



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

Corporate Responsibility and Sustainability Statement of Approach

Introduction

Our business thrives when our people and our communities do. As such, we remain committed that we have a positive social, economic and environmental benefit on the local communities and the wider societies in which we operate. This means not only meeting local regulations, but also, where possible, aligning to international best practice and society's evolving expectations.

While we have communicated and documented our Corporate Responsibility and Sustainability (CRS) approach annually through the publication of the [CRS Report](#) since 2007, this separate statement of approach, which is updated on an annual basis, is written for key stakeholders who prefer receiving this information in this manner. This statement provides an overview of the CRS initiatives taken across the Group and covers all operations which are part of The Hongkong and Shanghai Hotels (HSH). For more detailed information on HSH, please see: <https://www.hshgroup.com/en/our-businesses>.

Governance

Our sustainability performance is managed and governed by the Group Corporate Responsibility Committee (GCRC), chaired by the CEO. The GCRC reports to the Group Management Board (GMB), who in turn, reports to the Board to review and address our sustainability practices and objectives. The GCRC is comprised of Group Champions, who are the functional heads representing different aspects of the business. They provide direction to the local operation teams as we progress on our commitments.

The GCRC is supported by the Director of Group Corporate Responsibility and Sustainability (and the CRS Department in Head Office), who is responsible for setting the direction of the Group's policy and strategy on these topics, supporting senior management and managing stakeholder relationships on these specific issues. The Director of Group CRS also reports to both the GMB and the Board regularly and updates the Group Risk Committee on environmental and social risks related to the business, including coordinating CRS-related risk mitigation actions across the Group. Depending on the severity of these risks, these can be escalated to the Audit and Risk Committee at Board level for reference or action.

At the local level, each operation has its own committee chaired by either the General Manager (GM) or the Hotel Manager (HM), two of the most senior positions in the local operations. In addition, each operation has a dedicated CRS champion who is typically a head of department. The champions meet regularly to develop and implement action plans, initiate actions and improve on the performance of our commitments. The General Managers/Hotel Managers and the Director of Group CRS have regular monthly or bi-monthly updates either to discuss challenges in implementing commitments, as well as providing feedback to ensure that CRS guidelines are relevant and practical at operational level.

Code of Conduct

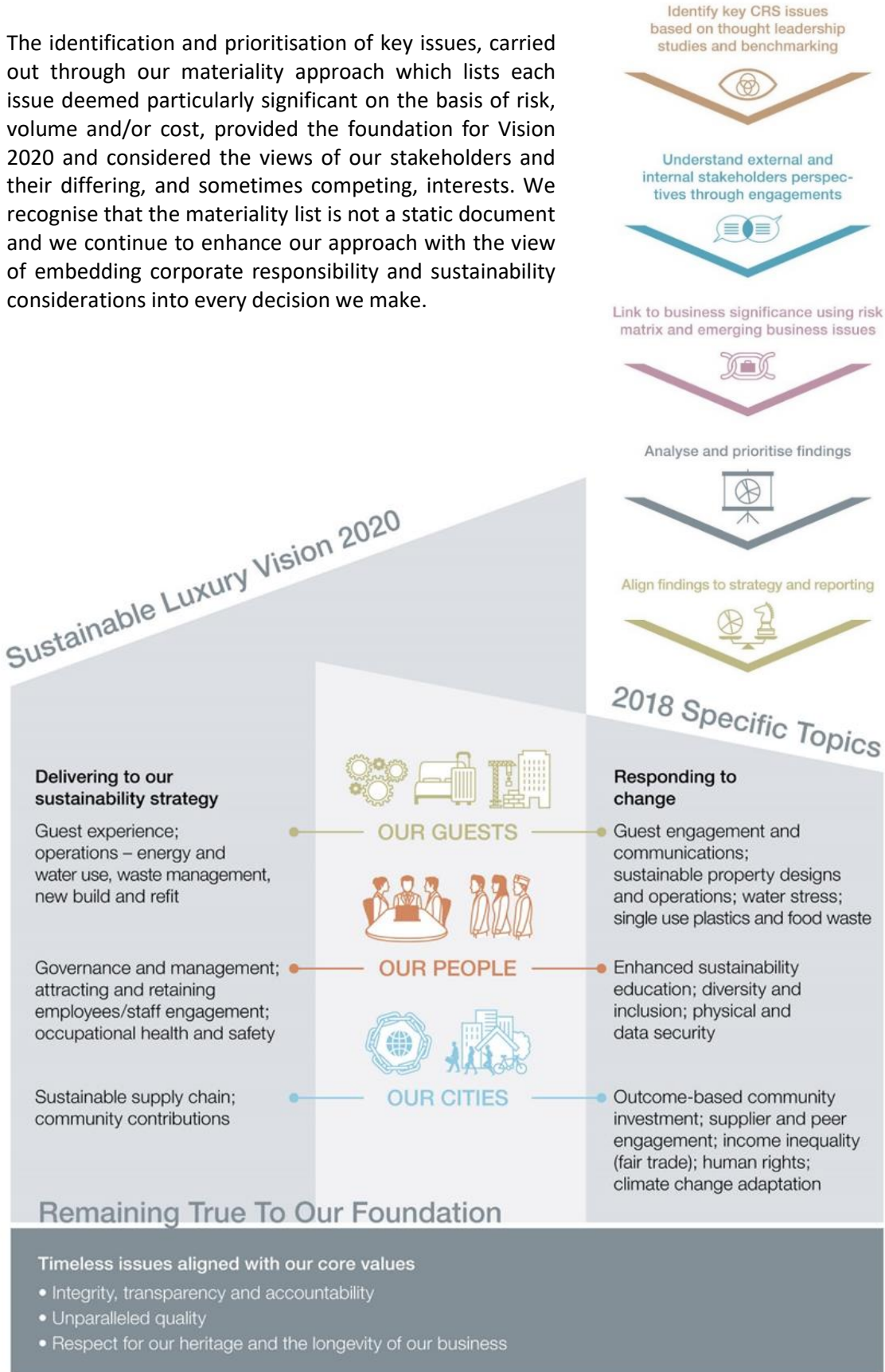
The Code of Conduct clearly outlines expectations on staff conduct, particularly on anti-bribery, fair competition, equal opportunity, customer data privacy and anti-discrimination and environmental responsibility. This Code explicitly recognises and commits to international conventions and charters such as the United Nations Declaration on Human Rights. 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.



