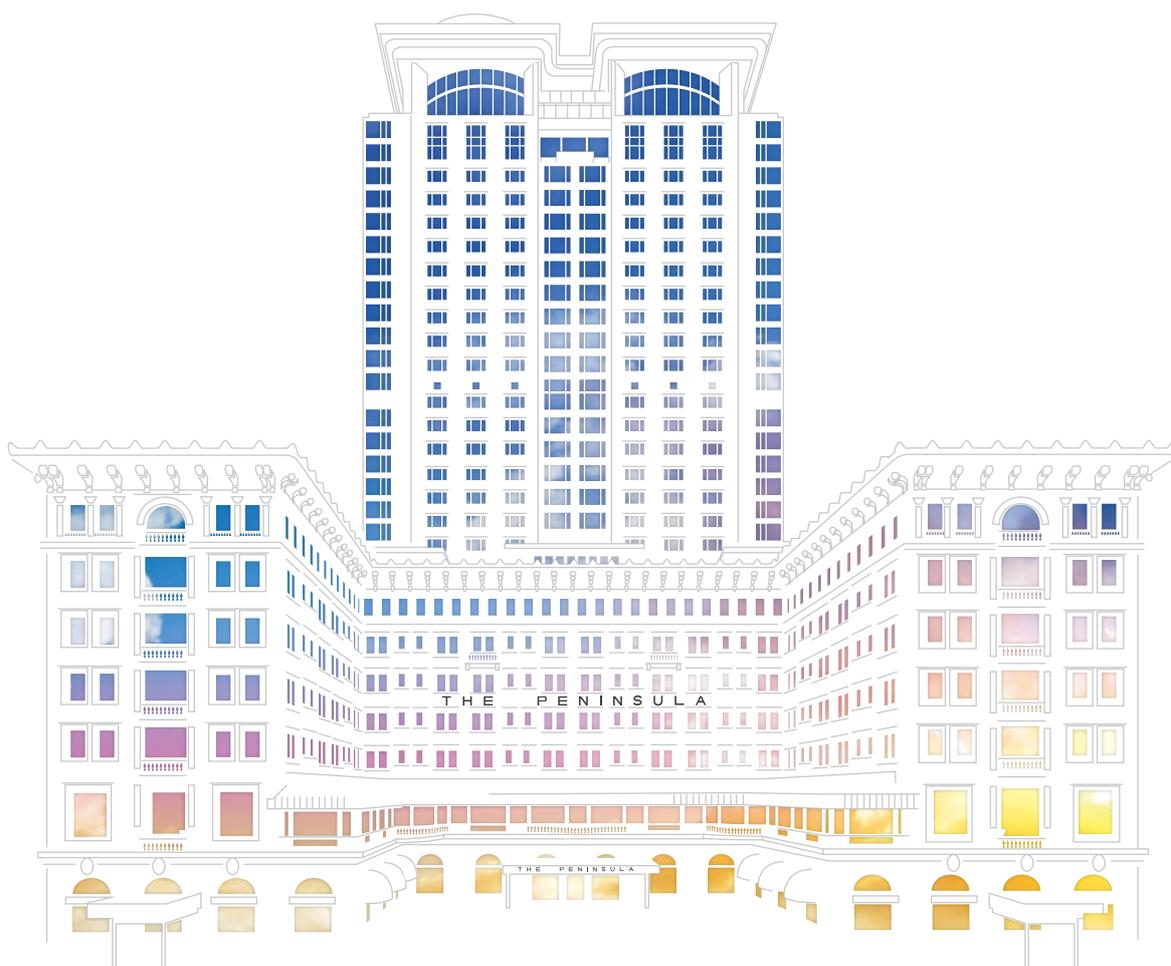


A VISION FOR SUSTAINABLE LUXURY



THE HONGKONG AND SHANGHAI HOTELS, LIMITED

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT 2018

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 2018 is produced with the intention that it is read together with our Annual Report 2018, with this icon  showing relevant linkages in the Annual Report. We continue to share the challenges and successes of our sustainability journey over the past year. 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

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.

Reporting Standards and Assurance

This report complies with the "comply or explain" provisions in the Hong Kong Stock Exchange's (HKEx) Environmental, Social, and Governance Reporting Guide (ESG Guide), which includes a number of relevant recommended disclosures and this report has been prepared in accordance with 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) (read together with the Annual Report) and Task Force on Climate-related Financial Disclosures (TCFD).

KPMG was commissioned to conduct assurance and to provide an independent opinion on identified elements of this report in accordance with the HKEx ESG Guide. This report can be read on pages 31 to 32.

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 2018.

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.

