294 | 3,219 | 2,772  | –                   |
|                   | Monetary donations   | HK\$'000   | 3,250  | 4,232 | 6,273 | 4,197 | 8,900  | –                   |
|                   | In-kind donations <sup>(8)</sup>                             | HK\$'000   | 6,370  | 9,040 | 7,115 | 7,196 | 8,581  | –                   |
|                   | Other contributions for community development <sup>(9)</sup> | HK\$'000   | 2,730  | 2,125 | 2,447 | 2,689 | 2,077  | –                   |

### Footnotes:

- (1.) Please refer to Reporting Scope on page 2 for the scope of businesses covered in the reporting of employee, health and safety, community and environmental performance.
- (2.) Inclusive of corporate income tax, property and real estate tax, payroll tax and other corporate taxes.
- (3.) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2017. The Peninsula Beverly Hills data is not included due to revised methodology utilised.
- (4.) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.
- (5.) Since 2017, energy saved was calculated based on linear regression analysis, a new methodology, hence the increase, this was achieved through energy saving initiatives and behavioural change.
- (6.) Includes all water uses in the hotels, not just those used by guests directly.
- (7.) Group waste diversion rate in 2017 was 47.5%. Grease trap waste and construction waste were not included in the waste data reported.
- (8.) Valuation of in-kind donations are based on market and rack rates of our products and services, whichever is applicable.
- (9.) Relates to contributions made to non-charitable organisations on projects supporting the wider community, for example, the Hong Kong Heritage Project, an archive project for preserving valuable historical records of the Kadoorie family and its businesses, mostly based in Hong Kong.



2. CRS Performance

Explanations for significant data changes are included in the main report text or in the footnotes below, as indicated.