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Identifying and Prioritising CRS Topics of Concern

The identification and prioritisation of key issues, carried out through our materiality approach which lists each issue deemed particularly significant on the basis of risk, volume and/or cost, provided the foundation for Vision 2020 and considered the views of our stakeholders and their differing, and sometimes competing, interests. We recognise that the materiality list is not a static document and we continue to enhance our approach with the view of embedding corporate responsibility and sustainability considerations into every decision we make.





Corporate Responsibility and Sustainability Strategy




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 and critical to our sustainable growth: our guests, our people and our cities. These focus areas are underpinned by seven pillars and specific, time-bound commitments adopting reasonable precautionary measures to reduce and mitigate any negative environmental and social impact from our operations.





OUR SUSTAINABILITY COMMITMENTS

The Sustainable Luxury Vision 2020 (Vision 2020) is our formal sustainability strategy developed to coordinate our efforts across the group to help address our social and environment impacts, and leverage opportunities for continued sustainable growth. We initially presented our Vision 2020 through seven pillars and 52 commitments. To simplify the communication of our efforts, we have summarised these into three key areas: our guests, our people and our cities. The table below summarises our commitments, in which over 85% are on track.

OUR GUESTS	OUR PEOPLE	OUR CITIES
<ul style="list-style-type: none"> ✔ 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: <ul style="list-style-type: none"> ➤ 25% energy intensity; 30% carbon intensity; 10% absolute carbon emission ⏸ 25% water intensity; 25% 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 	<ul style="list-style-type: none"> ✔ 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 or incidents resulting in total permanent disability ➤ Minimise OHS incidents by implementing robust safety management systems referring to relevant international standards or others where appropriate 	<ul style="list-style-type: none"> ➤ 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: <ul style="list-style-type: none"> ➤ Paper ➤ Tea, coffee, chocolate ➤ Guestroom amenities ➤ 50% cleaning products ➤ source 50% of perishables locally or regionally 

✔ Achieved ➤ In Progress ⏸ Behind Plan



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To implement our Vision 2020, we developed a sustainability management process that follows the principles of Plan, Do, Check, Act:

- Plan:
 - Regular committee meetings chaired by CEO at head office and by GM/HM in local operations (at least quarterly)
 - Yearly action plans filled by operations and submitted to Director of CRS for approval
 - Budget reminders and directions from Director of CRS and other relevant senior management to GM/HM

- Do:
 - Implementation of Vision 2020 commitments and action plans
 - Follow CRS Concierge and CRS requirements and guidelines, including energy management and water guidelines
 - Memoranda from relevant senior management to GM/HM, for example in 2018 regarding our single use plastics commitment and food waste diversion

- Check:
 - Data reporting in SoFi database to GCRC chaired by CEO
 - Energy and water: monthly
 - All other environment data: quarterly
 - People and remaining Vision 2020 commitments: Semi-annually**Data submission is signed off by either the GM/HM for each operation*
 - Internal quarterly random checks by CRS Department
 - Semi-annual internal audit by Chief Engineer on energy and water
 - Internal audit checks by Audit and Risk Department, especially related to the Code of Conduct and Speak Up Policy
 - Annual self-assessment compliance questionnaire signed by GM and the Director of Finance of each operation
 - Annual assurance and verification by a reputable and qualified third party
 - Regular updates to GMB and Board

- Act:
 - Semi-annual updates with Director of CRS and CRS Department for performance improvement
 - Feedback on improvement performance as part of GCRC meetings

Stakeholder Engagement and Communications

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, to 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 today and in the future.