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ABOUT THE COVER PHOTO

An enduring bastion of elegance and luxury, The Peninsula Hong Kong has remained a global icon of hospitality excellence for nearly a century. In 2018, the hotel celebrated its 90th anniversary; nine decades of classical grandeur, timeless sophistication, and a seamless marriage of East meets West. It is a wonderful example of our long-term dedication to our guests, our people and to the Hong Kong community – a commitment which has extended to all the other cities in which we operate.

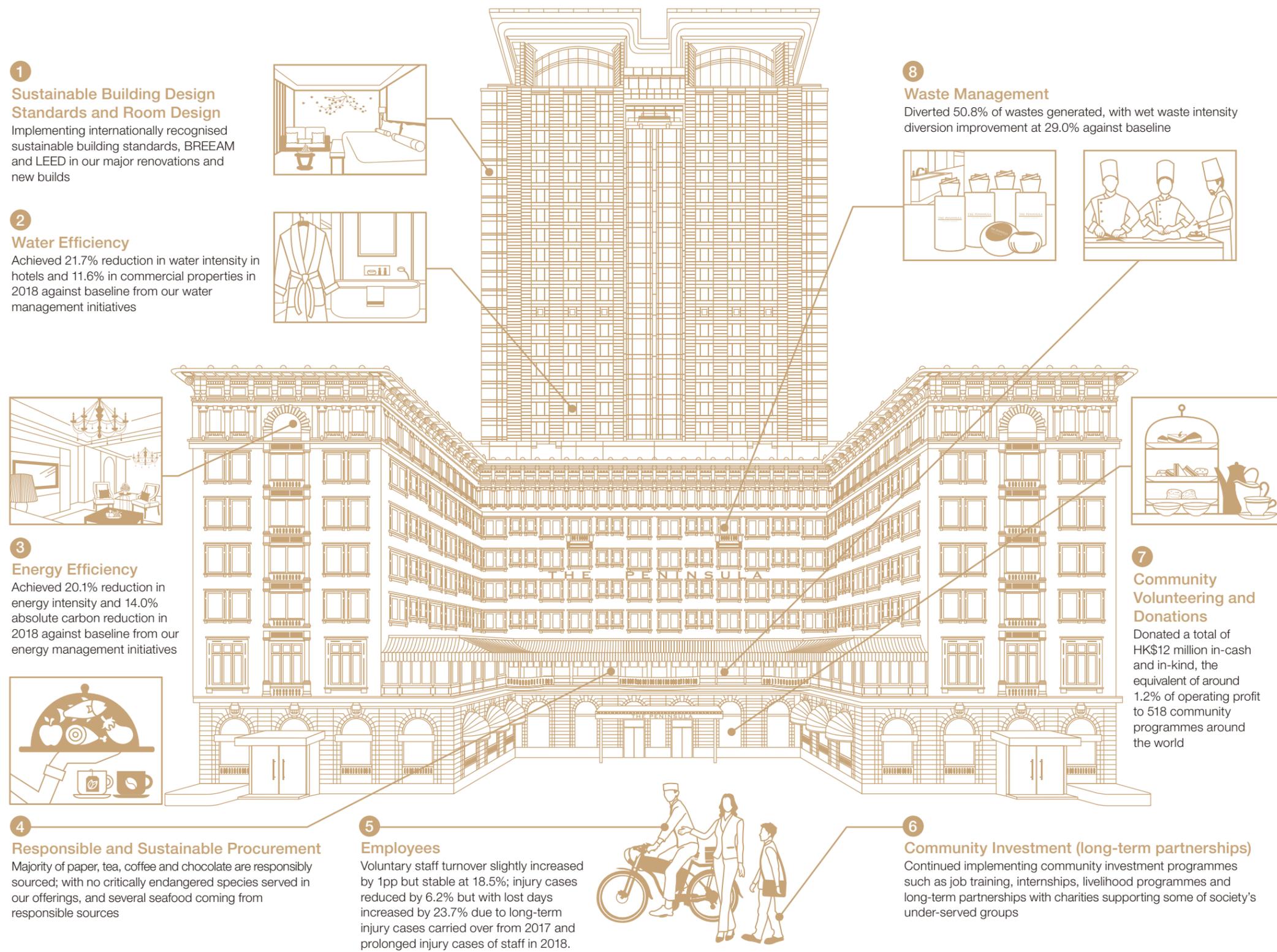
OUR SUSTAINABILITY COMMITMENTS

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 environmental impacts, and leverage opportunities for continued sustainable growth. We initially presented our Vision 2020 through seven pillars and 52 commitments. To simplify the communication of our efforts, we have summarised these into three key areas: Our Guests, Our People and Our Cities. The table below summarises our commitments, of 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 <div style="display: flex; justify-content: space-around; margin-top: 10px;">    </div>	<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 <div style="text-align: center; margin-top: 20px;">   </div>	<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 <div style="text-align: center; margin-top: 20px;">   </div>

✔ Achieved
 ➤ In Progress
 ⏸ Behind Plan

CRS INITIATIVES AT A GLANCE



Note: The Peninsula Hong Kong building is used to represent the corporate responsibility and sustainability initiatives across HSH's overall value chain.