|                                       |   |   | 2017<br>Commercial<br>Properties,<br>Clubs &<br>Services <sup>(2)</sup> |           |           | 2016<br>Commercial<br>Properties,<br>Clubs &<br>Services <sup>(2)</sup> |           |        |
|---------------------------------------|---|---|---|-----------|-----------|---|-----------|--------|
|                                       |   |   | Hotels <sup>(1)</sup>   |           | Total     | Hotels <sup>(1)</sup>   |           | Total  |
| Workforce                             | Total Headcount <sup>(3)</sup>                                |   | 6,123   | 1,411     | 7,534     | 6,391   | 1,594     | 7,985  |
|                                       | by Gender   |   |   |           |           |   |           |        |
|                                       | Male  |   | 57.5%   | 60.7%     | 58.1%     | 56.5%   | 60.8%     | 57.4%  |
|                                       | Female  |   | 42.5%   | 39.3%     | 41.9%     | 43.5%   | 39.2%     | 42.6%  |
|                                       | by Management Role  |   |   |           |           |   |           |        |
|                                       | Management  |   | 14.9%   | 9.6%      | 13.9%     | 7.7%  | 6.7%      | 7.5%   |
|                                       | Non-management  |   | 85.1%   | 90.4%     | 86.1%     | 92.3%   | 93.3%     | 92.5%  |
|                                       | Employees under Collective Bargaining                         |   | 22.1%   | 16.3%     | 21.0%     | 21.3%   | 13.7%     | 19.8%  |
|                                       | Total Turnover Rate <sup>(4)</sup>                            |   | 20.5%   | 25.0%     | 21.3%     | 20.9%   | 26.3%     | 22.0%  |
|                                       | by Age Group  |   |   |           |           |   |           |        |
|                                       | Under 30 years old  |   | 34.2%   | 33.4%     | 34.1%     | 35.1%   | 28.9%     | 34.3%  |
|                                       | 30 to 50 years old  |   | 17.1%   | 23.5%     | 18.2%     | 16.6%   | 23.1%     | 17.8%  |
|                                       | Over 50 years old   |   | 9.8%  | 22.6%     | 13.6%     | 11.6%   | 30.0%     | 17.5%  |
| Average training spend <sup>(5)</sup> | per full time equivalent                                      | HK\$3,279                               | HK\$1,656   | HK\$2,979 | HK\$3,555 | HK\$1,728   | HK\$3,205 |        |
| Total Injury Rate <sup>(6)</sup>      | incidents per 200,000 hours                                   | 8.9                                     | 4.1   | 7.9       | 9.2       | 5.3   | 8.3       |        |
| Total Lost Day Rate <sup>(6)</sup>    | days per 200,000 hours  | 41.6                                    | 37.0  | 40.7      | 45.6      | 45.7  | 45.6      |        |
| Total Absentee Rate <sup>(7)</sup>    | days per total days worked                                    | 1.9%                                    | 2.0%  | 2.0%      | 1.9%      | 2.0%  | 1.9%      |        |
| Environment                           | Greenhouse gas emissions <sup>(8)</sup>                       | '000 tCO <sub>2</sub> e                 | 82  | 20        | 102       | 83  | 20        | 103    |
|                                       | Scope 1 emission  | '000 tCO <sub>2</sub> e                 | 14  | 7         | 21        | 15  | 7         | 23     |
|                                       | Scope 2 emission <sup>(9)</sup>                               | '000 tCO <sub>2</sub> e                 | 68  | 13        | 81        | 68  | 13        | 80     |
|                                       | Carbon intensity  | kg CO <sub>2</sub> e per m <sup>2</sup> | 168   | 121       | 156       | 170   | 122       | 158    |
|                                       | Total energy use <sup>(10)(11)(12)</sup>                      | '000 GJ                                 | 699   | 165       | 864       | 707   | 159       | 866    |
|                                       | Direct energy use   | '000 GJ                                 | 192   | 92        | 284       | 194   | 85        | 279    |
|                                       | Indirect energy use   | '000 GJ                                 | 507   | 73        | 580       | 513   | 74        | 587    |
|                                       | Energy intensity  | MJ per m <sup>2</sup>                   | 1,436   | 1,001     | 1,326     | 1,452   | 967       | 1,329  |
|                                       | Direct water consumption <sup>(13)</sup>                      | '000 m <sup>3</sup>                     | 1,364   | 420       | 1,784     | 1,374   | 402       | 1,776  |
|                                       | Water intensity   |   |   |           |           |   |           |        |
|                                       | Hotels <sup>(14)</sup>  | litres per guest night                  | 1,100   | –         | –         | 1,154   | –         | –      |
|                                       | Commercial Properties, Clubs & Services <sup>(15)</sup>       | litres per m <sup>2</sup>               | –   | 1,665     | –         | –   | 1,638     | –      |
|                                       | Water recycled and other water sources <sup>(16)</sup>        | '000 m <sup>3</sup>                     | 132   | 357       | 489       | 128   | 485       | 613    |
|                                       | Waste generated <sup>(17)</sup>                               | tonnes                                  | 6,248   | 1,357     | 7,605     | 6,447   | 1,299     | 7,746  |
|                                       | Waste diverted <sup>(17)</sup>                                | tonnes                                  | 3,465   | 145       | 3,610     | 3,146   | 124       | 3,270  |
| Emission of ozone depleters           | kg CFC-11e  | 26.1                                    | 6.1   | 32.1      | 26.3      | 7.9   | 34.2      |        |
| Community                             | Monetary donations  | HK\$'000                                | 2,355   | 895       | 3,250     | 3,193   | 1,039     | 4,232  |
|                                       | By Company  | HK\$'000                                | 2,056   | 799       | 2,855     | 2,169   | 243       | 2,413  |
|                                       | By employees and customers                                    | HK\$'000                                | 299   | 96        | 395       | 1,024   | 795       | 1,819  |
|                                       | In-Kind donations <sup>(18)</sup>                             | HK\$'000                                | 4,695   | 1,675     | 6,370     | 7,577   | 1,463     | 9,040  |
|                                       | Other contributions for community development <sup>(19)</sup> | HK\$'000                                | –   | –         | 2,730     | –   | –         | 2,125  |
|                                       | Community Outreach  |   |   |           |           |   |           |        |
|                                       | Service hours <sup>(20)</sup>                                 | hours                                   | 8,238   | 2,375     | 10,613    | 11,936  | 3,458     | 15,394 |
|                                       | Employee volunteers   |   | 1,332   | 344       | 1,676     | 1,294   | 364       | 1,658  |

