

Climate-related Disclosures

The impacts of climate change are observed globally, giving rise to climate-related risks and opportunities that will have immediate and long-term impacts to our business, people and value chain. The following statement, which references the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), outlines how we manage climate-related risks and the implications these risks may have on our business.



GOVERNANCE

We regard the integration of sustainability as a sensible and necessary strategy that benefits 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 climate change issues, risks and other sustainability topics 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, throughout the year, the Board, its committees and interested Board members regularly receive updates from the Head of Corporate Responsibility and Sustainability (CRS) and key issues are brought to their attention. The Board considers sustainability to be of substantial importance warranting Board review of the group's sustainability approach, strategy and performance at least once a year.

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 strategy, arising climate-related issues, risks and opportunities. GMB, also headed by the CEO and comprised of other 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 actions into the business, the GCRC meets at least on a quarterly basis and is comprised of Group Champions, who are general managers of operations and heads of departments representing different aspects of the business including finance, people and culture, operations, legal, corporate affairs, sales & marketing, and projects. The GCRC is supported by the 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 (GRC) on environmental and social risks related to the business. The Head of CRS also coordinates related risk mitigation actions across the group. Depending on the severity of the risks, these are escalated to the Audit Committee and the Board for reference or action.



STRATEGY

Climate change is a pervasive issue that affects all parts of our business. We have integrated climate mitigation and adaptation actions throughout our newly updated group sustainability strategy *Sustainable Luxury Vision 2030 (Vision 2030)*. Our new strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention, while bringing a positive impact to the environment and our communities. 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.



[Read our Vision 2030 Strategy](#)

We recognise that climate change poses different types of risks to our business. Physical risks are hazards that we may face resulting in the changes in environmental conditions associated with climate change, while transition risks are hazards resulting from the global transition to a low-carbon economy.

Types of Risks	Potential Hazards	Potential Impacts
Physical risks	<ul style="list-style-type: none"> • Temperature extremes • Coastal and fluvial flooding • Drought • Wildfire • Hurricanes and cyclones • Water stress 	Disruption of operations, supply chain disruption for our products and services, physical damage to our assets, increased utility costs and insurance premium, reduced availability of critical resources
Transition risks	<ul style="list-style-type: none"> • Carbon pricing • Litigation and regulation compliance • Technology and innovation • Reputational risks 	Tightened building and operational requirements on energy, water, waste and other sustainability elements, more capital investment and expenditure to meet evolving expectations, increased demand for more sustainable offerings and products at our hotels

We also acknowledge that climate change may present us with opportunities in the future such as improvement of resource efficiency and optimisation of associated costs, transition towards low emission energy sources leading to energy cost savings, reduced carbon taxation, innovations in products and services ahead of the market and guests' evolving expectations, and development of adaptive capacity to respond to climate change.

At the group-level and as part of our *Vision 2030* strategy, we are currently implementing climate mitigation and adaption efforts to help our transition to a low-carbon economy.

We closely monitor our performance and progress on carbon emissions, water efficiency and actions related to the mitigation of climate change such as adopting sustainable designs, installing energy efficient equipment to operate sustainably, mapping out climate risks at the property level and engaging stakeholders such as government, industry peers, think-tanks and more. Currently, each of our operations also have emergency response plans for extreme weather events.

We are developing science-based targets for our Scope 1, 2 and 3 GHG emissions with reference to industry benchmark and best practices, to ensure our goals are closely aligned with rigorous climate science, which will allow us to set out a course of long-term actions to decarbonise our operations.

Climate change is also expected to place increasing pressure on our supply chains and it is important for us to understand the impacts it will have particularly for our key products most vulnerable to environmental changes such as tea, coffee, chocolate, seafood, and cotton products. As part of our *Vision 2030* strategy, we are focused on working with our high-risk suppliers to improve traceability and sourcing practices to improve resilience in our supply chain.

One key principle of *Vision 2030* is to collaborate with other like-minded companies to help find solutions for our world's shared challenges, including in areas of climate change. For example, we recently sat on an advisory group and worked closely with industry peers, Greenview, World Travel & Tourism Council, Sustainable Hospitality Alliance, Pacific Asia Travel Association, and Tourism Declare to review and provide practical, industry feedback to the Net Zero Methodology for Hospitality.