OUR GUESTS

- 1 Sustainable Building Design Standards and Room Design**
- The Repulse Bay: LEED Gold
 - 21 avenue Kléber: HQE Outstanding and BREEAM Excellent
 - The Peninsula Beijing: BREEAM Good
 - LED lighting (Beijing, Bangkok, Chicago, New York, Beverly Hills)
 - Sustainable wood (Hong Kong, Beijing, 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, Chicago)
- 2 Water Efficiency**
- Water efficient shower heads, sensor-faucet application in back of house, kitchen best practices
 - Low temperature laundry (for 5 out of 7 hotels where we manage laundry)
 - Self-closing faucets in Chinese kitchen (Hong Kong, Shanghai)
 - Waterless urinals in back of house, waterless car wash (Beverly Hills)
 - Waste water treatment and recycled water application (Bangkok)
 - Water efficient laundry equipment — tunnel washer (Tai Pan Laundry)
 - Underground water for golf course lake and irrigation (Quail Lodge)
 - Recycled water for golf course lake and irrigation (Thai Country Club)
- 3 Energy Efficiency**
- Energy audits for 14 properties
 - Building re-commissioning (Hong Kong, Chicago, Manila)
 - Energy efficient fan coils (Beijing) and energy efficient PAUs/AHUs (Hong Kong)
 - Energy efficient oil-free chillers (The Repulse Bay, The Peak Complex, St John's Building)
 - Tesla and Pen Cycles (Tokyo) and complimentary parking for electric vehicles (Beverly Hills)

OUR PEOPLE

- 5 Employees**
- Wellness programme rolled out — Wisdom on Wellness
 - E-learning system in place called Learning KEY
 - Management training programme
 - Occupational health and safety management programmes

OUR CITIES

- 4 Responsible and Sustainable Procurement**
- Some restaurants serving free-range chicken, grass-fed beef, organic vegetables
 - Fairtrade tea; sustainable paper (Peninsula Merchandising Limited)
 - Responsibly sourced caviar (Hong Kong, Shanghai, Beijing)
 - Responsible seafood sourcing with small-scale fisheries (Manila)
 - Rooftop/in-house gardens (Beverly Hills, Paris, Shanghai, New York, Bangkok)
- 6 Community Investment (long-term partnerships)**
- Job training and internship — Honing Skills in Hospitality (Hong Kong and Paris)
 - Job training and internship — Sir Horace Kadoorie Youth Development Centre (Shanghai and Beijing)
 - 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)
- 7 Community Volunteering and Donations**
- Stories from the Tree festive season fundraising for Make-A-Wish and Shanghai K Foundation (hotels)
 - Christmas carnival for underprivileged children (The Repulse Bay)

OUR SUSTAINABILITY VISION

As one of the world’s oldest hospitality companies still in continuous operation, our long-term mindset and approach provides the foundation for us to successfully manage and operate our company. This approach is rooted in our key philosophies of conducting business with the highest level of integrity, respecting history and heritage, maintaining the best brand and reputation and passing on to future generations a portfolio of the highest quality assets, which are aligned with the principles of sustainability.

Our business thrives when our people and communities do. As such, we remain committed to having 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. We believe that taking care of our people and the world around us is simply the right thing to do.

We recognise that there could be a perceived conflict between the traditional idea of luxury and the principles of sustainability. To bridge this perceived gap can be challenging. However, we believe that our attention to detail and quest to provide the highest quality service will make sustainability part of the appeal of our luxury offering. Sustainable luxury is an integral part of our long-term mindset. We aim to properly manage risk as well as invest in the right opportunities while enabling a sense of belonging by offering services that are sustainable, thoughtful and purposeful to the needs of our guests and customers.



Our Sustainability Vision

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 and critical to our sustainable growth: *Our Guests, Our People and Our Cities*.

Underpinning our approach are our commitments, in which over 85% are on track to achieve the goals set in 2013. However, for the remainder of our commitments, challenges remain which we are committed to addressing. 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 usage in some locations. Since the strategy’s implementation, we have become more aware of the systemic and multi-dimensional nature of sustainability issues. We recognise that we need to continuously reassess our approach by collaborating on solutions with other stakeholders such as our suppliers and other organisations.