| 2015<br>Commercial<br>Properties,<br>Clubs &<br>Services <sup>(2)</sup> |           |                  | 2006–2008<br>Commercial<br>Properties,<br>Clubs &<br>Services <sup>(2)</sup> |       |              |
|---|-----------|------------------|--|-------|--------------|
| Hotels <sup>(1)</sup>   |           | Total            | Hotels <sup>(1)</sup>  |       | Total        |
| 6,453   | 1,994     | <b>8,447</b>     |  |       |              |
| 57.5%   | 56.0%     | <b>57.2%</b>     |  |       |              |
| 42.5%   | 44.0%     | <b>42.8%</b>     |  |       |              |
| 6.7%  | 6.1%      | <b>6.6%</b>      |  |       |              |
| 93.3%   | 93.9%     | <b>93.4%</b>     |  |       |              |
| 21.5%   | 10.6%     | <b>18.9%</b>     |  |       |              |
| 21.1%   | 28.1%     | <b>22.6%</b>     |  |       |              |
| 36.5%   | 40.1%     | <b>37.0%</b>     |  |       |              |
| 16.1%   | 23.4%     | <b>17.5%</b>     |  |       |              |
| 13.3%   | 29.5%     | <b>18.6%</b>     |  |       |              |
| HK\$3,461   | HK\$1,618 | <b>HK\$3,048</b> |  |       |              |
| 9.0   | 4.5       | <b>7.9</b>       |  |       |              |
| 49.5  | 79.8      | <b>57.0</b>      |  |       |              |
| 2.0%  | 1.9%      | <b>2.0%</b>      |  |       |              |
| 86  | 21        | <b>107</b>       | 92   | 25    | <b>117</b>   |
| 15  | 7         | <b>22</b>        | 17   | 8     | <b>25</b>    |
| 70  | 14        | <b>84</b>        | 75   | 17    | <b>92</b>    |
| 176   | 128       | <b>164</b>       | 244  | 177   | <b>226</b>   |
| 725   | 167       | <b>892</b>       | 705  | 153   | <b>858</b>   |
| 194   | 90        | <b>284</b>       | 214  | 69    | <b>283</b>   |
| 531   | 77        | <b>608</b>       | 491  | 84    | <b>575</b>   |
| 1,489   | 1,017     | <b>1,369</b>     | 1,865  | 1,097 | <b>1,658</b> |
| 1,467   | 432       | <b>1,899</b>     | 1,536  | 385   | <b>1,921</b> |
| 1,168   | –         | –                | 1,373  | –     | –            |
| –   | 1,752     | –                | –  | 1,712 | –            |
| 132   | 5         | <b>137</b>       | –  | –     | –            |
| 6,653   | 1,179     | <b>7,832</b>     | –  | –     | –            |
| 3,118   | 176       | <b>3,294</b>     | –  | –     | –            |
| 37.5  | 8.2       | <b>45.7</b>      | 157.0  | 141.3 | <b>298.3</b> |
| 5,726   | 547       | <b>6,273</b>     |  |       |              |
| 1,973   | 257       | <b>2,230</b>     |  |       |              |
| 3,753   | 290       | <b>4,043</b>     |  |       |              |
| 4,900   | 2,215     | <b>7,115</b>     |  |       |              |
| –   | –         | <b>2,447</b>     |  |       |              |
| 11,095  | 2,065     | <b>13,160</b>    |  |       |              |
| 1,097   | 269       | <b>1,366</b>     |  |       |              |

Footnotes:

