



BUILDING A SUSTAINABLE LEGACY

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT 2019

THE HONGKONG AND SHANGHAI HOTELS, LIMITED

Stock Code: 00045

ABOUT THIS REPORT



We aim to provide a connected view of different aspects of our performance, financial and non-financial, enabling our stakeholders to have a holistic view of our company. This Corporate Responsibility and Sustainability Report 2019 is intended to be read together with our Annual Report 2019, with this icon  showing relevant linkages in the Annual Report. This medium is just one of the ways we engage with our stakeholders; in addition, we regularly hold meetings with interested stakeholders to discuss our sustainability performance in more detail. Feel free to reach out to us if you want to find out more.

Reporting Scope and Boundaries

This report focuses on the group's hotels division, commercial properties division, the Thai Country Club, The Peak Tramway, Quail Lodge & Golf Club, and Tai Pan Laundry¹. It accounts for 96%² of the group's revenue³, including the associated suppliers of these companies, where relevant.

Reporting Standards and Assurance

This report has been prepared in accordance with the December 2019 updated "comply or explain" provisions in the Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide)⁴ and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core option, and references the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Transparency Board (SASB). This report aligns with the ESG Guide reporting principles of materiality (refer to page 11), quantitative and consistency standards (refer to page 35).

KPMG was commissioned to conduct assurance and to provide an independent opinion on identified elements of this report in accordance with the updated ESG Guide. This report can be read on pages 33 to 34.

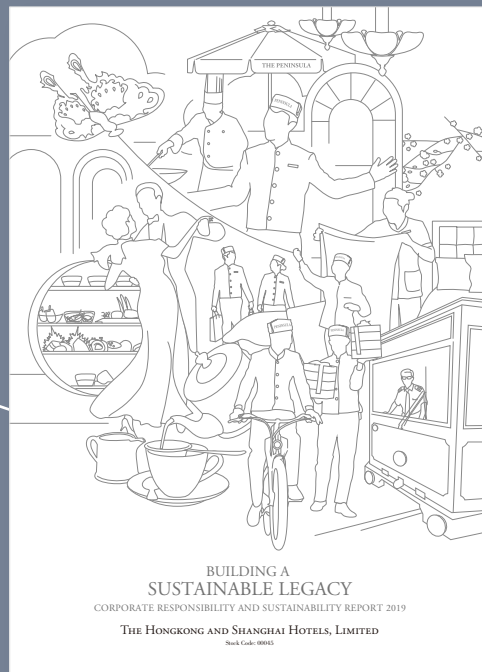
We welcome your feedback. Please share your views with us by post or email:

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- ¹ In the clubs and services division where HSH maintains operational control.
- ² Based on the group's annual revenue in 2019.
- ³ 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.
- ⁴ For disclosures where HSH is unable to provide information, as per the rules of the HKEX ESG Guide, an explanation (such as an issue not being material or a commitment to provide this data in the future) will be provided on page 38 of this report

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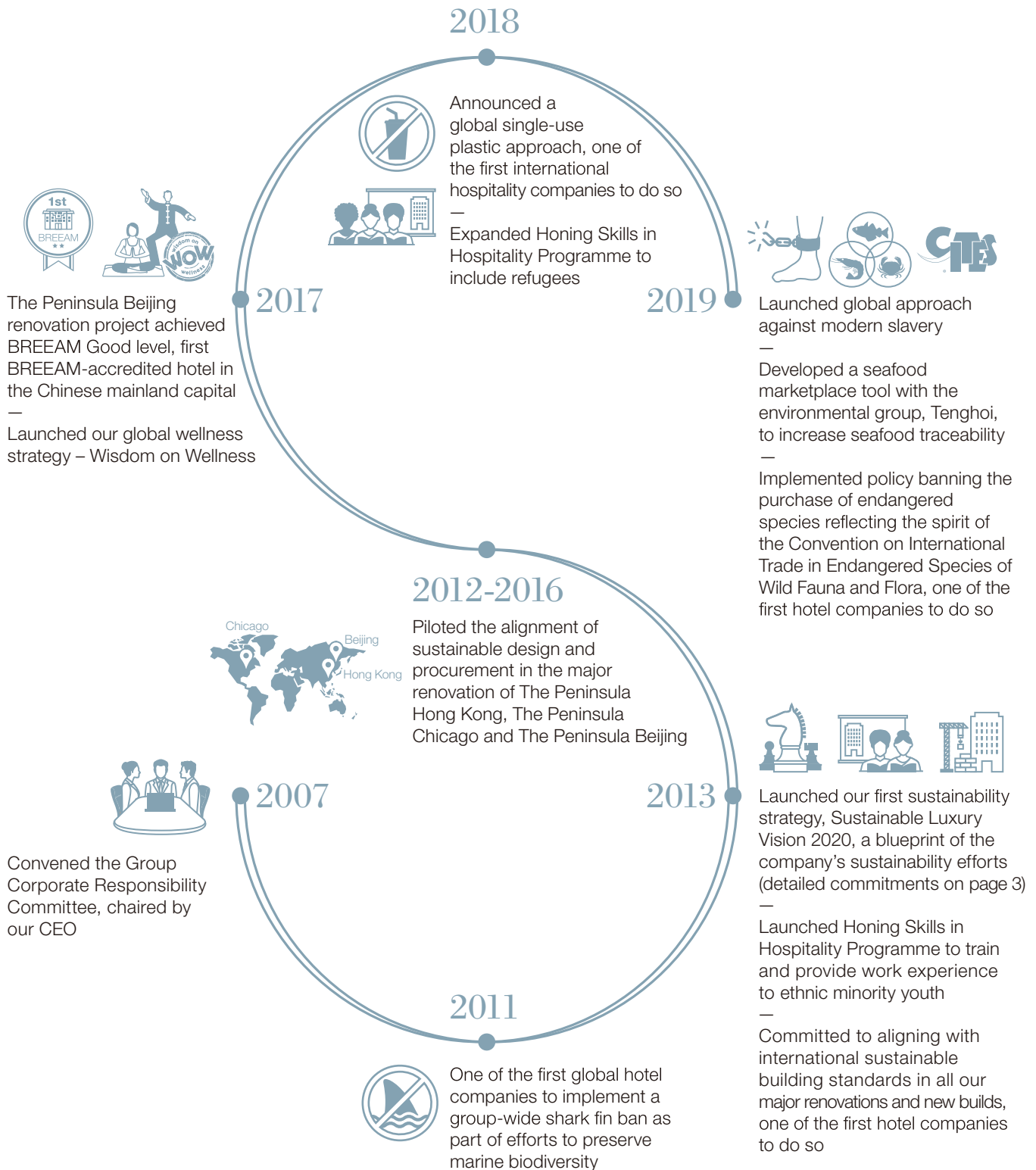


ABOUT THE COVER

We are a company with a remarkable history, heritage and pioneering spirit. Our commitment to building a sustainable legacy remains strong, especially during the biggest expansion in our company's over 150-year history of providing hospitality. We are committed to delivering high quality services and products, while creating this unique legacy, not only for our guests, but for the people who work for us and the iconic cities which we call home.

OUR SUSTAINABILITY JOURNEY

As we near the completion of our Vision 2020, here are the key highlights of our journey to sustainable luxury, so far:



OUR SUSTAINABILITY COMMITMENTS

OUR GUESTS

- ✓ Expand customer base by providing facilities and services that cater to their ever-changing needs; multigenerational travellers; sustainable meeting options; rejuvenate Naturally Peninsula
- ✓ Engage customers in activities related to heritage preservation / nature conservation
- ⏸ Improve utility resource use whilst not compromising our luxury/service standards:
 - 25% energy intensity; 30% carbon intensity; 10% absolute carbon emission
 - 25% water intensity (hotel); 25% wet waste intensity (2012 baseline)
 - ⏸ 25% water intensity (CP); 25% dry waste intensity (2012 baseline)
- ✓ In water stress regions, support initiatives that increase water efficiency
- Achieve a majority of excellent-good ratings in IAQ assessment
- ⏸ Achieve 60% waste diversion rate
- ✓ Implement robust food safety management system, including achieving HACCP/appropriate certification
- All new build and major refit projects meet the relevant international sustainable building standards



OUR PEOPLE

- ✓ Strengthen executive and leadership development and build a robust succession planning framework for senior leadership
- ✓ Provide learning and development opportunities on CRS issues and topics to all staff in a relevant manner
- Maintain zero work fatality
- ⏸ Maintain zero incidents resulting in total permanent disability*
- Minimise OHS incidents by implementing robust safety management systems referring to relevant international standards or others where appropriate



OUR CITIES

- ✓ Contribute 100,000 hours of community service with 10% of employees engaged
- ✓ Develop group-wide community investment programmes to be implemented at all HSH operations
- ✓ Enforce shark fin ban and remove critically endangered species in our F&B offerings
- ✓ Procurement contracts comply with HSH Supplier Code of Conduct and verified by sample audit
- 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



✓ Achieved
 ➤ In Progress
 ⏸ Behind Plan

* Please refer to page 23 for more details

CRS INITIATIVES AT A GLANCE

1

Employees

Voluntary staff turnover reduced by 2.5pp; injury rate increased by 11.0% and lost day rate increased by 29.1% due to long-term injury cases carried over from 2018 and prolonged injury cases of staff in 2019.

- Global Wellness programme rolled out – *Wisdom on Wellness*
- The Peninsula Paris and The Peninsula Beijing – cross-training programme amongst frontline staff to learn about each other's heritage and service cultures

2

Waste Management

Wet waste to landfill or incineration intensity reduction at 36% compared to 2012 baseline

- The Peninsula New York – Food digester
- The Peninsula Hong Kong – Food donations to Food Angel and Foodlink, helping to feed the elderly and underprivileged families with healthy meals

3

Community Volunteering and Donations

Contributed over HK\$12 million in-cash and in-kind donations, the equivalent of around 1.5% of operating profit to 463 community programmes around the world

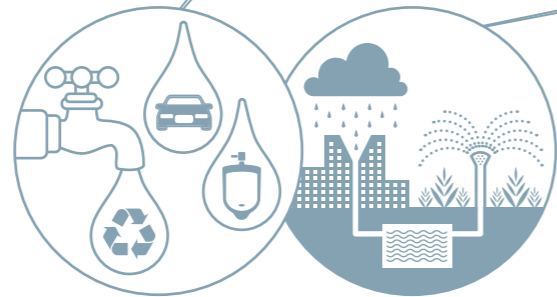
- *Stories from the Tree* Christmas fund raising, with all hotels raising money during the festive season for children and youth charities around the world
- The Peninsula Chicago – all proceeds from *Sky Rink* event donated to two children's charities since 2012.

4

Water Efficiency and Recovery

Achieved 26.1% reduction in water intensity in hotels and 7.5% in commercial properties in 2019 against 2006-08 baseline from our water management initiatives

- The Peninsula Beverly Hills – Waterless urinals, waterless car wash
- Quail Lodge and Golf Club – Drought resistant turf
- The Peninsula Bangkok and The Landmark Vietnam – wastewater treatment facility, with treated water used for irrigation
- The Repulse Bay – Rainwater collection for irrigation



5

Sustainable Building Design Standards and Room Design

Implementing internationally recognised sustainable building standards, BREEAM and LEED in our major renovations and new builds

- The Peninsula Beijing – BREEAM Good Level



8

Responsible and Sustainable Procurement

Majority of paper, tea, coffee and chocolate are responsibly sourced; with no critically endangered species served in our offerings, and several seafood items coming from responsible sources

- The Peninsula Manila – Responsible seafood sourcing with small scale fisheries
- The Peninsula Merchandising – Responsible sourcing of paper, tea and chocolates



6

Community Investment

Continued implementing community investment programmes such as job training, internships, livelihood programmes and long-term partnerships with charities supporting some of society's under-served groups

- The Peninsula Shanghai and Beijing – Job training and internship under a partnership with the Sir Horace Kadoorie Youth Development Centre

2

Waste Management

Diverted 50.7% of wastes generated

- The Peninsula Tokyo – first hotel in Tokyo to work with Clean the World on soap and bottled amenities recycling project

7

Energy Efficiency

Achieved 22.9% reduction in energy intensity and 33.6% carbon intensity in 2019 against baseline from our energy management initiatives

- The Peninsula Hong Kong – Building re-commissioning project; energy efficient air handling units
- The Peak Complex, St. John's Building and The Repulse Bay – Installed energy efficient oil-free chillers

Paris

Carmel

Los Angeles

Chicago

New York

Beijing

Shanghai

Hong Kong

Bangkok

Ho Chi Minh

Manila

Tokyo

2 Waste Management

- Clean the World soap upcycling and bathroom bottles recycling
- Single use plastics transition
- External food composting (Paris)
- In-house food digester (Tokyo) or composting (Quail Lodge)
- Re-use and re-purpose wood and other raw materials (The Repulse Bay)