Nearing 2020, we are beginning to develop our sustainability strategy for the next few years with a focus on further business integration considering a regenerative and proactive approach. It is our aim that this new strategy will further leverage on the strengths of our business, focusing on issues where we can make the most difference, while effectively reducing the environmental and social impacts from our operations. We are aware of the array of expectations from our stakeholders such as science-based climate change targets, holistic water assessments, circular economy, human rights and modern slavery due diligence, reducing social inequalities, increasing diversity and inclusion and outcome-based community investment, to name some. These are now being considered into our post-2020 strategy.

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



How we create value

HSH is an owner-operator of a small number 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 are hiring, training and retaining the right people who are instrumental in shaping the experiences of our guests, a majority of whom are local. 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.



“We regard corporate sustainability as a sensible and necessary business decision that benefits the overall value of the group in both the short and long term. We continue to witness the impacts of longer-term sustainability trends such as climate change, natural resource constraints, rising economic and social inequality becoming more significant in the eyes of our stakeholders. I chair the Group Corporate Responsibility Committee because senior management believes that a topic this important requires our serious attention and focus.” – Clement Kwok, CEO

AR Read more about our CEO’s message and our GCRC Report in pages 162 and 163

Governance

In 2007, we created the Group Corporate Responsibility Committee (GCRC), through the initiative of our Chief Executive Officer (CEO), Mr Clement Kwok and later, formed our Corporate Responsibility and Sustainability (CRS) Department to coordinate and formalise sustainability efforts across the Group.

Our sustainability performance is managed and governed by the 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. To demonstrate and enable the integration of sustainability into the business, 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 (GCRS), 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 GCRS also reports to 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 Committees at Board level for reference or action.

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

THE BOARD

Board of Directors

Regularly updated by GMB/GCRC



GROUP LEVEL

Group Management Board

Oversees CRS decisions and directions

Group Corporate Responsibility Committee

Chaired by CEO Supported by Director of GCRS and Vision 2020 Group Champions
Governs and manages CRS performance

OPERATION LEVEL

Local CRS committees

Chaired by General Managers/Hotel Managers;
Supported by key Function Heads
Implements CRS programmes on the ground

Learn more about our CRS Statement of Approach

User-friendly guidance: CRS Concierge

As part of the implementation of Vision 2020, we developed several sustainability guidelines to outline the specifications and actions required to meet our commitments. Feedback from our colleagues indicated that they preferred a user-friendly and practical approach to implementing these guidelines. The CRS Department revamped the guidelines in 2017 by co-developing simplified decision trees with group and local champions to enhance understanding and practical implementation. In 2018, 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. We will regularly update this resource with continued feedback and collaboration 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 today and in the future.

While we receive feedback on sustainability issues through processes embedded in our day-to-day operations in recent years, we also conducted sustainability engagements with key stakeholders. Specifically, 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 2017. We complemented this work in 2018 by undertaking 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.

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.

Summary Table on Key Sustainability Issues from Stakeholders

Top Issues Raised	Raised by Stakeholders	Our 2018 Actions (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	Our Guests – Operations and Our Guests – New Build and Refit Our Cities – Supply Chain
Inspire and collaborate with others to work on sustainability	Government and regulators Community and NGOs	Our Cities – Supply Chain
Making a real difference within the local communities we operate in	Employees Government and regulators Community and NGOs	Our Cities – Community
Climate change adaptation	Employees Community and NGOs Financial analysts and investors	Our Guests – Operations Our Cities – TCFD Disclosures
Safety for both employees and guests	Guests Employees	Our People – Health, Safety and Security

 **Read our overall engagement approach in pages 116 to 117**

Identifying and Prioritising Material Issues

The identification and prioritisation of significant issues, known as our materiality approach, provided the foundation for Vision 2020 and considered the views of 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.

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 Sustainable Luxury Vision 2020 and lastly, new and specific topics from our assessments in 2018. This 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 2018, we also began to link our stakeholder engagement and materiality findings to our risk management process through the updates on environmental and social risks provided by our Director of GCRS to our Group Risk Committee, GMB and Audit Committee. For example, through collaboration with CRS and Audit and Risk Management Departments, we shared with the senior management of major operations our concerns regarding the impact of income inequality as an emerging risk, with this issue given Board level visibility. We are working towards refining this process for a more robust and embedded approach in 2019 and beyond.