- (1.) Workforce data reported covers the Group's hotel operations and corporate office operations in Hong Kong, Beijing, Bangkok, Shanghai and the US. Environment data covers only hotel operations whilst Community data reported covers hotel operations and head office in Hong Kong.
- (2.) Workforce data reported covers the Group's commercial properties as well as all other clubs and services operations. Environment and Community data reported covers The Repulse Bay Complex, The Peak Tram Complex, St. John's Building, The Landmark, Thai Country Club, Quail Lodge & Golf Club, and Tai Pan Laundry.
- (3.) From 2017 onwards, headcount data only covers full-time employees working full number of hours per week for that particular position, as more than 90% are full time employees. Part-time employees working on permanent, fixed term and at will contracts, non-contracted employees and daily contingent casual labour were not included in the reporting scope. Using a revised definition of management which now aligns with the HSH's Competency Framework, leading to an increase in management roles due to re-categorisation of definition. Decrease of headcount in Properties was due to new methodology used in monitoring the data.
- (4.) Based on GRI's disclosure requirement, turnover rate refers to full-time employees only. Revision of definition of Full Time Employee starting in 2016: "Full Time" means that the employee works full number of hours per week for that particular position.
- (5.) Average training spend is based on total annual training spend per full-time equivalent. Decrease by 7.1% in spend was due to a more effective approach in delivering training, with the outcome unchanged.
- (6.) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2017. Injury and lost day rate recorded from 2017 onwards did not include The Peninsula Beverly Hills due to revised methodology used for monitoring.
- (7.) Absentee rate recorded from 2015 onward did not include The Peninsula Beverly Hills, due to re-categorisation of sick days under paid-time off. Absentee data of The Peninsula Beverly Hills is therefore not available.
- (8.) Carbon emission generated from Hong Kong Towngas includes both scope 1 (combustion) and scope 2 (generation and transportation) as required under Hong Kong Carbon Accounting guidelines. For other countries the extraction, generation and transportation process are considered as scope 3 under GHG Protocol and other international standards, and are therefore excluded.
- (9.) 2017 Scope 2 GHG emissions data presented above are calculated based on the market-based method as per the GHG Protocol Scope 2 Guidance. (2017 location-based Scope 2 GHG emissions was 88,487 tonnes CO<sub>2</sub>e).
- (10.) The energy use generated from renewable sources is not significant. None of our properties produce significant renewable energy on-site; renewable energy is limited to the fuel mix used for electricity and steam generation as well as district cooling system in each location of operation.
- (11.) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.
- (12.) 2017 direct energy consumption by source were 189,197GJ of gas and 95,062GJ of diesel oil, whilst our indirect energy consumption by source were 508,992GJ of electricity, 13,194GJ of chilled water and 57,763GJ of purchased steam.
- (13.) Direct water consumption refers to water obtained from municipal source; water captured directly are reported under recycled and other water sources.
- (14.) Includes all water uses in the hotels, not just those used by guests directly.
- (15.) Water intensity of Tai Pan Laundry (15.50 litres per kilogram washed in 2017, slightly decreased from 15.76 in 2016) is excluded as its intensity is measured on different metrics from that of properties and clubs.
- (16.) Lake water consumption and recycled water purchased from a nearby factory at Thai Country Club, as well as well water consumption at Quail Lodge & Golf Club have been included in Recycled Water and Other Water Source since 2016.
- (17.) Group waste diversion rate in 2017 was 47.5%. Grease trap waste and construction waste were not included in the waste data reported.
- (18.) Valuation of in-kind donations are based on market and rack rates of our products and services, whichever is applicable.
- (19.) Relates to contributions made to non-charitable organisations on projects supporting the wider community, for example, the Hong Kong Heritage Project, an archive project for preserving valuable historical records of the Kadoorie family and its business, mostly based in Hong Kong.
- (20.) Service hours decreased due to revised methodology utilised for monitoring which led to re-categorisation of data.

## SUSTAINABILITY REPORTING CONTENT INDEX (GRI AND HKEx ESG)

In developing this report, we followed two reporting standards, the HKEx ESG Guide (revised in December 2015) and the Standard Disclosures from the GRI (GRI Standards) (re-launched in November 2016). Details of the GRI Standards can be found at [www.globalreporting.org/standards](http://www.globalreporting.org/standards).

KPMG was commissioned to conduct assurance of this report and to provide an independent limited assurance opinion on whether the reported information complies with the ESG Guide. Details of its report can be found on pages 23 to 24.