4 Water Efficiency

- Water efficient shower heads, sensor-faucet application in back of house, kitchen best practices
- Sand bottle displacement to reduce toilet flush volume
- Low temperature laundry (for 7 out of 10 hotels)
- Self-closing faucets in Chinese kitchen (Hong Kong and Shanghai)
- Dual-flush toilets (Beijing and Paris)
- Water efficient laundry equipment- tunnel washer (Tai Pan Laundry)
- Underground water for golf course lake and irrigation (Quail Lodge)

5 Sustainable Building Design

- The Repulse Bay: LEED Gold for de Ricou
- 21 Avenue Kléber: HQE and BREEAM Excellent
- LED lighting (Beijing, Bangkok, Chicago, New York, Beverly Hills)
- Sustainable wood (Hong Kong, Beijing and Chicago)
- Minimal to no hazardous chemicals like VOC and PVC in paints, adhesives, wall coverings, fabrics and carpets; Wall coverings made of 10% recycled content; Carpet from 80-100% wool, a natural resource (Beijing and Chicago)

7 Energy Efficiency

- Energy audits for 14 properties
- Building re-commissioning (Chicago, Manila)
- Energy efficient fan coils (Beijing)
- Tesla and Pen Cycles (Tokyo) and complimentary parking for electric vehicles (Beverly Hills)

3 Community Volunteering and Donations

- *Stories from the Tree* Festive season fundraising for local charities to support youth development (hotels)

6 Community Investment

- Job training and internship, Honing Skills in Hospitality (Hong Kong and Paris)
- Livelihood programme and The Peninsula Village in Leyte (Manila)
- New York Children's Center to support abused children (New York)
- A Place Called Home helping underprivileged minority youth (Beverly Hills)
- Onigiri Project supporting orphaned children and elderly (Tokyo)

8 Responsible and Sustainable Procurement

- Some restaurants serving free-range chicken, grass fed beef, organic vegetables
- Responsibly sourced caviar (Shanghai)
- Rooftop/in-house gardens (Beverly Hills, Paris, Shanghai, New York, Bangkok)

1 Employees

- E-learning system in place called Learning KEY
- Management training programme
- Occupational health and safety management programmes

OUR SUSTAINABILITY VISION

In a world where things come and go in the blink of an eye, longevity is a luxury.

We have been in business for more than 150 years, and we hope to continue doing so for the next 150, and beyond. Considering such lengthy timescales, we continually ask ourselves what lasts, what endures and how do we safeguard the things that matter?

We believe that our business thrives when our people and communities do. We aim for our businesses to have a positive social, economic and environmental benefit on the local communities and the wider societies in which we operate. Taking care of our people and the world around us, not only for today, but also for the future is simply the right thing to do.

Conducting our business with integrity, respecting history and heritage, maintaining the best brand and reputation and passing on to future generations a portfolio of the highest quality assets requires us to take a long-term view in our decisions. This means doing more than just the bare minimum and striving to set an example globally by meeting society's evolving expectations.

We recognise that there could be a perceived conflict between the traditional idea of luxury and the principles of sustainability. While delivering on this can be challenging, we know it is possible as we make sustainability part of the appeal of our luxury offering. To us, "sustainable luxury" has become an integral part of our long-term mindset. We aim to offer the best service that is sustainable, thoughtful and purposeful in ensuring we meet the needs of our guests and customers.

In 2019, we witnessed several environmental and social events from the social and civil unrest in Hong Kong and Paris, wildfires and severe typhoons; and at the time of writing in early 2020, the outbreak of the COVID-19 coronavirus which has had a devastating impact on the world. In these challenging times, we remain strongly committed to supporting our operations and where we can, the local communities that have been affected by these events. We strongly believe that this is what it truly means to be a responsible business.

How we create value

HSH is an owner-operator of The Peninsula branded hotels, together with luxury commercial and residential properties, club management and other hospitality-related services. While this model is capital intensive, it allows us to have control over the timing of investments ensuring that we deliver a high quality, consistent and bespoke guest experience. We seek to create value from the appreciation in capital value of our properties and the increasing operating yield as the asset continues to grow its income over time. We develop and operate our properties by embracing the local culture, style and history of the host country or city. It is important that the guest's experience with us forms an integral part of their overall experience of the country they are visiting. Central to our success is hiring, training and retaining the right people, a majority of whom are local, who are instrumental in shaping the experiences of our guests. As our properties are usually located in a historical part of the city and at the heart of a vibrant community, we generate value to the surrounding districts and businesses by attracting customers, further contributing to the local economy.

Sustainable Luxury Vision 2020

In 2013, we formalised our sustainability strategy known as Sustainable Luxury Vision 2020 (Vision 2020). In 2017, to effectively deliver our Vision 2020, we revamped our approach to focus on the three key stakeholders central to the success of our business: *Our Guests, Our People and Our Cities*.

In 2019, over 89% of the goals set in 2013 are on track to be achieved. Realising the systemic and multi-dimensional nature of sustainability issues, we continue to experience challenges for the remainder of our commitments. These challenges include, for example, the lack of waste management infrastructure in specific regions, the low monetary value accorded to resources such as water, energy and waste management; and impacts related to a changing climate that leads to unplanned and increased energy and water usage in some locations. Now, more than ever, we are continuously reassessing our approach through collaboration with different stakeholders to achieve the remaining commitments.

Looking beyond 2020, we are developing our next sustainability strategy with a focus on further business integration and with a regenerative and proactive approach. Our new strategy will leverage the strengths of our business, focusing on issues requiring significant and urgent attention, scaling positive benefits from our business, while effectively reducing our impact. In this new strategy, we are considering different stakeholder expectations such as science-based targets, holistic water assessments, circular economy (aimed at significantly reducing waste and reusing the same resources), human rights and modern slavery due diligence, reducing social inequalities, increasing diversity and inclusion and implementing outcome-based community investment.



Our Sustainability Vision

“When we first set-up the group function on corporate responsibility and sustainability (CRS), it was to encourage our people to live and breathe sustainability, and today, I believe that has happened. Since then, we have seen a rapid increase in the systemic criticality of CRS issues that are now and will be impacting on the success of our business – from diminishing natural resources such as energy, food and water, to the crisis of climate change, exacerbating existing social and political instabilities and inequalities. These challenges have come even more to the fore, as we have experienced in 2019. While we remain committed to doing our part, we realise this is no longer enough. We must work with others and bring others with us so we can move the needle on sustainability faster, together. We believe that we can only truly succeed as a business if society and the communities around us thrive as well.”

– Clement Kwok, CEO



Governance on CRS

We regard the integration of sustainability as a sensible and necessary business decision that benefits the overall value of the Group in both the short and long term. Through the initiative of our Chief Executive Officer (CEO), Mr Clement Kwok, we developed our approach to sustainability, with the oversight and support of our Chairman, The Hon. Sir Michael Kadoorie and our Board.

The Group Corporate Responsibility Committee (GCRC), chaired by the CEO, has been delegated by the Group Management Board (GMB) to manage all aspects of the implementation of our sustainability approach. GMB, also headed by the CEO and comprised of other executives and senior management, is the principal decision-making body responsible for management and day-to-day business of the group and reports to the Board.

The Board oversees our management of sustainability issues through regular engagement and updates from GCRC. While we do not have a separate sustainability committee at board level, throughout the year, the Board, its committees and interested Board members review the Group’s sustainability approach, strategy and performance. In 2019, the following CRS topics were discussed at Board level: CRS Report, Vision 2020 performance, sustainability communications, approach to the new strategy, materiality process and results (refer to page 10) and anti-modern slavery statement. Specifically, on our Vision 2020 progress, the Board is provided with a yearly update, with the Executive Committee receiving reports on our progress including commentary on a quarterly basis.

To enable the integration and cross-functional implementation of sustainability into the business, the GCRC is comprised of Group Champions, who are the functional heads representing different aspects of the business including finance, human resources, operations, legal, corporate affairs, sales and marketing and projects.

The GCRC is supported by the Corporate Responsibility and Sustainability (CRS) Department, headed by the Director of Group CRS, who reports directly to the CEO, to coordinate and formalise sustainability efforts across the Group. The Director of Group CRS regularly reports to the Board and GMB and updates the Group Risk Committee on environmental and social risks related to the business. The Director of Group CRS also coordinates CRS-related risk mitigation actions across the Group. Depending on the severity of these risks, these can be escalated to the Audit Committee and the Board for reference or action.

At the local level, each operation has its own committee chaired by either the General Manager or the Hotel Manager, the most senior people in the local operations; with champions comprised of functional/department heads. They meet regularly to develop and implement action plans and improve on the performance of our commitments.

 [Learn more about our CRS Statement of Approach.](#)

THE BOARD

Board of Directors

- Oversees management of CRS issues
- Reviews and provides final approval for CRS approach, strategy and performance at least once a year



GROUP LEVEL

Group Management Board

- Principal decision making body on CRS decisions and direction

Group Corporate Responsibility Committee

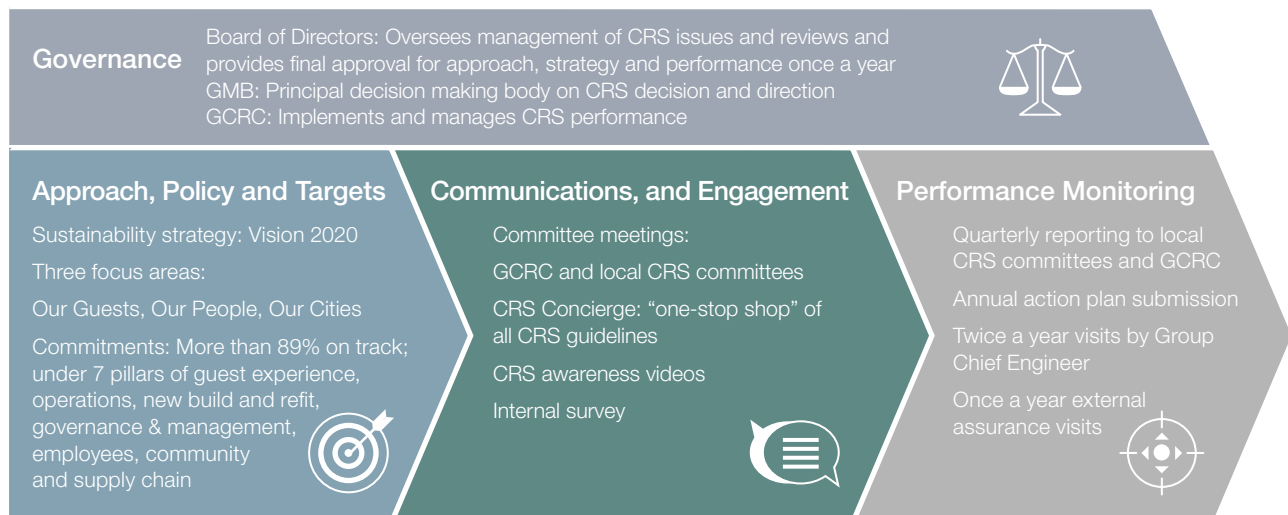
- Chaired by CEO;
Supported by Director of GCRS and Vision 2020 Group Champions
- Implements and manages CRS performance

OPERATION LEVEL

Local CRS committees

- Chaired by General Managers or Hotel Managers;
Supported by functional or department heads
- Implements CRS programmes and action plans

Below is a summary of the elements of our approach to managing sustainability issues:



User-friendly guidance: CRS Concierge

To ensure that the sustainability guidelines outlining our implementation of our Vision 2020 was user-friendly and practical, simplified decision trees were developed with Group and local champions. These decision trees were compiled into one document called “CRS Concierge” as a one-stop resource for all sustainability guidelines – covering issues from sustainable sourcing to single use plastics transition and community development. In 2019, this was updated to include the issues of endangered species referring to the Convention on International Trade in Endangered Species of Wild Fauna and Flora and of modern slavery. We regularly update this resource with feedback from our colleagues.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Engaging and responding to our stakeholders is a key part of our overall governance and management approach. We regularly engage a broad set of key stakeholders to gauge how we can appropriately respond to their needs – from employees, customers, regulators, lenders, shareholders and investors, non-governmental organisations, media and others. It is important for us to capture and understand how their views change and ultimately how we can implement improvements to the business.

While we receive feedback on sustainability issues through processes embedded in our day to day operations, we also conducted sustainability engagements with key stakeholders. In 2019, this engagement included webinars and calls with executive and sustainability committees in our global operations, as well as discussions with several non-governmental organisations, think tanks, sustainability experts and regulators. The results of our engagements were channelled to our materiality exercise for both this report, our current implementation of Vision 2020 and our post 2020 strategy.