 [Read our risk management approach in pages 146 to 148 and 154 to 161](#)

MATERIAL ISSUES FRAMEWORK

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

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



OUR PEOPLE



OUR CITIES

2018 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

Identify key CRS issues based on thought leadership studies and benchmarking



Understand external and internal stakeholders perspectives through engagements



Link to business significance using risk matrix and emerging business issues



Analyse and prioritise findings



Align findings to strategy and reporting



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.

OUR GUESTS

Creating an atmosphere where our guests can experience the best our cities have to offer



To us, sustainability is also about showcasing each of our cities' unique culture and heritage. In Chicago, not only does a Peninsula guestroom key open the door to an incredible room experience, the key "opens doors" to some of its best and most popular destinations: dinner and a behind-the-scenes look at the two Michelin-starred *Smyth*; a priority pass and complimentary guidebook to The Art Institute of Chicago, and amazing house seats to a favourite Broadway In Chicago performance. Known as *Keys to the City*, it offers guests carefully curated one-of-a-kind experiences, allowing them to see the city in a unique way. Initially conceptualised by The Peninsula Chicago in 2015, it is now available in The Peninsula New York, The Peninsula Tokyo and Quail Lodge.



Vision 2020 Commitments

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



On Track

Engage customers in activities related to heritage preservation/nature conservation



On Track

Guest Experience

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

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.

Key Highlights

Over 25

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



Forbes 5-star

All ten of The Peninsula Hotels received the highly coveted Forbes 5-star rating in 2019, becoming the first and only hotel company in the world to obtain this accolade for all its hotels.



Gold Level

The Peninsula Chicago achieved Gold level under the Earthcheck Standard, accredited by the sustainability tourism standard-setter, Global Sustainable Tourism Council (GSTC), with members from the United Nation's World Tourism Organization and the WTTC. Four of our hotels, Tokyo, Hong Kong, Paris and New York are in Silver, with the rest undergoing the initial Evaluate level, demonstrating that we align and adhere to the global baseline standards for sustainability in the travel and tourism industry.



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 2018 we shared our work on single-use plastics, shark fin ban and green buildings on our social media channels and received positive feedback from our followers. We are encouraged by this response and are working on relevant guest engagement and communication initiatives to be rolled out in 2019.

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

20.1%

Energy intensity reduction achieved in 2018 from baseline in 2006-08 at 1,325 MJ/m² (-0.1pp from LY)



21.7%

Water intensity reduction from baseline achieved in 2018 for the hotels division at 1,075 L/guest night (-2.3% from LY; scope change)



50.8%

Waste diversion rate for 2018; with our hotels in Beijing, Beverly Hills and Tokyo reaching more than 80% diversion (revised metric)



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. However, despite our best efforts, performance improvements have plateaued in the past few years largely because immediate gains from environmental engineering projects and back of house improvements have already been realised. Due to this, in 2018, we began a two-year 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.

Running an efficient operation while ensuring that we cater to our guests' every need



We are always looking for ways we can run our operations more effectively, and how we can work better for the environment too. In 2018 several of our operations around the world implemented energy savings projects from a chiller optimisation programme in Manila, a new building automation system in Beijing, assessing renewable energy sources in Quail Lodge, and installing more energy efficient equipment such as oil-free chillers at The Peak Complex and EC-Fan technology at The Peninsula Hong Kong. We are monitoring the energy savings resulting from these initiatives and will report on outcomes in future reports.



Vision 2020 Commitments

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

25% energy intensity



On Track

30% carbon intensity



On Track

10% absolute carbon emission



On Track

25% water intensity



Behind Plan
(refer to p.14-15)

25% waste intensity (2012 baseline)



Behind Plan
(refer to p.16)