For more information on our overall approach please refer to page 116 of our [Annual Report 2018](#).



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Guests

We receive feedback on sustainability issues through processes embedded in our day to day operations such as our daily briefings led by our GM/HM which discuss that day's operations, including resolving guest concerns. Other channels such as websites, direct calls, emails, comments on online travel portals, social media, etc. enable us to continuously engage and receive feedback and respond to our guests and clients in a timely manner.

We also provide opportunities for guests to participate in CRS initiatives and programmes through our [Peninsula Academy programme](#) (each hotel has its own webpage for their specific Peninsula Academy programme – the weblink provided only refers to The Peninsula Hong Kong is an example), a selection of unique local experiences highlighting that specific location's cultural heritage and environmental beauty. By raising awareness amongst our guests, we help to support the preservation of our cities' natural environment and their heritage and culture for future generations.

Suppliers and partners

The Supply Chain Code of Conduct was published in late 2009 to help articulate our expectations of suppliers and contractors on environmental, social and ethical practices and is mandated in our contracts. In 2018, we updated this code 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 Multinational Companies and strengthen elements on anti-bribery, data privacy and confidentiality, human rights and modern slavery, plastics use and supplier engagement.

Community partners

Each hotel and property tailors their efforts to match community needs through local action plans. We engage and invest in our local communities in a manner that responds to their needs in a strategic, relevant and focused way.





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Working with other sectors

We are members of several sectoral and industry-wide collaborations to find solutions to our shared sustainability challenges, such as:

- **World Travel and Tourism Council (WTTTC)** - the global industry body for the travel and tourism sector, with sustainability as one of its main focus areas: <https://www.wttc.org/>
- **Business for Social Responsibility (BSR)** - global nonprofit organization that works with business to create a just and sustainable world: <https://www.bsr.org>
- **Responsible Luxury Initiative (ReLI)** - convenes luxury sector companies to collaborate and learn about sustainability issues. Its members are some of the biggest luxury brands in the world: <https://www.bsr.org/en/collaboration/groups/responsible-luxury-initiative>
- **Mekong Club** - an organisation working with the corporate sector against modern slavery: <https://themekongclub.org/>

Sustainability related feedback

We supplement operational feedback by conducting specific sustainability engagements, examples from recent years:

- In 2017: We conducted focus group discussions with retail tenants, guests, suppliers, environmental and social organisations and peer companies in Hong Kong, Bangkok, Manila, New York and Paris.
- In 2018: We completed one-to-one external interviews in our key markets around the world; as well as completed an internal survey with the members of our local CRS committees around the world, receiving an over 80% response rate from them.

The results of our engagements were channelled to our materiality exercise for our CRS report, our current implementation of Vision 2020 and our post 2020 strategy.

External communications on CRS

We formally report on our CRS efforts and performance through the publication of our annual CRS Report, read together with our Annual Report. These two reports refer to several reporting standards such as the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guidelines, the Global Reporting Initiative Sustainability Reporting Standard, and the International Integrated Reporting Council. We also report on a number of indicators or disclosures as recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and Earthcheck, one of the very few accredited standards under the Global Sustainable Tourism Council. The intended audience for this report is predominantly for our shareholders, with the stand-alone CRS Report also intended for CRS professionals and research organisations.

We recognise that more communications need to be provided to additional audiences, particularly to our guests. As such, we are currently producing an in-room video, and drafting communications materials to communicate our efforts on CRS in a relevant way.



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Internal training and awareness raising

Market intelligence in committee meetings

At each GCRC meeting, the Director of Group CRS provides an update on corporate responsibility and sustainability related emerging issues and trends that all Group Champions should be aware of. This includes, *inter alia*, discussions on future regulations, climate change adaptation, plastics, inequality, as well as on issues relating to [modern slavery](#) and human rights. The information prepared for and discussed at those meetings will also be shared with the local committees starting in 2019.

On-demand awareness videos

We aim to integrate sustainability into our business by harnessing the passion and creativity of our staff so that it is of personal relevance to them and becomes an innate aspect of our business. We produce yearly thank you videos to showcase the impact of our community development work. We also produced several videos increasing awareness on our overall CRS approach, energy and water management and food waste and single use plastics initiatives. We will be rolling out similar initiatives in 2019.

CRS Guidelines

We developed several sustainability guidelines to outline the specifications and actions required to meet our commitments. These guidelines were presented as simplified decision trees and short explanatory posters. These were compiled into a PowerPoint type document called “CRS Concierge” as a one-stop resource for all sustainability guidelines and briefing notes – covering issues from sustainable sourcing to single use plastics transition and community development. We update this resource on an annual basis.

Department and local committee trainings

The Director of Group CRS (or his/her delegate) conducts regular department focussed and local committee members training on an annual basis. This training not only covers an introduction to CRS, but also governance structure, strategy, CRS guidelines and emerging topics.

Contact

For questions related to this document, please contact the CRS Department at cr@hshgroup.com.

Finalised on: 1 April 2019