 [Read our overall stakeholder engagement in pages 102 to 103.](#)

Key Sustainability Issues from Stakeholders

| Top Issues Raised | Raised by Stakeholders | Our Actions in 2019 (please refer to) |
|---|--|--|
| Engage and communicate to guests and wider audience regarding sustainability efforts and performance | Guests, Employees, Community and NGOs, Financial analysts and investors | Our Guests – Guest Experience Our Cities – Supply Chain |
| Responsible sourcing and effective use of natural resources; perception of conflict between luxury and sustainability | Guests, Employees, Community and NGOs, Financial analysts and investors | Our Guests – Operations Our Guests – New Build and Refit Our Cities – Supply Chain |
| Inspire and collaborate with others to work on sustainability | Guests, Government and regulators, Community and NGOs, Media | Our Cities – Supply Chain |
| Making a real difference within the local communities we operate in (diversity, inclusion, inequality) | Employees, Government and regulators, Community and NGOs, Media | Our People – Inclusive Workplace Our Cities – Community |
| Climate change adaptation | Employees, Community and NGOs, Financial analysts and investors | Our Guests – Operations Our Cities – TCFD Disclosures |
| Safety and security for both employees and guests | Guests, Employees, Media | Our People – Health, Safety and Security |

Identifying, Prioritising and Addressing Material Issues

The identification and prioritisation of significant issues, known as our materiality approach, provided the foundation for and continues to shape the implementation of Vision 2020 and considered the views of our stakeholders and their differing, and sometimes competing, interests.

In 2017, we implemented a revised approach to identifying material issues. We mapped out 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. In 2018, we enhanced our materiality approach through additional engagements, undertaking a value chain assessment to clarify our overall impacts and identifying common and shared topics amongst ourselves and key stakeholders for further prioritisation. In 2019, we included key topics from this year's stakeholder engagements and any new findings from the publications we reviewed in previous years.

The materiality list outlines three themes of sustainability topics, starting with topics that relate to the foundations of who we are as a company, next looking into topics that link to our Vision 2020 and lastly, new and specific topics from our assessments in 2019. This approach enables us to operate in a manner that aligns with our values but also remain committed to delivering on our strategy and be agile as we respond to emerging topics. We believe this approach to materiality demonstrates that it is not a static document only for reporting purposes, rather that it guides our approach to embedding sustainability into the business.

In 2019, we continued to link our stakeholder engagement and materiality findings to our risk management process with collaboration between CRS and Audit and Risk Management Departments. Due to this collaboration the following trends and risks such as rising impact of environmental and social issues to the business such as the climate crisis, social and political instability and decreasing natural resources were given Board level visibility. These trends and risks were presented and discussed regularly not only at the Group Risk Committee, but also at the GCRC on a quarterly basis.

As part of our bi-annual risk matrix exercise, each operation also identified local environmental and social risks with mitigation measures. The most common risks ranged from climate change impacts, political and social unrest and instability, energy and water efficiency and availability, evolving stakeholder expectations on CRS issues, and increasing regulation on CRS topics.

 [Read our risk management approach in pages 140 to 147](#)



Sustainable Luxury Vision 2020

Delivering to our sustainability strategy

Guest experience; operations – energy and water use, waste management, new build and refit

Governance and management; attracting and retaining employees/staff engagement; occupational health and safety

Sustainable supply chain; community contributions



OUR GUESTS



OUR PEOPLE



OUR CITIES

2019 Specific Topics

Responding to change

Guest engagement and communications; sustainable property designs and operations; water stress; single-use plastics and food waste

Enhanced sustainability education; diversity and inclusion; physical and data security

Outcome-based community investment; supplier and peer engagement; income inequality (fair trade); human rights; climate change adaptation

Remaining True To Our Foundation

Timeless issues aligned with our core values

- Integrity, transparency and accountability
- Unparalleled quality
- Respect for our heritage and the longevity of our business

OUR GUESTS

We believe an experience that is curated around an individual can also make a positive impact on the world. We aim to enhance our guests' experience without compromising the wellbeing of people, our communities or the environment.



We know our guests are thoughtful citizens of the world. Every sustainable decision we make – from the way we design our buildings to the way we make our beds – enhances their experience with us. We create connections to iconic

destinations, support wellbeing and offer luxury in a way that supports our guests' values and the things they care about. Our guests can rest assured that moments with us matter, to them, our people and our cities.



Guest Experience

The hotel business is not a science; we accommodate and care for our guests, but to be truly exceptional these services must come from the heart. We believe that keeping the human touch in our services is the greatest luxury we can give our guests.

We aim to offer guests memorable experiences through our high-quality products and dedication to personal, warm and genuine service. In 2019 and 2020, this was demonstrated by our achievement of the highly coveted Forbes 5-star rating for all ten of The Peninsula Hotels, becoming the first and only hotel company in the world to obtain this accolade for all its hotels.



We are committed to promoting the rich and vibrant cultural aspects of the destination cities where we reside

In 2019, The Peninsula Hotels launched *Art in Resonance*, a new multi-year global contemporary art programme that sees the curation, commission and exhibition of an ongoing collection of artworks from emerging and mid-career artists who are pushing the boundaries of their mediums in works that engage the senses, all while inspiring and enchanting guests and visitors alike. *Art in Resonance* reflects a deeper commitment to engage with the artistic sphere, not only as a venue but as an originator and innovator of culture.

Following the programme's launch in March of 2019 at The Peninsula Hong Kong, a second exhibit at The Peninsula Paris concluded in November, now amassing a collection of experiential works by five emerging and midcareer artists from around the world.

Key Highlights

Globally recognised

for our continued commitments to sustainability, The Peninsula Chicago and The Peninsula Tokyo achieved Gold level under the EarthCheck Standard. The standard is accredited by the sustainability tourism standard-setter, Global Sustainable Tourism Council (GSTC), with three of our hotels: Hong Kong, Paris and New York achieving Silver. While our Paris and New York hotels received the Positive Luxury label as one of the few hotels in the world achieving responsible luxury.

Over 30

Environmental, art and heritage-themed programmes available for guests under our Peninsula Academy to immerse guests on the biodiversity and culture of our cities.



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. With the increasing interest of guests in our sustainability efforts, in 2019 we unveiled our sustainability video in-room and in our social media channels; as well as a dedicated page on The Peninsula Hotels website, receiving positive feedback from our guests and followers.

Our Guests

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 they are sustainable, cost effective and above all beneficial to the health and experiences of our guests.

Key Highlights

22.9% ▼ 3.5% from 2018
 Energy intensity reduction achieved in 2019 from baseline in 2006-08 at 1,278 MJ/m²

26.1% ▼ 5.6% from 2018
 Water intensity reduction from baseline achieved in 2019 for the Hotels division at 1,014 L/guest night

50.7%
 Waste diversion rate for 2019; with our hotels in Beverly Hills and Tokyo reaching more than 80% diversion

Preparing our operations for a water-stressed future

Our operations in Beijing, Shanghai, Manila and California are in amongst the world’s most water-stressed locations. We are building from our learnings with the unexpected water crisis in Manila in March 2019. In the past few years, our work on water efficiency is an important first step towards mitigating this risk, however, we recognise that this is no longer enough. We continued to support local and regional efforts to raise awareness and find solutions by convening sessions with China Water Risk and signing up to the commitments of the Pacific Institute and We Mean Business on the topic of water stress. We continue to implement initiatives that reduce significant water use such as low temperature laundry machines, rainwater collection and growing drought resistant turf in our golf facilities. Our work on identifying and managing the full impact of water-intensive products such as cotton is still ongoing. We are committed to continuing this work in the next few years.



Our Approach

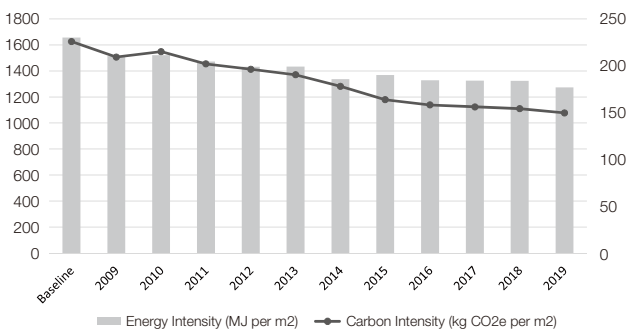
At a minimum, we comply with relevant regulations such as carbon reporting in Beijing, water savings in California, and preparing for waste charging in Hong Kong. We are also deeply committed to driving continuous improvement in other aspects of our operational performance while managing our unwavering luxury standards. Policies and procedural manuals such as the energy conservation manual, water management guide and waste management guide have been put in place. All operations across the Group provide regular sustainability performance reports which are reviewed by the GCRC, with the Group Chief Engineer leading inspections approximately twice per year. In 2019, several of our operations implemented energy projects such as the near completion of our solar panel project at Quail Lodge & Golf Club, replacement of boilers in Shanghai and LED replacement project in Manila. We continued our programme of detailed third-party energy audits to increase our understanding and identify more reduction and efficiency opportunities. We hope to see more improvements once these are implemented.



Energy and Carbon Footprint

Due to a slowdown in our businesses in Hong Kong and initiatives within our operations, such as LEDs, equipment upgrades/optimisation we surpassed our carbon intensity target with a 33.6% reduction from baseline. Overall energy intensity reduced by 3.5% from 2018 and 22.9% from baseline with absolute emissions 16.4% lower than baseline. In 2019, we also bought carbon offsets from a cookstove project to cover the emissions from our business flights.

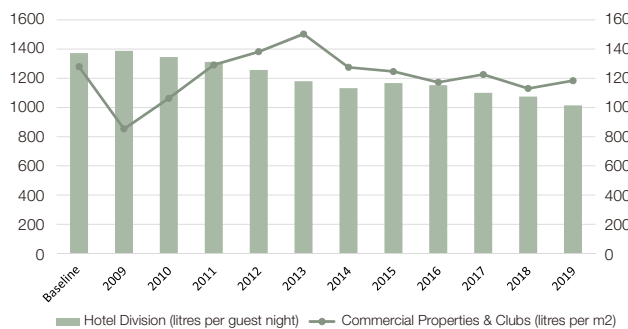
Group Energy and Carbon Intensity



Water Efficiency

Water remains an undervalued resource with costs still not reflecting its true value, making it a continuous challenge to prioritise investment due to long payback periods. For 2019, we continued to investigate the key factors of improving water efficiency in our operations which included behavioural and operational process changes, extreme and unpredictable weather due to a changing climate and installing water efficient equipment such as flow restrictors. We will continue to work aggressively in a practical manner to see a further decrease in water usage despite the lack of monetary incentives.

Group Water Intensity*



* Water Intensity of Tai Pan Laundry (13.6 litres per kilogram washed) is excluded as its intensity is measured on different metrics from that of properties and clubs.

Our Guests

In 2019, the water intensity for the hotel division decreased by 5.6% from 2018 and 26.1% from baseline achieving the target. In 2019, water intensity at commercial properties increased by achieving the target. 4.7% from 2018 and reduced by 7.5% from baseline. Tai Pan Laundry’s water consumption, using a different parameter of litres per kilogram washed, decreased by 5.5% from 2018 and down 43.5% from baseline, exceeding their own target.

Indoor Air Quality

In 2019, the majority of our operations achieved a combination of excellent-good ratings for our indoor air quality. We install specialist filters and low chemical fittings and furniture, conduct regular maintenance and control ventilation systems to maintain good indoor air quality. In 2019, as part of our Kaleidoscope Lab programme, a startup initiative to identify new technology for luxury hotels, one of the two start-ups chosen was ASA Innovation and Technology (ASA), with its air purification solution monitoring indoor air quality and eliminating harmful pollutants called Air Luna. Successful bespoke trials were undertaken at The Peninsula Hong Kong and The Peninsula Beijing to lower detectable levels and enhanced elimination of air pollutants, decomposing volatile organic compounds (VOC), harmful gases, chemicals and odour. Additional trials to enhance the air quality will run in early 2020. This will include an additional ‘Proof of Concept’ at The Peninsula Hong Kong with enhanced filters from ASA and a standalone air filter from another company, Aura Air which will be installed in the HSH Research and Technology office through 2020.

 [Learn more about our Kaleidoscope Lab.](#)

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 (aimed at significantly reducing waste and reusing the same resources) – reducing, reusing, recycling and replacing throughout our operations, where possible.

We revised our methodology on waste intensity to properly reflect waste diversion efforts instead of total waste generation in 2018. The new metric shows waste diverted away from landfill or incineration and normalised by square metres for dry waste and per food cover for wet waste. Our 2019 performance shows we are doing well on our diversion of wet waste, such as food waste; with the continued need to greatly improve on our dry waste diversion. We also revised the scope of our waste diversion metric, excluding areas not within our control, our current performance is at 50.7% waste diversion, a slight decrease of 0.1pp from 2018.