*baseline of 2006-08, except for waste intensity

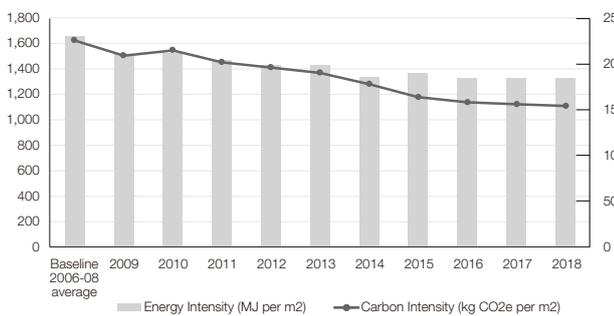
Our Guests



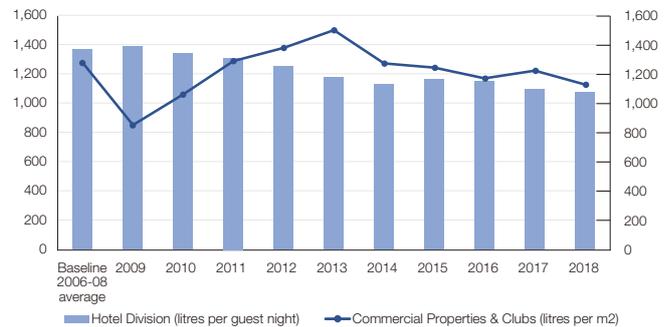
Energy and Carbon Footprint: Due to initiatives solely from within our operations, such as LEDs, equipment upgrades/optimisation we surpassed our carbon intensity target with a 31.7% reduction from baseline. Overall energy intensity reduced by 0.1% from 2017 and 20.1% from baseline with absolute emissions 14.0% lower than baseline.

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 2018, we investigated the key factors of improving water efficiency in our operations which included behavioural and

Group Energy and Carbon Intensity



Group Water Intensity*



* Scope has changed, see footnote 12 in page 35. Water Intensity of Tai Pan Laundry is excluded as its intensity is measured differently from that of properties and clubs

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.

In 2018, water intensity for the hotel division decreased by 2.3% from 2017 and 21.7% from baseline. In 2018, water intensity at commercial properties reduced by 7.8% from 2017 and 11.6% from baseline. Tai Pan Laundry's water consumption, using a different parameter of litres per kilogram washed, decreased by 7.1% from 2017 and down 40.2% from baseline, exceeding their own target.



Indoor Air Quality: In 2018, the majority of our operations met 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 Kaleidoscope Lab, our start-up initiative to identify new technology for luxury hotels, two start-ups were chosen, Neoma with its artificial intelligence platform combining the human touch, and Air Luna with its air purification solution detecting indoor air quality and eliminating harmful pollutants.

 [Learn more about Kaleidoscope Lab](#)

Going beyond water efficiency to prepare for a water stressed world



Our operations in Beijing, Shanghai and California are amongst the world's most water-stressed locations. In the past few years, our work on water efficiency is an important first step towards mitigating this risk, however, we recognise that this might not be enough. In 2018 we participated in several sharing sessions organised by the think-tank, China Water Risk on the topic of water stress specifically in China to understand how best to prepare and manage this risk. We have learned that this is not a problem we can solve on our own, and that we will need to increase awareness with our peer companies, working with water and climate experts while identifying and managing the full impact of water-intensive products such as cotton and services such as laundry and golf facilities. We are committed to continuing this work in 2019 and onwards.



Vision 2020 Commitments

In water stressed regions, support initiatives that increase water efficiency



On Track

Achieve a majority of excellent-good ratings in IAQ assessment



On Track

Our Guests

Recognising the detrimental impact that single-use plastics are having on the world, we are committed to be a part of driving this change



The issue of single-use plastics is a concern and one that clearly requires global commitment and collaborative action. In June 2018 we announced our commitment on this issue, one of the first international hospitality companies to announce this global and comprehensive approach. On 1 Nov 2018, we replaced plastic straws with paper straws that meet sustainable paper considerations and will only be served upon request where possible. This is a first step to transition away from single-use plastics, including water bottles, packaging and bathroom amenities by 2020, through reduction, replacement with sustainable alternatives and increased recycling. Our position aligns with Hong Kong’s Drink Without Waste recommendations on single-use plastic reduction.



Vision 2020 Commitments

Achieve 60% waste diversion rate



On Track

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



On Track

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

Waste to Landfill/ Incineration Intensity	2018	Change	2012
Dry Waste (kg per sq.m)	3.03	↑8.2%	2.81
Wet Waste (kg per food cover)	0.37	↓29.0%	0.53

We revised our methodology on waste intensity to properly reflect waste diversion efforts instead of total waste generation. 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 2018 performance shows we are doing well on our diversion of wet waste, such as food waste; with the 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 50.8% waste diversion.

We began to focus more specifically on food waste in 2018, directing our operations to divert food waste away from landfill/incineration. For several years now, nearly all our operations have implemented some type of food donation or diversion initiative, however, it has been challenging to implement this fully due to lack of staff and guest awareness, government infrastructure and regulatory policy. We are now implementing appropriate portion sizing where possible and assessing different options such as digesters and composting. This will continue to be a key focus in 2019.



New Build and Refit

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

Key Highlights

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 Kléber (BREEAM Excellent), and The Peninsula Beijing (BREEAM Good) in 2017, we implemented the sustainable design standard BREEAM.



Future

The Peninsula Istanbul, The Peninsula London and The Peninsula Yangon are being developed with BREEAM in mind; Our upgrade of the Peak Tram will also include sustainable reuse specifications for our new trams.