In case of any discrepancy in the disclosures between the HKEx ESG Guide or GRI Standards, the former shall take precedence due to the Company's disclosure obligation as per its listing in the HKEx. References to the 2017 Annual Report in the page number column will be abbreviated as "AR".

| GRI Standards   | ESG Guide | Page                        | Remarks/Reasons of Omission  |
|---|-----------|-----------------------------|--|
| <b>GRI 102: General Disclosures</b>                     |           |                             |  |
| <b>Organisational Profile</b>                           |           |                             |  |
| 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10 | –         | 2, AR 6-9                   |  |
| 102-8   | B1.1      | 26-27                       | Majority (over 90%) of the workforce is hired under full time and permanent contract and it is not material to breakdown in this manner. |
| 102-9   | –         | 22                          |  |
| 102-11  | –         | 3-4, AR 53, AR 82, AR 84-85 |  |
| 102-12, 102-13  | –         | AR 139-141                  |  |
| <b>Strategy</b>   |           |                             |  |
| 102-14  | –         | AR 22-53                    |  |
| <b>Ethics and Integrity</b>                             |           |                             |  |
| 102-16  | –         | 3-4, 16-17                  |  |
| <b>Governance</b>                                       |           |                             |  |
| 102-18  | –         | 4, AR 125                   |  |
| <b>Stakeholder Engagement</b>                           |           |                             |  |
| 102-40, 102-42, 102-43, 102-44                          | –         | 5, AR 139-141               |  |
| 102-41  | –         | 26-27                       |  |
| <b>Reporting Practices</b>                              |           |                             |  |
| 102-45  | –         | 2, AR 6-9                   |  |
| 102-46  | –         | 2-5                         |  |
| 102-47  | –         | 3-5                         |  |
| 102-48  | –         | 25-27                       | Restatement of information: None   |
| 102-49  | –         | 25-27                       | Significant changes in scope and aspect: None  |
| 102-50, 102-53, 102-54                                  | –         | 2                           |  |
| 102-51  | –         | –                           | Date of most recent report: 2016 Corporate Responsibility and Sustainability Report  |
| 102-52  | –         | –                           | Reporting cycle: Annual  |
| 102-55  | –         | 28-32                       |  |
| 102-56  | –         | 2, 23-24                    |  |



| Material Issues               | GRI Standards      | ESG Guide | Page           | Remarks/Reasons of Omission   |
|-------------------------------|--------------------|-----------|----------------|---|
| <b>GRI 200: Economic</b>      |                    |           |                |   |
| <b>Economic Performance</b>   | 103-1,103-2, 103-3 | –         | 25, AR 175-233 |   |
|                               | 201-1              | B8.2      | 25, AR 175-233 |   |
|                               | 201-3              | –         | AR 208-211     |   |
| <b>Market Presence</b>        | 103-1,103-2, 103-3 | B1        | AR 126-128     |   |
|                               | 202-2              | –         | –              | Majority of senior management are hired from the local community, where possible  |
| <b>Procurement Practices</b>  | 103-1,103-2, 103-3 | B5        | 22             |   |
|                               | 204-1              | –         | –              | We monitor material issues such as perishable goods, 56% were sourced locally in 2017.  |
|                               |                    | B5.1      | –              | HSH has operations in Asia-Pacific, US, Europe and therefore, we have a wide diversity of suppliers located in these geographical regions.  |
|                               |                    | B5.2      | 22             | The HSH Supply Chain Code of Conduct outlines the minimum responsible and sustainable business practices we expect our suppliers to adhere to. The Code is part of the compliance requirements mandated by the Group's Purchasing and Tendering Procedures. All our operations have progressively incorporated the Code as a standard requirement in all procurement contracts. |
| <b>Anti-corruption</b>        | 103-1,103-2, 103-3 | B7        | 16-17          |   |
|                               | 205-3              | B7.1      | 17             | There were two reports of major breaches of the Code of Conduct in 2017, which are currently being investigated and managed under our Group policy.   |
|                               | –                  | B7.2      | 17             | Internally, we encourage colleagues to speak up if they suspect wrongdoing of any kind. For details of our Speak-Up Policy, please visit <a href="http://www.hshgroup.com/en/corporate-governance/speak-up-policy">www.hshgroup.com/en/corporate-governance/speak-up-policy</a>   |
| <b>Anti-competition</b>       | 103-1,103-2, 103-3 | –         | 17             |   |
|                               | 206-1              | –         | –              | None identified in 2017.  |
| <b>GRI 300: Environmental</b> |                    |           |                |   |
| <b>Energy</b>                 | 103-1,103-2, 103-3 | A2, A3    | 9-10, 13       |   |
|                               | 302-1              | A2.1      | 9-10, 25-27    |   |
|                               | 302-3              | A2.1      | 9-10, 25-27    |   |
|                               | 302-4              | A2.3      | 9-10, 25-27    |   |
| <b>Water</b>                  | 103-1,103-2, 103-3 | A2, A3    | 9-11, 13       |   |
|                               | 303-1              | A2.2      | 9-11           |   |
|                               | –                  | A2.4      | 9-11           |   |