We continued to focus more specifically on food waste in 2019, directing our operations to divert food waste away from landfill/incineration. Those efforts have paid off, as we met our Vision 2020 target. However, we have not done well on dry waste intensity for 2020, as we increased our dry waste intensity by 26.8% against baseline due to better reporting of data, but also a lack of options to divert dry waste with increasingly tightening waste regulations (banning certain recycling of items such as plastic). We are committed to resolving this issue with our operations and waste contractors. This will be a key focus in 2020.

| Waste to Landfill/Incineration Intensity | 2019 [#] | Change | 2012 |
|--|-------------------|-----------------------------------|------|
| Dry Waste (kg per sq.m) | 3.56 | ▼26.8% (declined) | 2.81 |
| Wet Waste (kg per food cover) | 0.34 | ▼36.0% (improved; meeting target) | 0.53 |





Making headway on our commitment transitioning away from single-use plastics

Following our commitment in 2018 as one of the first international hospitality companies to announce a global and comprehensive approach on single-use plastics, we continue to work behind the scenes on removing, replacing and increasing the recycling of single-use plastics. Our approach is aligned with the Global Tourism Plastics Initiative led by the Ellen MacArthur Foundation, the United Nation's World Tourism Organization and the United Nations Environmental Programme.

In 2019, we estimate that we have transitioned around 40% of single-use plastics in our operations. With The Peninsula Paris offering returnable glass bottled water, we began transitioning several of our complimentary water bottles into alternative packaging in Shanghai and Hong Kong. We also removed nearly all single-use plastics from in-room mini bars and restaurants globally and from a number of spa areas such as in Chicago, as well as reduced plastic packaging in our products and used alternative materials for mooncakes and laundry items with Tai Pan Laundry. In Hong Kong, we offered children's activity kits that were nearly plastic-free with proceeds supporting local art projects for the underprivileged. We updated and implemented guidelines on decorations and events (including balloons) to also reduce further single plastic use.

We expect to implement several new initiatives in 2020, including bathroom amenities, which constitute the bulk of our single-use plastics. Even as we make headway, we continued to face challenges related to packaging to ensure food safety, quality and hygiene. Nevertheless, we remain committed to finding effective solutions in collaboration with our suppliers and our industry.

Key Highlights



Past

Starting from 2013, our major renovations of The Peninsula Hong Kong and The Repulse Bay (LEED Gold), to The Peninsula Chicago in 2015 incorporated sustainability considerations such as sustainable wood

Present

21 Avenue Kleber (BREEAM Excellent), and The Peninsula Beijing (BREEAM Good) in 2017, we implemented the sustainability design standard BREEAM

Future

We continue to be on-track to achieving BREEAM in our development of The Peninsula London, The Peninsula Yangon and The Peninsula Istanbul. Our new hotel in London will have one of the highest ratings for a hotel in the United Kingdom, while our renovation of The Peninsula Yangon will be the first internationally rated sustainable hotel in Myanmar. The major upgrade of the Peak Tram will also include sustainable specifications for the new trams.



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. We aim to develop thoughtful, beautiful and sustainably designed buildings that will stand the test of time.



Our Approach

We aspire for HSH properties to be iconic, and – where possible – built from materials that are both sustainable and enduring. As such, we pay 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 Building Research Establishment Environmental Assessment Method (BREEAM), one of the world's leading standards on sustainable buildings, to serve as a practical guide to the integration of sustainability considerations into our properties. This commitment is a first for a hotel company of our type and size. We also work with trusted vendors and artisans to design bespoke furnishings that meet our high-quality standards. Ideally, the materials we choose 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.

OUR PEOPLE



At HSH, we know that people are our most valuable asset and we want to build a lasting and genuine relationship.

The HSH “family” is a strong, committed team who share a passion for hospitality, luxury and making a difference. We take tremendous pride in our team members who reflect our brand and values in all that they do. Whether they are working in Asia, Europe or North America, we ensure that each person feels like they belong and are an essential part of the team.

Employees

Our employees are the heart of our company; their passion and commitment define the core of HSH and the values that we hold. We are proud to develop our employees by building a purpose-driven culture that embodies trust and empowerment that allows them to achieve their full potential.

HSH has a genuine sense of family – a trait that is accomplished through our relatively smaller size and the number of years that our employees choose to spend with us. Many of our full-time 7,451 employees have been with us since the opening of various hotels, witnessing the development of their properties to date. Globally, the average length of service of our employees is 7.5 years.

Key highlights

1.9%

improvement on absentee rate compared to 2018

19.7%

▼2.2pp from 2018

Total staff turnover; voluntary turnover was also down by 2.5 pp.

 **Read more about our people on pages 86 to 91.**

“Everybody is a person not a number. We work for a brand that values me as much as I value them.”

Our staff come from different cultures, backgrounds and experiences, and we are committed to diversity and inclusion. We are pleased to share some stories of our women leaders leading our hotels and properties around the world.



Tina Wong, General Manager, The Repulse Bay
20 years at The Repulse Bay

“I am so proud to be a part of a company that encourages inclusion and appreciate how we value and nurture people of all backgrounds. Ours is a culture of equality in which women can thrive – and I am proof of that.”



May Tsang, General Manager, The Peak Complex
19 years at The Peak Complex

“When I started, I was the only female manager then. Through the many development opportunities given to me, today I lead this operation, with 60% of our team comprised of female executives. I see and feel genuine care, support for my career and family goals and respect from HSH.”



Maria Razumich-Zec, Regional Vice President and
General Manager of The Peninsula Chicago
17 years at The Peninsula Hotels

“I have never felt that I was treated any differently as a leader because of my gender. In fact, I have always felt that I was regarded for what I can bring to the table.”



Sonja Vodusek, Managing Director,
The Peninsula London
10 years at The Peninsula Hotels

“I have always been encouraged to embrace my unique strengths, qualities and leadership style, particularly in being open, supportive and collaborative. This allows me to create strong and meaningful connections with our guests and employees.”

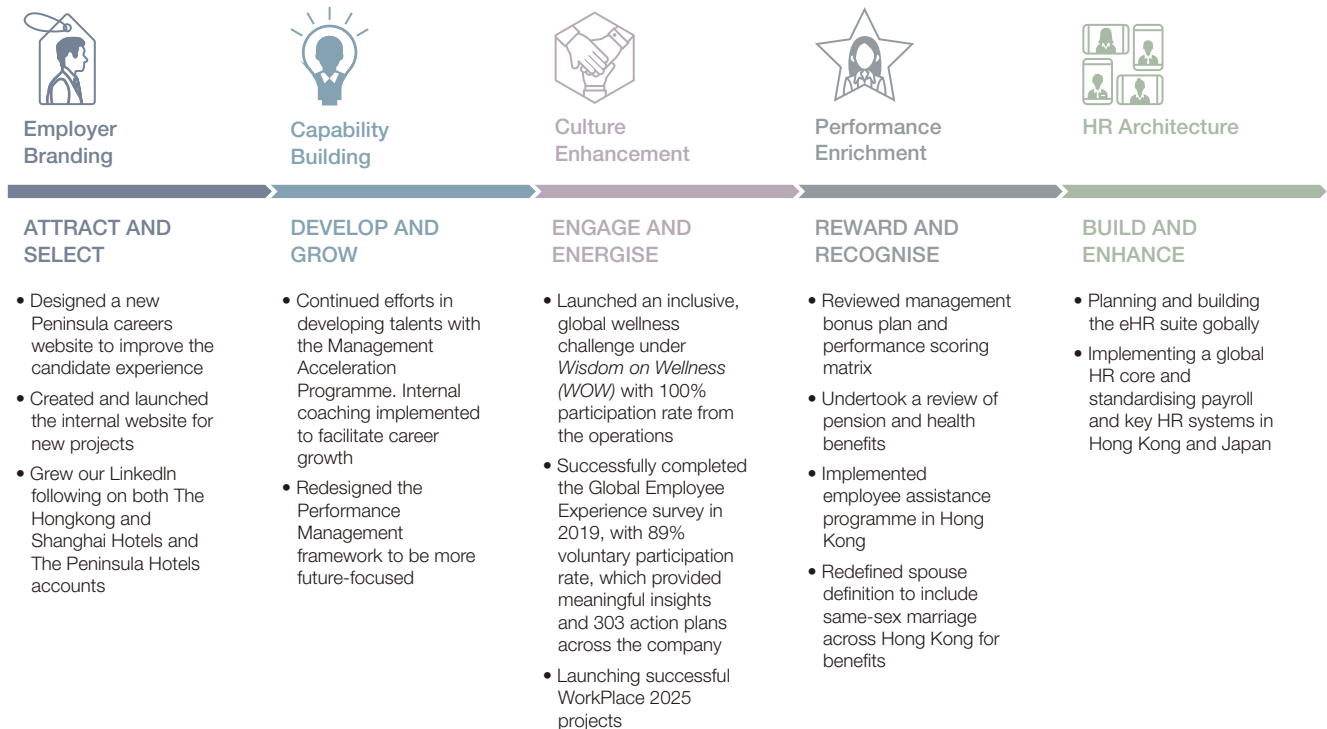
Our People

Our Approach

We know that finding the right talent is critical to our growth and success, and it is crucial that we continue to motivate and develop our employees through effective engagement, new opportunities and meaningful work that they can be proud to be part of. By doing so, we can be an employer of choice and attract people who are equally passionate about providing the best experience for our guests.

Our current HR strategy began in 2016, and we are pleased to share that 73% of our initiatives have been completed and 10% are in progress. This year, we succeeded in:

- Creating development centres
- Improving our career planning methods
- Increasing internal communications
- Evaluating our management bonus plan

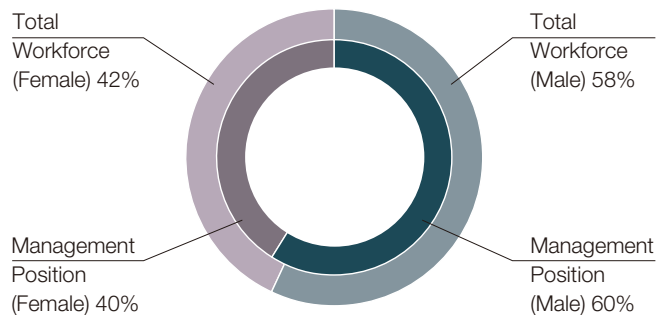


Our Work Environment

Inclusive Workplace: 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 2019, 40% of management positions and 42% of our total workforce were female. We have programmes in place, such as our expanded Honing Skills in Hospitality programme in 2019 that specifically trains ethnic minority youth and provides work to legally recognised refugees in Hong Kong. Our policies and processes are in place to ensure that reported incidents of discrimination are heard and managed in a fair and appropriate manner. We respond to these reports very seriously and encourage reporting. In 2019, there were no reports of discrimination.

We also provide meaningful employment opportunities to people of determination, including roles in the Rooms, Kitchen, Front Office departments, and more. From our hotels to our properties, this global initiative has allowed us to re-evaluate the best methods of communication and learning for all staff.

Workforce Distribution (By Gender and Management Role)



Different barriers can be overcome when we have respect and empathy, regardless of whether we speak the same language or not.

In 2019, senior management from some of our operations spent time in a different staff's position to further their understanding and develop empathy for each other's roles.

In Beverly Hills, this was done through the "Walk in Their Shoes" initiative, which saw their executives take on roles as a bell boy, dishwasher, housekeeper and kitchen staff.

In our head office in Hong Kong, our Chief Financial Officer and other executives also fulfilled the roles of housekeeper, kitchen and pastry staff.



Health, Safety and Security: The health, safety and security of guests and employees at our hotels, clubs and properties remain a priority through effective systems and policies. In many areas across the globe, including some of our operational locations, we continue to deal with issues such as terrorism and/or social unrest. Each operation has their own health and safety committee which meets 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 2019, we continued our efforts to enhance our security and safety management and systems. Specifically, we conducted a gap analysis to identify improvements in our operations towards meeting our Group Security and Operations Risk framework which aligns with the principles of ISO 31000, the international benchmark on security management and OHSAS 18001. We will be implementing the findings of our analysis in 2020 and onwards.

We continued to build a safety-first culture and engage employees to keep incidents as low as possible. Our injury rate* at 3.9 cases per 100 employees for 2019 is up by 11.0% from 2018 due to an overall increase of injuries with increased staff awareness of reporting incidents, majority of which were minor injuries. Over 96% of injuries were related to those that did not require a hospital stay. The injury rate for severe cases is at 0.14 per 100 employees. Our lost day rate increased by



29.1% due to several prolonged injury cases of staff ranging from strains, fracture, bruise and burns carried over from 2018 and several new prolonged cases reported in 2019, which are compensated and managed according to relevant local laws. When staff are able come back to work, they are re-assigned to rehabilitative roles. In 2019, we continued to have zero fatalities and no permanent disabilities. However in 2018, we reported one case of a permanent disability due to a pre-existing condition. This was an unfortunate situation which has been settled with the relevant colleague.