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 British-based 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 must meet high environmental and safety requirements, contributing to the well-being and comfort of our guests. We aim to continue building on the research and use of sustainable materials and incorporate more recycled items into our new projects.

Developing thoughtful, beautiful and sustainably designed buildings that will stand the test of time



The Peninsula Beijing was transformed in a complex feat of engineering and design, effectively combining the original 525 rooms into 230 suites. During the renovation, sustainable guidelines including BREEAM were incorporated from the beginning of the project planning. The Peninsula Beijing achieved a Good rating to become only the third BREEAM-accredited building in the Chinese capital, and the first for a newly renovated hotel. For this renovation, we also received the Hotel Investment Conference Asia Pacific 2018 Sustainable Hotel Awards for Sustainable Design which highlighted how we combined Chinese artisanship and heritage elements with cutting edge technology and sustainability.



Vision 2020 Commitments

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



On Track



OUR PEOPLE



We believe being one of 7,594 employees means being part of a family. We are dedicated to our people and make sure they can fulfil their potential so that they can surpass our guests' every need. We take great pride and value in the strengths and passions of our people. Our family culture of respect, empathy and integrity runs deep in our long history and is fundamental in our people approach.

OUR PEOPLE

Our people are the face, heart and soul of this company and it is their dedication to our guests that has made our brand renowned

In 2018 we celebrated three milestone anniversaries at The Peninsula Hotels – 90th for Hong Kong; 30th for New York and 20th for Bangkok – by showcasing the stories of some of our people behind the scenes of what it is like to work at The Peninsula.



Lam Siu Ping, Food and Beverage Supervisor
 Lam Tat Yeung (Nick), Security Officer
 Father and Son at The Peninsula Hong Kong
“People around me find it hard to believe that I have worked here for 41 years. My job these days is...to pass on my experience and things I have learned...to my fellow colleagues” – Siu Ping

“It’s so different here; I have discovered that there is another way of working, and I get more than simply just money from the job” – Nick

Khun Romanee Samranthin, Assistant Housekeeper
 20 years with The Peninsula Bangkok
“I just love cleaning! It brings me a great deal of satisfaction...I am actually able to utilise my teaching skills to help train new staff how to maintain standards that are expected of them”

Helen Moy, Room Attendant
 30 years with The Peninsula New York
“Every day is a happy day at The Peninsula; we are like family. We have been through many crises together, including 9/11, the transit strike, Hurricane Sandy and SARS, but these events have brought us even closer together.”

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Many of our employees have worked with us since the opening of the operations, witnessing the development of their properties to date. Globally, the average length of service of our employees is 7.3 years.

 [Read more about our people on pages 98 to 107.](#)

Key highlights

6.2%

Improvement on injury rate compared to LY, due to better reporting and training.



Most Engaging Brand – Bronze

LinkedIn awarded us based on the high reach and engagement of our posts and activities with our audience on the social media channel.



21.9%

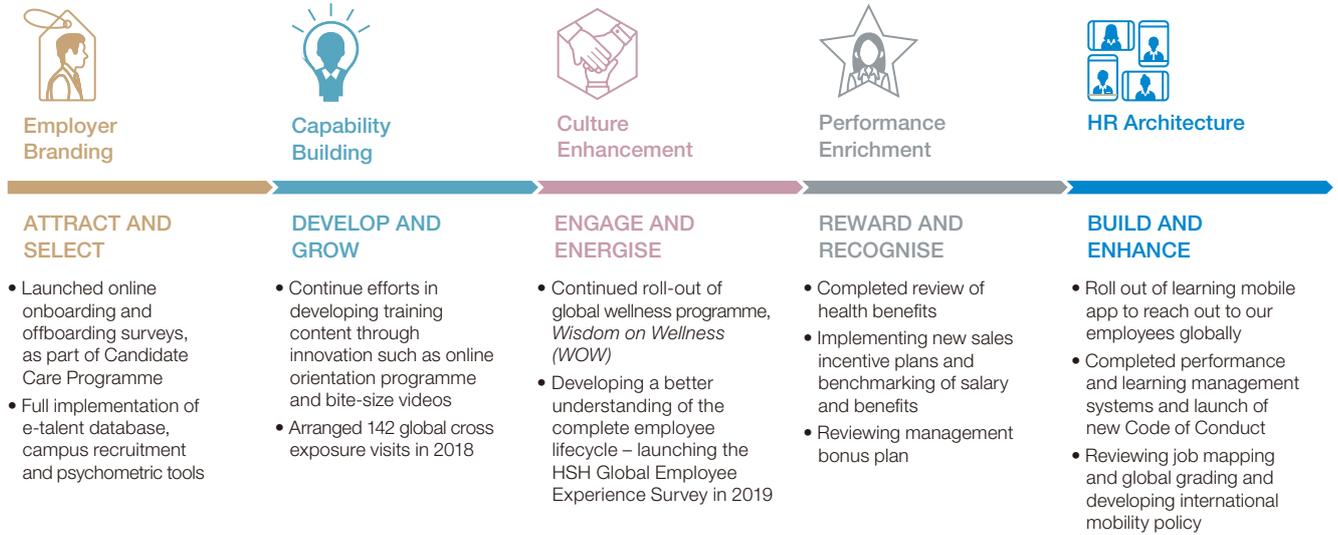
Stable movement with minimal increase by 0.6pp from 2017, voluntary turnover was also up by 1.1pp.