Starting in 2021, we further integrated sustainability into our overall business and financing strategy by obtaining green financing mechanisms to generate working capital on sustainability-related capital expenditure and initiatives. As at 31 December 2022, we have signed a total of HK\$10.5 billion sustainability-linked and green loans. More details on projects funded by our sustainability-linked and green loans can be found in our inaugural Green Finance Report.



[Read our Green Finance Report](#)



RISK MANAGEMENT

To enable our understanding of climate-related risks and opportunities that our business will face in the future, we have completed an initial qualitative scan of our climate risks. To further enhance our findings, we commenced work this year on asset-level physical climate-risk assessments for the coming decades. The assessment uses modelling which considers the impact of physical climate hazards, referencing climate and socioeconomic data from sources such as the Intergovernmental Panel on Climate Change (IPCC) and National Oceanic and Atmospheric Administration (NOAA), and the vulnerability of each asset type to deliver decision-relevant insights. The assessment is based on four Representative Concentration Pathways (RCP 2.6, 4.5, 6 & 8.5) in alignment with climate scenarios used by the IPCC. The findings from this assessment will be used to inform and further enhance our group's climate risk approach in the coming year.

At the asset level, we currently have mitigation measures already in place for physical climate events such as (a) maintaining comprehensive insurance coverage for properties and businesses, (b) enhancing the resilience of the physical structure through better design, upgrade and regular maintenance, and (c) establishing site and company level crisis management teams with business continuity plans to facilitate emergency responses. We also (d) install physical protections in the event of a natural disaster, (e) conduct regular evacuation drills and safety training to prepare our employees, (f) implement water-saving initiatives particularly in assets located in water-stressed regions. For long-term planning, we hope to integrate climate risks in the planning and design process of all future development and investment projects.

To help contextualise physical climate-risks our business face, the Board was also provided an update on global risks from the 2022 United Nations Climate Change Conference (COP27) and the World Economic Forum's (WEF) Global Risks Report 2022.

In the future, we plan to expand our assessment to include a longer-term horizon view, the quantification of financial impacts from these risks at the asset-level, and exploring climate-related transitional risks. We will have a better understanding of how these risks may impact our group's long-term strategy and planning upon having a more holistic picture of the climate-related risks we face. We are also aware of the multiplier effect and knock-on impact brought by climate change that may exacerbate other socioeconomic issues such as poverty, social inequality, supply chain disruption and more.



METRICS AND TARGETS

HSH is committed to reducing emissions within our own operations where possible and without impacting our offering to our guests. We publicly report our total energy use and emissions annually in our CRS Report.

To help facilitate our response to climate change, we have set group-wide targets and commitments in *Vision 2030* for greenhouse gas emissions, water efficiency and actions related to the mitigation of climate change such as adopting sustainable designs, mapping out climate risks at property level and engaging relevant stakeholders. Here are some of our key climate-related commitments:

- Use resources efficiently, prepare our operations for a low carbon economy
 - Reduce our key environmental impact from 2010 by:
 - 55% for carbon and water intensity
 - 35% for absolute carbon emissions
 - Increase the use of renewable and regenerative energy and water sources
 - Embed climate adaptation measures for existing operations and future investments
- Develop and operate sustainable properties
 - Align new developments and major renovations with international sustainable building standards
- Responsibly manage and divert our wastes
 - Achieve a waste diversion rate of 100% for food waste and recyclables by recycling, upcycling and reusing
 - Ensure proper disposal of hazardous waste
 - Increase usage of recyclable material
- Responsibly source key products and services by embedding environmental and social criteria

Details of our *Vision 2030* targets and sustainability performance data can be found in our CRS Report.



2022 OUTCOMES

In 2022 our total utility spend represents 9% of our operating costs. There is an increase of 27% in total spending across the group mainly attributable to improved business and the energy cost increase in the US and Europe. While we saw negative financial impact supplemented also by increase in insurance costs and expenditure to upgrade our properties in recent years, these financial impacts are still not considered material to our business at this time.