(*Please refer to footnote 4 in page 37)

Our People

Ethical Conduct: Our values as a company are the foundation of our high standards of ethical conduct. We respect human rights, embrace diversity and inclusion and stand firm against corruption. This is core to who we are as a business, and essential to our sustainable growth, ensuring that we gain and keep the trust of our stakeholders. Our Code of Conduct clearly outlines expectations on staff conduct, particularly on anti-bribery, fair competition, equal opportunity, customer data privacy and anti-discrimination and environmental responsibility. This Code continues to recognise international conventions and charters such as the United Nations Declaration on Human Rights. There were three reports of major breaches of our Code of Conduct in 2019, and all of these have been investigated and resolved in accordance to the Group policy, with the employees involved either being given a warning, suspended or terminated, depending on the severity of the breach. 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. In 2019, we continued to further strengthen awareness related to data privacy and security. This included face-to-face and online training, as well as the set-up of a dedicated data privacy information hub with an array of relevant materials. In addition, we continued to implement additional IT security measures and training to ensure the safety and security of all our IT systems.

Helping our people to flourish

Developing our employees and keeping them engaged is the key focus for our Learning and Development team. In particular, we are pleased to highlight the following:

Corporate Management Training (CMT) programme: a bespoke initiative that develops our emerging talent. Our CMTs come from eight countries and have worked an average of 4.4 years in seven operations across eight functions during their programme. In addition, our traineeship (interns and management trainees) programmes saw 904 positions being filled globally in 2019. We also worked with 145 number of hospitality schools.

Cross-exposure: we know that being equipped with different opportunities and challenges is a good way to develop skills. This programme allows our employees to understand different operations and cultures. It also provides the host operations with the opportunity to work with people of different nationalities. This year, we organised more than 84 global cross-exposure opportunities, and we were pleased to have received feedback that these were extremely beneficial and rewarding for the participants. In particular, our Beijing team hosted 10 colleagues from Paris for three weeks to share their knowledge of a different operation and culture.



New hotel openings: we are in the process of preparing for Peninsula hotel openings in London, Yangon and Istanbul. As part of our employee development strategy, we created an internal website specifically for our staff to explore possible career opportunities at our new hotels. We are offering hotel opening opportunities for trainees, where recently graduated students will have the chance to work before becoming part of the pre-opening team.

Training: in 2019, there was a strong focus on training programmes and we are pleased to share that there were 23,000 registrations of different online training modules – the equivalent of three online modules per employee. Of these modules, around 320 were bespoke training programmes created uniquely for us.



Staff engagement:

We have launched various tools and activities to increase staff engagement this year:

The 2019 Employee Engagement Survey: we were extremely pleased with the high participation, engagement rates and meaningful feedback that we received from our employees.

WorkPlace 2025: a company-wide initiative to modernise our operations and the way that we work. Led by our CEO, Mr Clement Kwok, working groups propose solutions on topics they are passionate about, consisting of employees across functions throughout our global operations. Each group is led by a senior executive who sponsors and advises them on how to create impactful and meaningful projects. We are pleased to highlight the first project to be implemented – a mini-hackathon event which will bring employees together, encourage collaboration and inspire bespoke improvements that can further advance our business and operational objectives.

Wisdom on Wellness (WOW): in 2019, we continued in the third year of our WOW programme by hosting the “Let’s Get Physical” challenge – an eight-week global event that encouraged our employees to complete simple physical exercises as a team. Their efforts were shared on our internal communications platform to enhance our global engagement.

On – and Off-boarding Surveys: this year, we launched on – and off-boarding surveys to better understand our qualities and how we attract new talent, as well as areas that we need to focus on when people leave.

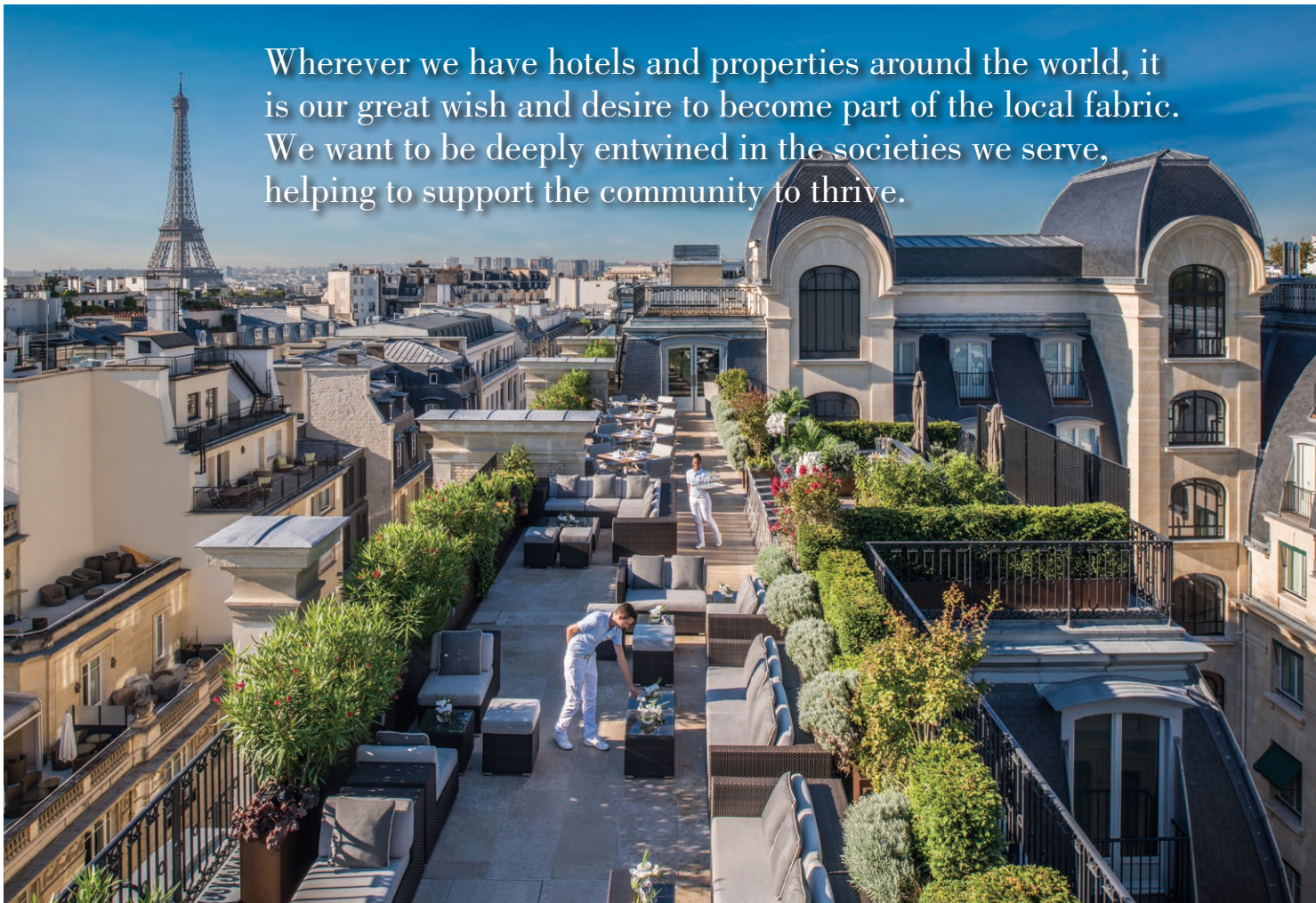


Investing in our people means they flourish, remain engaged and deliver the exceptional service that we are known for

We take the opportunity to send employees to our other Group properties to learn best practices and broaden their skillset by experiencing a new work environment, operations, people and culture. Two such examples are the English Language Programme between The Peninsula Tokyo and The Peninsula Manila where staff from Tokyo learn English in an immersive setting and, at the same time, completing practical work experience. This has been ongoing since 2017. In 2019, staff from The Peninsula Paris and The Peninsula Beijing were seconded to each other’s operation to learn more about their hospitality experiences and working practices, as well as deepening their understanding of each cities’ cultures. We believe in providing an unparalleled learning experience for our people to deliver the highest levels of service.

OUR CITIES

Wherever we have hotels and properties around the world, it is our great wish and desire to become part of the local fabric. We want to be deeply entwined in the societies we serve, helping to support the community to thrive.



Key Highlights

20.4%

Employees engaged in community work, meeting our target with over 530 charities totalling over 110,000 community hours since 2013, with our target on track.

463

Community programmes supported worldwide with over HK\$12 million in cash and in-kind donations, 1.5% of operating profit.

Community

By enhancing our communities to thrive, to embracing the cultures we are a part of, we take care of the places we call home so that they will always be globally iconic destinations. 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.

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 contributes to supporting 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.

Some examples of our community development work

Elderly caring

In Hong Kong, our colleagues from The Repulse Bay visited Tsang Shiu Tim Home for the Elderly from the Hong Kong Society for Rehabilitation. They interacted with the elderly by singing their favourite songs from a bygone era, playing games and making Santa hats. The elderly were served with scrumptious snacks prepared by our colleagues from our restaurant, Spices.

Youth development

In Beijing and Shanghai, we continued to support the Shanghai K Foundation, which aims to develop underprivileged and at-risk youth in China through a two-year life skills and hospitality vocational training and mentoring programme. Since then, nine graduates of the programme have transitioned to join The Peninsula Shanghai and The Peninsula Beijing.

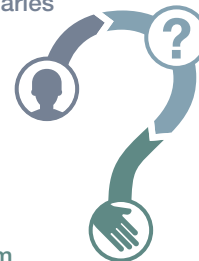


Helping the under-served

In Beverly Hills, for the fifth year in a row, we supported the Bread and Roses Café at the St Joseph Center during the Thanksgiving holidays. This café aims to foster dignity and respect to homeless men and women by serving nutritious meals in a restaurant-style setting. While in Chicago, for the past seven years now, we continued to work with The Night Ministry throughout the year to distribute food to the homeless and at-risk lesbian, gay, bisexual and transgender (LGBT) youth.

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. Stories from the Tree)
- Employee Volunteering (e.g. Elderly Visit)
- Community Partnerships (e.g. Honing Skills in Hospitality)

Empowering and embracing those who are passionate to join the hospitality industry, no matter what background they come from

For several years now we have trained and hired people from vulnerable sectors of our society from ethnic minorities, refugees and the underprivileged. In 2019, our longstanding and pioneering work on refugees was recognised by the United Nations High Commissioner on Refugees by highlighting our initiatives as part of their first ever “Global Refugee Forum”.

Since The Peninsula Chicago’s opening in 2001, we have partnered with Heartland Alliance to support refugees’ gainful employment as they transition to normal life in the United States through training and hiring. While in Tokyo, we have hired refugees and support a social enterprise that provides employment to refugees. In Hong Kong, as one of the pioneers of refugee employment, we also encourage other companies to join us through developing hiring manuals, convening job fairs and sharing experiences.

Our Cities

Supply Chain

Supplier relationships are an important part of our reputation and brand. We seek to buy at competitive rates, but not at the expense of labour standards, human rights, health impacts or the environment. We work closely with our suppliers to ensure we meet our high quality and comprehensive standards. We know our decisions can impact on our wider communities, so we have included these supply chain initiatives under this section.

Key Highlights

94.4% ▲ 0.6pp from 2018
of paper from sustainable sources; a few percentage points away from our target

89.9%
of our cleaning products are biodegradable; meeting our target.

55.9%
of our perishable goods were sourced locally and regionally; meeting our target.

89.9%
of the coffee we served was responsibly sourced, with 68.2% for chocolate and 57.9% for tea; compared to 2018:
▲ 5.7 pp for coffee
▼ 3.2 pp for chocolate
▼ 1.8 pp for tea



Our Approach

In choosing business partners, our procurement and operations teams work with reputable suppliers who help us provide the best quality products, with a consideration of our sustainability specifications and aligning with our Supplier Code of Conduct.





Supplier Code of Conduct

To explain how we expect our suppliers to live up to our responsible sourcing commitments, we introduced our Supplier Code of Conduct (SCCOC) in late 2009, and available online to help articulate our expectations of suppliers and contractors on environmental, social and ethical practices and is mandated in our contracts. In 2018 and 2019, we updated our Supplier Code of Conduct to include alignment with international standards such as the United Nations Global Compact, the UN Universal Declaration of Human Rights, the Conventions of the International Labour Organisation and the OECD Guidelines for

Offering our guests the finer things in life, while ensuring that these have been sourced responsibly and sustainably

We aim to serve high quality items to our guests, as well as it being sourced responsibly and sustainably. One of our restaurants in Monterey, California fully sources all its perishable items in California. In Manila, around 70% of our seafood comes from traceable and/or sustainable sources, with our yellow fin tuna coming from artisanal fisheries in the Philippines, supporting local fishermen and benefitting their communities. In Bangkok, the western-style and Thai teas served are sourced and organically grown in Thailand, employing indigenous tribes in the area. In Tokyo, we work with farmers in a remote part of Japan that utilises organic methods to provide us with seasonal vegetables during the summer months.

Multinational Companies and strengthen elements on anti-bribery, data privacy and confidentiality, human rights and modern slavery, plastics use and supplier engagement. We linked our Speak Up Policy contacts to any suspected breach or violation of the Code.