| Material Issues                              | GRI Standards      | ESG Guide        | Page         | Remarks/Reasons of Omission   |
|--|--------------------|------------------|--------------|---|
| <b>Emissions</b>                             | 103-1,103-2, 103-3 | A1, A3           | 9-10         |   |
|  | 305-1              | A1.1, A1.2       | 9-10, 25-27  | Greenhouse gases included in the emissions calculation included CO <sub>2</sub> , CH <sub>4</sub> and N <sub>2</sub> O as a result of the consumption of fuel oil, diesel, petrol, natural gas, town gas and Tokyo gas. Fugitive emissions in CFCs and HCFCs from the consumption of refrigerants were also included in the calculations. All greenhouse gases are reported in CO <sub>2</sub> equivalents. |
|  | 305-2              | A1.1, A1.2       | 9-10, 25-27  | Refer to response above.  |
|  | 305-4              | A1.2             | 9-10, 25-27  | Refer to response above.  |
|  | 305-5              | A1.5             | 9-10, 25-27  | Refer to response above.  |
|  | 305-6              | A1.1             | 26-27        | Refer to response above.  |
| <b>Effluents and Waste</b>                   | 103-1,103-2, 103-3 | A1, A1.5, A3     | 9-13         |   |
|  | 306-2              | A1.3, A1.4       | 9-13, 25-27  | Less than 1% of our waste generated is hazardous waste, and therefore, it is not an material issue to HSH.  |
|  | –                  | A1.6             | 9-13         | Hazardous waste is disposed according to local regulations.   |
| <b>Environmental Compliance</b>              | 103-1,103-2, 103-3 | A1               | 9-11         |   |
|  | 307-1              | A1               | –            | No significant fines or non-monetary sanctions for non-compliance recorded in 2017.   |
| <b>The Environment and Natural Resources</b> | –                  | A2.5             | –            | Due to change in methodology, ongoing materiality exercise to assess whether issue is material or not   |
|  | –                  | A3.1             | 9-13, 22     |   |
| <b>GRI 400: Social</b>                       |                    |                  |              |   |
| <b>Employment</b>                            | 103-1,103-2, 103-3 | B1               | 16-17        | HSH complies with relevant employment and labour laws and regulations in cities that we operate.  |
|  | 401-1              | B1.2             | 26-27        | In the spirit of conciseness and materiality, we only provide employee turnover by age group.   |
|  | 401-3              |                  | –            | Eligible employees receive parental leave based on local regulations; we do our best to encourage return to work for all employees where possible   |
| <b>Labour/Management Relations</b>           | 103-1,103-2, 103-3 | B1               | 16-17        |   |
|  | 402-1              | –                | –            | In the case of any significant operational changes that would substantially affect our employees, we keep them informed well in advance, typically with a minimum notice period of 1 to 12 weeks. This is also specified in collective bargaining agreements where they apply.  |
| <b>Occupational Health &amp; Safety</b>      | 103-1,103-2, 103-3 | B2               | 16-17        | HSH complies with relevant Health and Safety laws and regulations in cities that we operate.  |
|  | 403-2              | B2.1, B2.2, B2.3 | 16-17, 25-27 |   |



