

# OUR SUSTAINABILITY VISION

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

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We have been in business for over 155 years, and we hope to continue doing so for the next century and beyond. Looking to the future, we continually ask ourselves what lasts, what endures, and how we can safeguard the things that really matter. This year, we continue to be impacted by the global COVID-19 pandemic while experiencing a more rapidly changing climate, accentuating the need for long-term planning in navigating our business through a volatile future rife with unpredictable challenges.



Conducting our business with integrity, respecting history and heritage, maintaining the best brand and reputation, and ensuring future generations inherit a portfolio of the highest quality assets requires us to adopt a long-term lens in our decision-making. We believe that our business thrives when our people and communities do. 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.

We recognise the perceived contradiction between the traditional idea of luxury and the principles of sustainability, and have thus taken the opportunity to demonstrate their complementary nature by instilling sustainability values within our luxury offering. To us, sustainability and luxury share similar values. We endeavour to offer refined craftsmanship and exceptional service which is timeless, thoughtful and purposeful, while ensuring the needs of our guests, our people and our communities are met. With this, we believe 'Sustainable Luxury' has become an integral part of our long-term mindset.

As we write this report, many parts of the world continue to be impacted by the pandemic. While we see communities and businesses adapting to the new normal, socioeconomic issues such as unemployment, poverty, social inequality and supply chain disruption have been exacerbated. Many parts of the world have had to battle unusual climate events which have damaged ecosystems and places, and had a negative impact on human health. However, the human capacity for innovation is tremendous and we see reasons for hope in relation to climate change: more ambitious targets and net-zero commitments from countries and businesses as a result of COP26, a developing sustainable finance ecosystem, increasing adoption of plant-based diets, and a better understanding of the provenance and true environmental footprints of the materials and ingredients we use.

As stewards of our communities, we prepare ourselves in anticipation of future challenges. This report is an opportunity to reflect on our sustainability journey in the past years, while putting forward our plans to deliver on sustainable luxury for the coming years.

# OUR SUSTAINABILITY VISION

## Sustainable Luxury Vision 2030

This year marks the inaugural launch of *Sustainable Luxury Vision 2030 (Vision 2030)*, which incorporates a deeper focus on business integration and using regenerative and proactive approaches. Our new strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention, scaling positive benefits from our offering, while effectively reducing our negative impacts.

We seek to address key issues we are facing in our business and in society through *Vision 2030* by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by our 10 key commitments.





### *How we create value*

The Hongkong and Shanghai Hotels, Limited (HSH) is the owner and operator of The Peninsula Hotels, luxury commercial and residential properties, and provides club management and other hospitality-related services. While our business 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 experience to our guests, corporate clients and tenants. Over the long term, we seek to create shareholder 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 guests' experience forms an integral part of their overall experience of the country they are visiting. We ensure our properties are relevant in terms of design and features through constant upgrades, and consistently look for opportunities to enhance our offerings and services, which will in turn, generate brand value over time. Central to our success is hiring, training and retaining the right people, a majority of whom are local and 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 for the surrounding districts and businesses close to our hotels and properties by attracting visitors and customers, further contributing to the local economy.

## OUR SUSTAINABILITY VISION



*"I am heartened to see how far we have come since we began our corporate responsibility and sustainability journey in 2007. With rising environmental and social risks coming to fore, we are ready to step up, do our part and contribute to collaborative global efforts, using Vision 2030 as our blueprint to navigate the volatile environment arising in the coming decade. It is our aim to deliver on sustainable luxury in all parts of our business and contribute positively to the environment and the communities around us."*

*– Clement Kwok, CEO*

### Governance on CRS

We regard the integration of sustainability as a sensible and necessary strategy that benefits the overall value of the group in both the short and long-term. 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 Board oversees the management of sustainability issues through regular engagement and updates from the Group Corporate Responsibility Committee (GCRC). While we do not have a separate sustainability committee at the board level, the Board, its committees and interested Board members regularly receive updates from the Head of CRS and key issues are brought to their attention. The Board considers sustainability to be of substantial importance warranting a Board review of the group's sustainability approach, strategy and performance at least once a year. In 2021, CRS topics such as the annual CRS Report, *Vision 2030* progress and key initiatives, major sustainability trends, sea level rise and coastal flood risks, and the annual update on the group's anti-modern slavery statement were discussed and reviewed at Board level.



**Read more about the GCRC's key work in 2021 on page 137.**

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



The Head of CRS regularly reports to the Board and GMB and updates the Group Risk Committee on environmental and social risks related to the business. The Head of CRS also coordinates CRS-related risk mitigation actions across the Group. Depending on the severity of these risks, these are escalated to the Audit Committee and the Board for reference or action. For example in 2021, the potential long-term consequences of sea level rises and coastal flood risks to the business was discussed with the Group Risk Committee and the Board.

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 and department heads. They meet regularly to develop and implement action plans and strategies pertaining to 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 Head of CRS and Vision 2030 Group Champions
- Coordinates CRS efforts across the Group;
  - Monitors progress, performance and latest trends

### OPERATION LEVEL

#### Local CRS committee

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

### Approach, Policy and Targets

Sustainable Luxury Vision 2030 featuring three pillars and 10 key commitments



### Communications and Engagement

- Regular GCRC and local CRS committee meetings
- CRS awareness videos
- CRS content embedded in employee orientation programme
- Internal surveys
- Regular Townhall Meetings and operation updates
- Institutional collaboration with universities to raise awareness and develop new generation



### Performance Monitoring

- Quarterly reporting to local CRS committees and GCRC
- Annual action plan submission
- Regular calls with local operations by Group Champions
- Annual external assurance audit
- Hospitality and tourism benchmarking (EarthCheck and The Cornell Hotel Sustainability Benchmarking)