Working with our suppliers

In 2019, we fully implemented our updated approach with the remainder of our tea, coffee and chocolate suppliers who are not yet Fairtrade certified, which includes responding to a questionnaire to increase awareness and begin aligning with Fairtrade principles as a first step. Several of our suppliers are small enterprises who find certification particularly challenging and we aim to support them in their sustainability journey. We are pleased to see around 50 of these suppliers now aligned to majority of the Fairtrade principles.

We identified our key suppliers in 2019 for which we are seeking to implement more detailed checks to ensure that they comply with our SCCOC, and are developing a framework in place to engage in a continuous dialogue with them. We expect to pilot this approach in 2020. This approach specifically incorporates actions related to human rights, human trafficking and modern slavery. Our statement on how we intend to help fight modern slavery is available online.

Our Cities

Finding synergies to support social issues while moving towards a circular economy



With our famous and popular mooncakes, we replaced the larger plastic trays with recyclable cardboard and piloted a take-back recycling programme for our mooncake boxes globally.

For boxes taken back in Hong Kong, our subsidiary Peninsula Merchandising rolled out its first ever incentive campaign to encourage customers to return mooncake boxes. Over 120 empty mooncake boxes were collected at a pop-up Sustainability Kiosk at The Peninsula Arcade. In collaboration with St. James' Settlement, the empty mooncake boxes were upcycled and made into 3-in-1 board game sets featuring Classic Chess, Checker and an HSH-themed Journey Around Town game with interesting facts and trivia, encouraging logical and gaming skills required for science, technology, engineering and math (STEM) subjects. Net proceeds from the sales of the game sets were donated to Food Angel to support their food rescue and assistance programme.

Working with other sectors

Recognising the systemic nature of sustainability, we are members of several sectoral and industry-wide collaborations to find solutions to our shared sustainability challenges. In this way we hope that we not only improve our own sustainability performance, but that of our wider sector and industry. One such example is our membership in We Mean Business (WMB), a global coalition of the world's top sustainability organisations working towards a zero-carbon economy. We joined in 2019 to strongly advocate for climate change solutions on water risks, climate disclosures and supporting climate regulations. As part of our support on collaborating on climate change, we convened and participated in sharing sessions on climate change solutions. For example, we shared the sources of climate change scenarios that are publicly available from relevant government regulators in an easily-accessible manner to peer companies globally. We received positive feedback for this approach, and in return received guidance on how other companies were adapting to climate change.



Our Cities

Collaborating with others to find innovative solutions for society's shared problems

In the past few years we have been working on collaborating with different sectors from charitable and environmental organisations to other businesses to find innovative solutions so we can move the needle on sustainability together. Two such examples are our work on upcycling and recycling our cotton bed sheets and developing a sustainable seafood tool.

Following our upcycling bed covers initiative into bathrobes and teddy bears in Hong Kong and Manila, we continued our partnership with ANTHILL Fabric Gallery to upcycle towels into fashionable earrings and blazers, the first upcycled products of its kind. We also partnered with Novetex, a textile company in Hong Kong to turn our bed covers back into cotton yarn to be used into clothing.

For our seafood tool, we worked with environmental group, Tenghoi to develop a tool that would mainstream the sustainable procurement of seafood in the food sector. Along with this tool, we rolled out an endangered species policy aligning with the processes and species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), one of the first hotel companies to do so on a global and comprehensive basis.

In all cases, we have shared this approach with the wider hospitality sector, including suppliers, in Asia. Several hotels have followed our lead and are now implementing similar initiatives. We look forward to seeing more joining us!



Managing and adapting to climate change (TCFD disclosures)

Climate change is one of the greatest risks and opportunities of our time. With the lack of coordinated action at an international level from different sectors of society, we remain deeply concerned about the increasing impacts from climate change, not only for our business, but for society at large. We believe that urgent systemic action is required with coordination and collaboration from all sectors. Our second disclosure referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) outlines how we are managing the risks related to climate change.



Governance: As with all sustainability related topics, this is governed by the GCRC chaired by our CEO, with regular reporting to the Group Risk Committee, GMB and Board and its committees as appropriate. This work is being coordinated by our Director, Group CRS on a global and strategic level with the support of Group and local champions on an operational basis.



Strategy: As part of our Vision 2020, we have climate mitigation actions related to operational energy and water use. Our operations have plans relating to extreme weather impacts such as extreme heat, hurricanes and typhoons. In 2019, we completed an initial assessment of the risks related to climate change using scenarios from local regulators and other sources aligned with the four Representative Concentration Pathways (RCP) from the Intergovernmental Panel on Climate Change (IPCC)'s fifth assessment report in 2014, the leading report on the most current knowledge on the scientific, technical and socio-economic aspects of climate change. We are developing science-based commitments and adaptation plans as part of our post 2020 strategy with the aim to ensure resiliency and effectiveness against the impacts of climate change. Part of this strategy includes collaborating with other like-minded companies, for example in 2019, we became a member of We Mean Business, a global coalition of the world's top sustainability organisations working towards a zero-carbon economy.



Risk Management: Some of the risks related to climate change are already included in our Annual Report's Group Committee Report and this report – ranging from flooding, increased regulation, supply chain impacts and extreme weather events. At the asset level, we mitigate risks related to physical climate events by (a) maintaining comprehensive insurance coverage for properties and businesses, (b) enhancing the resilience of the physical structure through design, build and proper maintenance, and (c) establishing site and company level crisis management teams. In 2019 we completed an initial qualitative assessment related to the physical and reputational risks of climate change to our business. These results were presented and discussed with our group's senior management team such as increased risk of flooding and precipitation that may damage assets and risks related to natural resources, agricultural products and commodities that may impact on our ability to deliver our services. We are also aware of the multiplier effect wrought by climate change that could exacerbate social and political instabilities and inequalities. We are committed to deepening our understanding of other impacts of climate change, particularly the transitional and financial risks and to fully integrate this into our overall risk process, with increasing disclosure in future reports.



Metrics and Targets: Vision 2020 has targets for energy, water and carbon emissions and actions related to the mitigation of climate change such as adopting sustainable designs and engaging stakeholders. As we develop our post 2020 strategy we are looking into science or context-based targets for energy (as well as a strategy on alternative energy sources), climate and water, including the value chain assessments of agricultural products such as cotton.



2019 Outcomes: In 2019 our total energy spend and water spend was HK\$202 million. Currently while we have seen some financial impacts related to short-term loss of business, insurance costs and expenditures to repair damaged property, this has not yet reached a material level, although it has been increasing in previous years. Due to the systemic nature of climate change, it continues to be difficult to provide a reasonable estimation on the overall financial implications to our businesses. We will continue to monitor, manage and report these impacts as appropriate.

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 2019 of HSH (further referred to as “the Report”) for the year ended 31 December 2019 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 2 to 35
- The following data points as included in the Data table on page 35

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

Total headcount
Headcount by gender
Total staff turnover

Safety

Injury rate
Lost day rate

Community

Monetary donations
In-kind donations
Other contributions for
community development

Environment

Greenhouse gas emissions
Group carbon intensity
Total energy use
Energy intensity
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.

Independent Assurance Report

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 evaluating 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 38 to 46 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 2019 of HSH for the year ended 31 December 2019, 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
17 March 2020

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 Guide and GRI Standards.

1. Performance Highlights ⁽¹⁾

| | | | 2019 | 2018 | 2017 | 2016 | 2015 | 2006-08 baseline |
|--|--|---|--------------|-------|-------|-------|-------|---------------------|
| Economic | Revenue (incl. interest income) | HK\$m | 5,888 | 6,232 | 5,804 | 5,668 | 5,797 | – |
| | Operating costs | HK\$m | 2,049 | 2,241 | 2,102 | 2,134 | 2,142 | – |
| | Employee wage and benefits | HK\$m | 2,294 | 2,291 | 2,135 | 2,108 | 2,063 | – |
| | Capital expenditure | HK\$m | 1,590 | 1,490 | 1,827 | 2,479 | 1,379 | – |
| | Payments to providers of capital | HK\$m | 242 | 195 | 224 | 239 | 217 | – |
| | Tax payments to governments ⁽²⁾ | HK\$m | 330 | 486 | 442 | 410 | 480 | – |
| | Total floor area | '000m ² | 652 | 652 | 652 | 651 | 651 | 518 |
| | Total number of guest nights ⁽³⁾ | '000 | 1,277 | 1,333 | 1,240 | 1,190 | 1,256 | 1,119 |
| People | Headcount ⁽⁴⁾ | | 7,451 | 7,594 | 7,534 | 7,985 | 8,447 | – |
| | Turnover | % | 19.7% | 21.9% | 21.3% | 22.0% | 22.6% | – |
| | Headcount by Gender | % Female | 41.6% | 42.6% | 41.9% | 42.6% | 42.8% | – |
| Health and Safety | Injury rate ⁽⁴⁾⁽⁵⁾ | incidents per 100 employees | 3.9 | 3.5 | 3.1 | 3.9 | 3.4 | – |
| | Lost day rate ⁽⁴⁾⁽⁵⁾ | days per 100 employees | 74.4 | 57.7 | 43.9 | 45.2 | 57.0 | – |
| Environment | Greenhouse gas emissions | '000 tCO ₂ e | 98 | 101 | 102 | 103 | 107 | 117 |
| | Group carbon intensity | kg CO ₂ e per m ² | 150 | 154 | 156 | 158 | 164 | 226 |
| | Total energy use ⁽⁶⁾ | '000 GJ | 834 | 864 | 864 | 866 | 892 | 858 |
| | Energy intensity ⁽⁶⁾ | MJ per m ² | 1,278 | 1,325 | 1,326 | 1,329 | 1,369 | 1,658 |
| | Direct water consumption | '000 m ³ | 1,559 | 1,705 | 1,662 | 1,651 | 1,765 | 1,807 |
| | Water intensity | | | | | | | |
| | Hotels Division ⁽⁷⁾ | litres per guest night | 1,014 | 1,075 | 1,100 | 1,154 | 1,168 | 1,373 |
| | Commercial Properties, Clubs & Services Division | litres per m ² | 1,184 | 1,131 | 1,226 | 1,173 | 1,247 | 1,280 |
| | Water recycled and other water sources | '000 m ³ | 566 | 448 | 489 | 613 | 137 | – |
| Waste diversion rate ⁽⁸⁾ | % | 50.7% | 50.8% | 47.5% | 42.2% | 42.1% | – | |
| Community | Monetary Donations ⁽⁴⁾⁽⁹⁾ | HK\$'000 | 2,025 | 2,519 | 3,250 | 4,232 | 6,273 | – |
| | In-kind Donations ⁽⁴⁾⁽⁹⁾ | HK\$'000 | 7,403 | 7,502 | 6,684 | 9,048 | 7,115 | – |
| | Other contributions for community development ⁽¹⁰⁾ | HK\$'000 | 2,787 | 2,796 | 2,730 | 2,125 | 2,447 | – |

Footnotes:

- (1) Please refer to Reporting Scope on inside front cover 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. The decrease in the 2019 figure was mainly due to a timing difference arising from the late issuance of corporate income tax demand notes by the Hong Kong government. Therefore, the majority of Hong Kong corporate income tax relating to 2019 was not due or paid until 2020.
- (3) Calculation based on actual number of guests that occupied each of the rooms and suites in the relevant year.
- (4) There have been changes on reporting scope and methodology for people, health and safety, and community, please refer to page 37 for details. (Footnote 1 for people; footnote 4 for health and safety; footnote 19 for community).
- (5) Due to revised methodology in 2019, minor incidents only requiring first aid have been excluded in the scope in line with accepted reporting methodologies. We have restated the numbers from 2015 onwards as these changes were significant. Injury rate increased significantly due to an overall increase of injuries and reporting of these incidents of which over 96% are those that did not require a hospital stay, and thus not considered severe injuries. The injury rate for severe cases is at 0.14 per 100 employees. Lost day rates increased due to several prolonged injury cases of staff ranging from strains, fractures, bruises and burns that were carried forward from 2018 and several new prolonged cases reported in 2019. There was no incident of occupational disease recorded.
- (6) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.
- (7) Includes all water uses in the hotels, not just those used by guests directly.
- (8) Grease trap waste, hazardous waste and construction waste were not included in the waste data reported.
- (9) Decrease in donations is due to the social and civil unrest in Hong Kong that led to a drop in guest donations (with the new methodology, refer to page footnote 19 in page 37) and cancellation of gala and charity events. In addition, cost saving measures have been implemented due to the challenging business environment in 2019. We have also restated previous years data from 2015 to 2018 to include additional in-kind donations that were not included in previous years.
- (10) 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.

Sustainability Data Statements

2. CRS Performance

Explanations for significant data changes are included in the main report text or in the footnotes on p.37, as indicated. Group performance can either be a total number or a weighted average (i.e. ratio or intensity) depending on the methodology used.