| Material Issues                                  | GRI Standards      | ESG Guide  | Page          | Remarks/Reasons of Omission  |
|--|--------------------|------------|---------------|--|
| Training and Education                           | 103-1,103-2, 103-3 | B3         | 16-17         |  |
|  | 404-2              | B3         | 16-17         | Our learning and development programmes include opportunities for skills upgrading; where relevant, we provide transition assistance programmes, eg operations closure, etc.   |
|  | –                  | B3.1, B3.2 | 25-27         | We provide training as part of one's role and training needs, regardless of gender, other diversity factors and management/non-management role.  |
| Diversity and Equal Opportunity                  | 103-1,103-2, 103-3 | B1         | 16-17         |  |
|  | 405-1              | B1.1       | –             | Board Membership Statistics:: <ul style="list-style-type: none"> <li>• by gender: 18% female and 82% male</li> <li>• by age group: 82% over 50 years old</li> </ul> Employee Statistics: <ul style="list-style-type: none"> <li>• by gender: refer to Data Statement on p. 25-26</li> <li>• by age group: <ul style="list-style-type: none"> <li>&lt;30: 26%</li> <li>30-50: 54%</li> <li>&gt;50: 20%</li> </ul> </li> </ul> |
| Non-discrimination                               | 103-1,103-2, 103-3 | B1         | 16-17         |  |
|  | 406-1              | B1         | 16-17         |  |
| Freedom of Association and Collective Bargaining | 103-1,103-2, 103-3 | B4         | 16-17         | HSH complies with relevant laws and regulations in relates to preventing child and forced labour.  |
|  | 407-1              | –          | –             | No known significant risks identified within our operations. We strive to mitigate all potential supply chain risks within our sphere of influence through HSH Supply Chain Code of Conduct.   |
|  | 408-1 409-1        | B4.1, 4.2  | 16-17, 22     |  |
| Human Right Assessment                           | 103-1,103-2, 103-3 | –          | 16-17         |  |
|  | 412-2              | –          | 16-17         |  |
| Local Communities                                | 103-1,103-2, 103-3 | B8         | 20-21         |  |
|  | 413-1              | –          | 20-21         | All operations had local community engagement programmes during the reporting year.  |
|  | –                  | B8.1       | 20-21, 25-27  |  |
|  | –                  | B8.2       | 20-21, 25-27  |  |
| Customer Health & Safety                         | 103-1,103-2, 103-3 | B6         | 16-17, AR 145 |  |
|  | 416-1, 416-2       | –          | –             | Health and safety impacts are assessed for improvement for all significant products and services. No incidents of non-compliance concerning the health and safety impacts of products and services in the reporting year.  |
|  | –                  | B6.1       | –             | No products sold or shopped direct from our official sales channels were subject to recalls for safety and health reasons.   |

| Material Issues        | GRI Standards      | ESG Guide  | Page           | Remarks/Reasons of Omission  |
|------------------------|--------------------|------------|----------------|--|
| Marketing and Labeling | 103-1,103-2, 103-3 | –          | –              |  |
|                        | 417-2              | B6         | –              | No incident of non-compliance in the reporting year.   |
| Customer Privacy       | 103-1,103-2, 103-3 | B6         | AR145, 148-149 |  |
|                        | 418-1              | B6.5       | –              | No substantial complaints regarding breaches of customer privacy recorded during the reporting period. For our data privacy and security policy, please visit <a href="http://www.peninsula.com/en/privacy-security">www.peninsula.com/en/privacy-security</a> |
| Compliance             | 103-1,103-2, 103-3 | B1, B2, B4 | –              |  |
|                        | 419-1              | B6.2       | –              | No non-compliance with law that resulted in significant fines or sanction identified during the reporting period.  |
|                        | –                  | B6.3       | –              | Our Code of Conduct outlines our commitment to IPR protection. For our Code of Conduct policy, please visit <a href="http://www.hshgroup.com/en/corporate-governance/our-code-of-conduct">www.hshgroup.com/en/corporate-governance/our-code-of-conduct</a>     |
|                        | –                  | B6.4       | –              | Once potentially unsafe products are identified, product recall procedure would kick-start to stop the distribution and sale of the product from marketplace. The cause, extent and result of the recall would be recorded and reported.                       |







THE HONGKONG AND SHANGHAI HOTELS, LIMITED  
香港上海大酒店有限公司

[www.hshgroup.com](http://www.hshgroup.com)