- (a) Workforce data reported covers the Group's hotel operations (including corporate office operations in Hong Kong, Beijing, Bangkok, Shanghai and the US) and commercial properties, clubs and services operations.
- (b) Environment data reported covers the Group's hotel operations (not including office operations), 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.
- (c) Community data reported covers hotel operations and head office in Hong Kong, 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.

| | | 2019 | | | 2018 | | | |
|--|--|---|---|-------------------|-----------|---|-------------------|-----------|
| | | Hotels | Commercial Properties, Clubs & Services | Group Performance | Hotels | Commercial Properties, Clubs & Services | Group Performance | |
| Workforce | Total Headcount ⁽¹⁾ | 6,016 | 1,435 | 7,451 | 6,148 | 1,446 | 7,594 | |
| | Male | 57.8% | 60.9% | 58.4% | 56.6% | 60.6% | 57.4% | |
| | Female | 42.2% | 39.1% | 41.6% | 43.4% | 39.4% | 42.6% | |
| | by Management Role | | | | | | | |
| | Management | 16.3% | 13.4% | 15.8% | 15.1% | 11.8% | 14.5% | |
| | Non-management | 83.7% | 86.6% | 84.2% | 84.9% | 88.2% | 85.5% | |
| | Employees under Collective Bargaining | 21.7% | 16.0% | 20.6% | 21.4% | 16.0% | 20.4% | |
| | Total Turnover Rate ⁽²⁾ | 19.1% | 22.4% | 19.7% | 21.6% | 23.3% | 21.9% | |
| | Under 30 years old | 31.3% | 33.5% | 31.6% | 36.7% | 41.9% | 37.4% | |
| | 30 to 50 years old | 15.8% | 23.4% | 17.2% | 16.6% | 19.2% | 17.0% | |
| | Over 50 years old | 11.0% | 15.4% | 12.3% | 14.2% | 19.8% | 15.8% | |
| | Average training spend ⁽³⁾ | per full time equivalent | HK\$2,338 | HK\$1,212 | HK\$2,136 | HK\$3,057 | HK\$912 | HK\$2,659 |
| | Injury Rate ⁽⁴⁾ | incidents per 100 employees | 3.9 | 4.3 | 3.9 | 3.4 | 4.3 | 3.5 |
| Lost Day Rate ⁽⁴⁾ | days per 100 employees | 69.5 | 93.7 | 74.4 | 57.6 | 57.7 | 57.7 | |
| Absentee Rate ⁽⁴⁾⁽⁵⁾ | days per employee | 5.5 | 6.2 | 5.7 | 5.9 | 5.3 | 5.8 | |
| Environment | Greenhouse gas emissions ⁽⁶⁾ | '000 tCO ₂ e | 79 | 19 | 98 | 80 | 21 | 101 |
| | Scope 1 emission | '000 tCO ₂ e | 14 | 7 | 21 | 15 | 8 | 23 |
| | Scope 2 emission ⁽⁷⁾ | '000 tCO ₂ e | 64 | 12 | 77 | 65 | 13 | 78 |
| | Carbon intensity | kg CO ₂ e per m ² | 162 | 116 | 150 | 164 | 125 | 154 |
| | Total energy use ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ | '000 GJ | 681 | 152 | 834 | 702 | 162 | 864 |
| | Direct energy use | '000 GJ | 188 | 82 | 270 | 195 | 90 | 285 |
| | Indirect energy use | '000 GJ | 493 | 70 | 564 | 507 | 71 | 579 |
| | Energy intensity | MJ per m ² | 1,398 | 924 | 1,278 | 1,441 | 981 | 1,325 |
| | Direct water consumption ⁽¹¹⁾⁽¹²⁾⁽¹³⁾ | '000 m ³ | 1,296 | 263 | 1,559 | 1,432 | 272 | 1,705 |
| | Water intensity ⁽¹⁴⁾ | | | | | | | |
| | Hotels | litres per guest night | 1,014 | n/a | n/a | 1,075 | n/a | n/a |
| | Commercial Properties, Clubs & Services | litres per m ² | n/a | 1,184 | n/a | n/a | 1,131 | n/a |
| | Water recycled and other water sources ⁽¹⁵⁾ | '000 m ³ | 166 | 400 | 566 | 130 | 318 | 448 |
| Waste generated ⁽¹¹⁾ | tonnes | 6,614 | 457 | 7,071 | 6,386 | 510 | 6,895 | |
| Waste diverted ⁽¹¹⁾⁽¹⁶⁾ | tonnes | 3,451 | 137 | 3,588 | 3,380 | 125 | 3,505 | |
| Emission of ozone depleters ⁽¹⁷⁾ | kg CFC-11e | 17.1 | 5.3 | 22.4 | 24.8 | 4.0 | 28.8 | |
| Community | Monetary donations ⁽¹⁸⁾ | HK\$ '000 | 967 | 1,058 | 2,025 | 1,460 | 1,059 | 2,519 |
| | Company donations ⁽¹⁹⁾ | HK\$ '000 | 339 | 183 | 522 | 369 | 286 | 682 |
| | Donations by customers ⁽¹⁹⁾ | HK\$ '000 | 587 | 875 | 1,445 | 995 | 715 | 1,710 |
| | Donations by employees | HK\$ '000 | 41 | 17 | 58 | 68 | 59 | 127 |
| | In-Kind donations | HK\$ '000 | 4,610 | 2,793 | 7,403 | 4,353 | 3,149 | 7,502 |
| | Other contributions for community development ⁽²⁰⁾ | HK\$ '000 | - | - | 2,787 | - | - | 2,796 |
| | Community outreach | | | | | | | |
| | Service hours ⁽²¹⁾ | hours | 15,945 | 3,617 | 19,562 | 19,949 | 2,609 | 22,558 |
| | Employee volunteers | | 1,154 | 279 | 1,433 | 1,093 | 250 | 1,343 |

| 2017 | | | 2006-08 | | |
|-----------|---|-------------------|---------|---|-------------------|
| Hotels | Commercial Properties, Clubs & Services | Group Performance | Hotels | Commercial Properties, Clubs & Services | Group Performance |
| 6,123 | 1,411 | 7,534 | | | |
| 57.5% | 60.7% | 58.1% | | | |
| 42.5% | 39.3% | 41.9% | | | |
| 14.9% | 9.6% | 13.9% | | | |
| 85.1% | 90.4% | 86.1% | | | |
| 22.1% | 16.3% | 21.0% | | | |
| 20.5% | 25.0% | 21.3% | | | |
| 34.2% | 33.4% | 34.1% | | | |
| 17.1% | 23.5% | 18.2% | | | |
| 9.8% | 22.6% | 13.6% | | | |
| HK\$3,279 | HK\$1,656 | HK\$2,979 | | | |
| 3.1 | 3.3 | 3.1 | | | |
| 44.2 | 42.7 | 43.9 | | | |
| 5.2 | 5.7 | 5.3 | | | |
| 82 | 20 | 102 | 92 | 25 | 117 |
| 14 | 7 | 21 | 17 | 8 | 25 |
| 68 | 13 | 81 | 75 | 17 | 92 |
| 168 | 121 | 156 | 244 | 177 | 226 |
| 699 | 165 | 864 | 705 | 153 | 858 |
| 192 | 92 | 284 | 214 | 69 | 283 |
| 507 | 73 | 580 | 491 | 84 | 575 |
| 1,436 | 1,001 | 1,326 | 1,865 | 1,097 | 1,658 |
| 1,364 | 298 | 1,662 | 1,536 | 271 | 1,807 |
| 1,100 | n/a | n/a | 1,373 | n/a | n/a |
| n/a | 1,226 | n/a | n/a | 1,280 | n/a |
| 132 | 357 | 489 | – | – | – |
| 6,248 | 1,357 | 7,605 | – | – | – |
| 3,465 | 145 | 3,610 | – | – | – |
| 26.1 | 6.1 | 32.1 | 157.0 | 141.3 | 298.3 |
| 2,355 | 895 | 3,250 | | | |
| 307 | 345 | 652 | | | |
| 1,983 | 486 | 2,469 | | | |
| 65 | 64 | 129 | | | |
| 4,695 | 1,989 | 6,684 | | | |
| – | – | 2,730 | | | |
| 18,385 | 2,913 | 21,298 | | | |
| 1,441 | 349 | 1,790 | | | |

Footnotes:

- 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. Full time equivalent (as of Dec) is 8,009, this includes employee working on a part time basis (e.g. two part time employee working half day are counted as one full time equivalent)
- Turnover rate refers to full-time employees only. "Full Time" means that the employee works full number of hours per week for that particular position.
- Average training spend is based on total annual training spend per full-time equivalent. Decrease by 19.6% in spend was due to cost saving exercise in the second half of the year due to challenging business environment in 2019.
- Due to revised methodology in 2019, minor incidents only requiring first aid have been excluded in the scope in line with accepted reporting methodologies. As such, we have restated the numbers from 2015 onwards as these changes were significant. Injury and lost day rate recorded from 2017 onwards did not include The Peninsula Beverly Hills due to revised methodology used for monitoring. Injury rate and lost day rate increased by 11% and 29.1%. Injury rate increased significantly due to an overall increase of injuries and reporting of these incidents of which over 96% are those that did not require a hospital stay, and thus not considered severe injuries. The injury rate for severe cases is at 0.14 per 100 employees. Lost day rates increased due to several prolonged injury cases of staff ranging from strains, fractures, bruises and burns that were carried forward from 2018 and several new prolonged cases reported in 2019, refer to page 35 in report for details. There was no incident of occupational disease recorded.
- Absentee rate recorded did not include The Peninsula Beverly Hills. As sick days are categorised under paid-time off, absentee data of The Peninsula Beverly Hills is therefore not available.
- 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.
- 2019 Scope 2 GHG emissions data presented above are calculated based on the market-based method as per the GHG Protocol Scope 2 Guidance. (2019 location-based Scope 2 GHG emissions was 78,836 tonnes CO₂e).
- 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.
- Vehicle fuel consumption is not included in the total energy use and energy intensity reported.
- 2019 direct energy consumption by source were 195,092 GJ of gas, 868 GJ liquefied petroleum gas and 74,015 GJ of diesel oil, whilst our indirect energy consumption by source were 489,910 GJ of electricity, 14,537 GJ of chilled water and 59,174 GJ of purchased steam.
- The Repulse Bay tenants, The Peak Complex, St. John's Building and The Landmark Vietnam are excluded for water and waste data. Business nature of these properties are different from hotels and other commercial properties, as water consumption and waste disposal are largely determined by number of tenants (or visitors) and their behaviour, where we have limited control.
- Direct water consumption refers to water obtained from municipal source; water captured directly are reported under recycled and other water sources.
- Includes all water uses in the hotels such as restaurant, spa, etc, not just those used by guests directly.
- Water intensity of Tai Pan Laundry (13.6 litres per kilogram washed in 2019, slightly decreased from 14.4 in 2018) is excluded as its intensity is measured on different metrics from that of commercial properties and clubs.
- An increase of 26.3% mainly due to increased lake water consumption at Thai Country Club.
- Group waste diversion rate in 2019 is 50.7%. Grease trap waste, hazardous waste and construction waste were not included in the waste data reported.
- Emission of ozone depleters dropped by 22.3% as our hotels in Hong Kong, Beijing, Bangkok and Chicago were using more environmentally friendly refrigerants.
- Decrease in total monetary donations by 19.6% and in-kind donations by 1.3% due to the social and civil unrest in Hong Kong that led to a drop in guest donations (with new methodology, refer to footnote 19) and cancellation of gala and charity events. In addition, cost saving measures have been implemented due to challenging business environment in 2019.
- Due to a change in definition and methodology, there has been a re-categorisation of donations. Donations from employees and customers now include those coming from cause marketing fundraisers where a portion of our products are donated to charities such as festive season afternoon teas, patron tickets for key events like *The Quail*, *A Motorsports Gathering*, and similar. We have also included additional in-kind donations that were not included in previous years. As such, we have restated the numbers from 2015 onwards as these changes were significant.
- 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.
- Service hours decreased by 13.3% due to the social and civil unrests in Hong Kong. However, overall Vision 2020 target was still met.

SUSTAINABILITY REPORTING CONTENT INDEX

This table summarises the information disclosed in this report, which followed the following reporting standards, the HKEX ESG Guide (revised in December 2019), GRI Standards (latest publication) and SASB. These standards must be read with this table. Details of the GRI Standards can be found at www.globalreporting.org/standards; while for HKEX ESG it is <http://en-rules.hkex.com.hk/node/5452>; while for SASB it is <https://www.sasb.org/standards-overview>.

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 page 33 to 34.

In case of any discrepancy in the disclosures between the HKEX ESG Guide or GRI Standards or SASB, the HKEX ESG Guide shall take precedence due to the Company's disclosure obligation as per its listing in the HKEX. References to the 2019 Annual Report in the page number column will be abbreviated as "AR"

| GRI Standards | ESG Guide | SASB | Page/Section | Remarks/Reasons of Omission |
|---|-----------|------------------|---|--|
| GRI 102: General Disclosures | | | | |
| Organisational Profile | | | | |
| 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10 | – | SV-HL-000.A to D | About this Report AR 2-5 AR 20-21 | |
| 102-8 | B1.1 | | 36-37 | Majority (over 90%) of the workforce is hired under full time and permanent contract and it is not material to breakdown in this manner. Instead, full time equivalent (FTE) data is available which includes employees working on part-time or temporary basis, please refer to p.37. There were no significant variations in the number reported. Employee Statistics by region: Asia: 5,372 Non-Asia: 2,079 |
| 102-9 | – | | 28-31 | |
| 102-11 | – | | 6-7, AR 26-35 | |
| 102-12, 102-13 | – | | 10-11, AR 102-103 | |
| Strategy | | | | |
| 102-14 | – | | AR 18-35 | |
| 102-15 | – | | 6-11 | |
| Ethics and Integrity | | | | |
| 102-16 | – | | 6-9, 24 AR 110-111, AR 123-139 | |
| Governance | | | | |
| 102-18 | MDR1 | | 8-9, AR 123-139, AR 148-151 | |

| GRI Standards | ESG Guide | SASB | Page/Section | Remarks/Reasons of Omission |
|-------------------------------------|-----------|------|---------------------------------------|---|
| GRI 102: General Disclosures | | | | |
| Stakeholder Engagement | | | | |
| 102-40 | – | | 10-11, AR 102-103 | |
| 102-41 | – | | 36-37 | |
| 102-42 | – | | 10-11, AR 102-103 | |
| 102-43 | – | | 10-11, AR 102-103 | |
| 102-44 | MDR2.1 | | 10-11, AR 102-103 | |
| Reporting Practices | | | | |
| 102-45 | MDR3 | | About this Report; AR 2-5 AR 18-19 | |
| 102-46 | – | | About this Report; 6-11 | |
| 102-47 | MDR2.1 | | 6-11 | |
| 102-48 | – | | 35-37 | Restatement of information: Yes. Please refer to footnotes 4 and 19 on p.37 |
| 102-49 | – | | 35-37 | Significant changes in scope and aspect: Refer to 102-48 |
| 102-50 | – | | – | 1 January to 31 December 2019 |
| 102-51 | – | | – | Date of most recent report: 2018 |
| 102-52 | – | | – | Reporting cycle: Annual |
| 102-53 | – | | About this Report | |
| 102-54 | – | | About this Report | |
| 102-55 | – | | 38-46 | |
| 102-56 | – | | About this Report; 33-34 | |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|------------------------------|------------------------|-----------|------|----------------|--|
| GRI 200: Economic | | | | | |
| Economic performance | 103-1, 103-2, 103-3 | | – | AR 172-239 | |
| | 201-1 | B8.2 | – | 35, AR 172-239 | |
| | 201-3 | | | AR 205-208 | |
| Market Presence | 103-1, 103-2, 103-3 | B1 | – | – | |
| | 202-2 | – | – | – | Majority of senior management are hired from the local community, where possible |
| Procurement Practices | 103-1, 103-2, 103-3 | B5 | – | 28-31 | |
| | 204-1 | – | – | 28-31 | We monitor material issues such as perishable goods, 55.9% were sourced locally and regionally in 2019. |
| | – | B5.1 | – | 28-31 | HSH has operations in Asia-Pacific, US, Europe and therefore, we have a wide diversity of suppliers located in these geographical regions. We are still exploring effective ways to keep track of such data. Currently, we have policies in place to encourage local sourcing and our modern slavery statement also listed out the actions we have taken to manage social risks in our supply chain. |
| | – | B5.2 | – | 28-31 | |
| Anti-corruption | 103-1, 103-2, 103-3 | B7 | – | 24 | We have taken the necessary steps to comply with the 2018 amendments in Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing Ordinance. No significant fines or non-monetary sanctions for non-compliance recorded in 2019. For our Code of Conduct and Speak-up policy, please visit www.hshgroup.com/en/corporate-governance/our-code-of-conduct and www.hshgroup.com/en/corporate-governance/speak-up-policy |
| | 205-3 | B7.1 | – | – | No identified legal cases regarding corrupt practices in 2019. |
| | – | B7.2 | – | 24 | |
| | – | B7.3 | – | AR 123 | Reading materials on anti-corruption was provided to directors. Group Anti-Fraud Policy and Group Anti-Bribery and Corruption Policy were included as part of their training. |
| Anti-competition | 103-1, 103-2, 103-3 | – | – | 24 | |
| | 206-1 | – | – | – | No identified cases regarding anti-competitive behavior and violations of anti-trust and monopoly legislation. |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|-------------------------------|------------------------|----------------|------------------|----------------|---|
| GRI 300: Environmental | | | | | |
| Energy | 103-1, 103-2, 103-3 | A2, A3 | | 14-19 | |
| | 302-1 | MDR2.2 A2.1 | SV-HL- 130a.1 | 14-19, 35-37 | 59% of energy consumed was supplied from grid electricity. We currently do not have renewable energy directly produced at our entities. |
| | 302-3 | A2.1 | | 14-19, 35-37 | |
| | 302-4 | A2.3 | | 14-19, 35-37 | |
| Water | 103-1, 103-2, 103-3 | A2, A3 | | 14-19 | |
| | 303-3 | A2.2 | SV-HL- 140a.1 | 14-19, 35-37 | Group total water consumption is 2,172,903 m ³ . Direct water consumption in locations with: High Baseline Water Stress: 188,528 m ³ , 8.7% of the total water withdrawal Extremely High Baseline Water Stress: 579,183 m ³ , 26.7% of the total water withdrawal Seawater is used for flushing only at The Peninsula Hong Kong and the consumption amount was not material to HSH, and therefore, this was not included in the scope. |
| | – | A2.4 | SV-HL- 140a.1 | 14-16 | |
| Emissions | 103-1,103- 2,103-3 | A1, A3 | | 14-15 | |
| | 305-1 | A1.1 A1.2 | | 14-19, 35-37 | Greenhouse gases included in the emissions calculation included CO ₂ , CH ₄ and N ₂ 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 ₂ equivalents. Refer to response above. Refer to response above. Refer to response above. Refer to response above. |
| | 305-2 | A1.1 A1.2 | | 14-19, 35-37 | |
| | 305-4 | A1.2 | | 14-19, 35-37 | |
| | 305-5 | A1.5 | | 14-19, 35-37 | |
| | 305-6 | A1.1 | | Data Statement | |
| | | | | | |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
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| GRI 300: Environmental | | | | | |
| Effluents and Waste | 103-1, 103-2, 103-3 | A1, A3 | | 14-19 | |
| | 306-2 | A1.3, A1.4 | | 14-17 | Less than 1% of our waste generated is hazardous waste, and therefore, it is not a material issue to HSH. |
| | – | A1.6 | | 14-17 | Hazardous waste is disposed according to local regulations. |
| Environmental Compliance | 103-1, 103-2, 103-3 | A1 | SV-HL- 160a.1. | 14-17 | |
| | 307-1 | A1 | | – | No significant fines or non-monetary sanctions for non-compliance recorded in 2019. An example of relevant laws and regulation for HSH is the Environmental Impact Planning regulations for our new developments in London, Istanbul and Yangon. We comply with these laws. |
| The Environment and Natural Resources | – | A2.5 | | – | To ensure accuracy of data reported, we aim to report on the quantity of packaging materials in 2020. |
| | – | A3.1 | | 14-19, 28-31 | |
| | – | – | SV-HL- 160a.1. | 14-17, 28-31 | We do not have any lodging facilities operated, owned, leased, or franchised in sites with protected conservation status, or areas of endangered species habitat. |
| | – | – | SV-HL- 160a.2. | 14-19, 28-31 | Most of our entities are located in cities, we preserve ecosystem services indirectly through sustainable procurement of our seafood, paper products, cleaning products, tea, coffee and chocolate etc. We implemented international green building standard (e.g. BREEAM/LEED) to reduce our environmental impact in new projects and major renovations. |
| Climate Change Adaptation | | A4 | SV-HL- 450a.1. | 32 | Refer to TCFD Scheme on. p.32 |
| | | A4.1 | SV-HL- 450a.1. | 32 | Initial assessment of flood risk is still underway, more details will be provided in future reports. |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|---|---------------------------------|---------------------|---------------|--------------|---|
| GRI 400: Social | | | | | |
| Employment | 103-1, 103-2, 103-3 | B1 | | 20-25 | HSH complies with relevant employment and labour laws and regulations in cities that we operate. |
| | 401-1 | B1.2 | | 35-37 | 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. |
| | – | – | SV-HL-310a.1. | 35-37 | Voluntary turnover rate: 15.7% Total turnover rate: 19.7% |
| Labour/Management Relations | 103-1, 103-2, 103-3 402-1 | B1 – | | 20-25 | 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. |
| | – | – | SV-HL-310a.3. | | 100% of our employees earning minimum wage or above, this is slightly different SASB requirement |
| Occupational Health & Safety | 103-1, 103-2, 103-3 | B2 | | 23 | HSH complies with relevant health and safety laws and regulations in cities that we operate. |
| | 403-9 | B2.1, B2.2, B2.3 | | 23, 35-37 | Total number of hours worked is 14,028,900 hours (assume all employees work for 40 hours per week and 50 weeks for a year). Based on GRI methodology, recordable injury rate is 8.6 per 200,000 hours worked. There were 10 cases of high-consequence work-related injuries and no fatal injury recorded in 2019. |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|---|---------------------------------|------------|---------------|--------------|---|
| GRI 400: Social | | | | | |
| Training and education | 103-1, 103-2, 103-3 404-2 | B3 | | 20-25 | Our learning and development programmes include opportunities for skills upgrading; where relevant, we provide transition assistance programmes, e.g. operations closure, etc. We provide training as part of one's role and training needs, regardless of gender, other diversity factors and management/non-management role. |
| | | B3 | | 20-25 | |
| | – | B3.1, B3.2 | | 35-37 | |
| Diversity and equal opportunity | 103-1, 103-2, 103-3 405-1 | B1 B1.1 | | 20-25 – | Board Membership Statistics: <ul style="list-style-type: none"> • by gender: 18% female and 82% male • by age group: 6% under 30; 12% between 30 to 50; 82% over 50 Employee Statistics: <ul style="list-style-type: none"> • by gender: refer to Data Statement • by age group: 25% under 30; 53% between 30 to 50; 22% over 50 |
| | | | | | |
| Non-discrimination | 103-1, 103-2, 103-3 406-1 | B1 B1 | | 24 24 | 1 case of sexual harassment case reported in 2019 and was dealt with in accordance to Code of Conduct and relevant regulations and standards. |
| | – | – | SV-HL-310a.4. | 24 | |
| | | | | | |
| Freedom of Association and Collective Bargaining | 103-1, 103-2, 103-3 | B4 | | 24 | HSH complies with relevant laws and regulations in relates to preventing child and forced labour. Please refer to our Modern Slavery Act Statement at https://www.hshgroup.com/en/sustainable-luxury 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. Our Code of Conduct and Modern Slavery Act Statement outlines our commitment to respecting human rights including our position against child labour and human trafficking, and use of child labour and forced labour in our supply chain. |
| | 407-1 | – | | – | |
| | 408-1 409-1 | B4.1, 4.2 | | 24 | |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|-------------------------------------|---------------------------------|-----------|------|--------------|---|
| GRI 400: Social | | | | | |
| Human Right Assessment | 103-1, 103-2, 103-3 | – | | 24 | |
| | 412-2 | – | | 24 | |
| Local communities | 103-1, 103-2, 103-3 | B8 | | 26-27 | |
| | 413-1 | – | | 26-27 | All operations had local community engagement programmes during the reporting year. |
| | – | B8.1 | | 26-27, 35-37 | |
| | – | B8.2 | | 26-27, 35-37 | |
| Customer Health & Safety | 103-1, 103-2, 103-3 | B6 | | 23 | |
| | 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 purchased directly from our official sales channels were subject to recalls for safety and health reasons. |
| 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 | | 24 | No substantial complaints regarding breaches of customer privacy recorded during the reporting period. An example of a significant regulation that we complied with in 2018 is the European Union General Data Protection Regulation (GDPR). |
| | 418-1 | B6.5 | | – | For our data privacy and security policy, please visit http://www.peninsula.com/en/privacy-security |

| Material Issues | GRI Standards | ESG Guide | SASB | Page/Section | Remarks/ Reasons of Omission |
|------------------------|---------------------------------|-----------------------|-----------------------|--------------|---|
| GRI 400: Social | | | | | |
| Compliance | 103-1, 103-2, 103-3 419-1 | B1, B2, B4 B6.2 | - SV-HL- 310a.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 intellectual property rights protection. |
| | - | 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

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