Our Approach

We recognise that finding the right talent in our sector has been challenging in the past few years and is critical to our growth and success. Therefore, it is crucial that we continue to develop our people through relevant engagement, competitive overall compensation and purposeful work that they can be proud of and excited to do. In this way, we can be an employer of choice – attracting people who are as passionate as we are in providing the best experience for our guests.

Since 2015, we continued to implement our five-year Human Resource Strategy comprising of five key focus areas, including key highlights for 2018, where around 81% of initiatives has been achieved or are in progress.



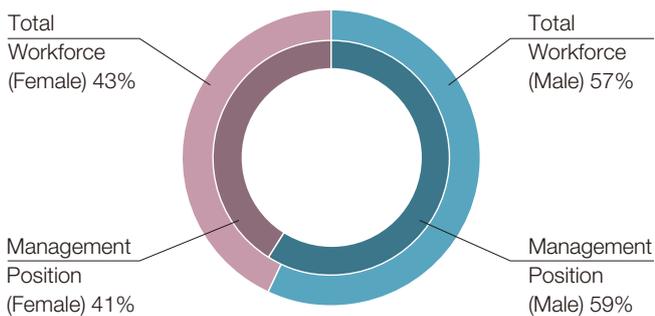
Our Work Environment

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 2018, 41% of management positions and 43% of our total workforce were female. We have programmes in place, such as our expanded Honing Skills in Hospitality programme in 2018 that specifically trains ethnic minority youth and provides legally recognised refugees work in Hong Kong. We aim to expand this to our other locations globally. Our policy and processes are in place to ensure that reported incidents of discrimination are heard and handled in a fair and appropriate manner. We deal with these reports very seriously and encourage reporting. In 2018 there were no reports of discrimination. In the spirit of continuous improvement, we will be rolling out several initiatives in 2019 with the aim of increasing awareness in this area.

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 meeting regularly to review performance and implement improvements. Our operations have systems or management procedures in place that comply with local regulations as a minimum and where possible to supplement with alignment or compliance to OHSAS 18001, the internationally recognised occupational health and safety management standard.

In 2018, 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 2019 and onwards.

Workforce distribution (By Gender and Management Role)



Our People

Mobilising the entire organisation is the basis of the success of our sustainability strategy



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. In 2018 we produced two videos – the first was to thank our people for their charitable contributions narrated by some of our beneficiaries; while the second was a video called “**Children R Us**” hosted by our colleagues’ children asking our CEO and our group champions on the progress and significance of our sustainability work. This was a fun way of engaging and educating our staff on a complicated and serious topic and was translated in all our operating languages. We received positive feedback from our colleagues and will be rolling out similar initiatives in the next year.



Vision 2020 Commitments

Maintain zero work fatality or incidents resulting in total permanent disability



On Track

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



On Track

We continued to build a safety-first culture and engage employees to keep incidents as low as possible. Our injury rate* for 2018 is down by 6.2% from 2017 due to increased staff awareness of reporting incidents, majority of which were minor injuries. Our lost day rate increased by 23.7% due to several prolonged injury cases of staff ranging from strains, fractures, bruises and burns, 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 2018, there continued to be no fatalities, however, there was one claim for total permanent disability, details of which we are still assessing. More information will be provided in next year’s report. In 2019, we plan to launch a Group Occupational Health and Safety Management System to provide a platform to continual improvement of occupational health and safety for our operations.

* Please refer to footnote 5 in page 35.

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. The revised Code of Conduct launched in 2018 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 five reports of major breaches of our Code of Conduct in 2018, all 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 2018, we further strengthened awareness related to data privacy and security in tandem with our implementation of the European Union General Data Protection Regulation (GDPR). 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 have implemented additional IT security measures and training to ensure the safety and security of all our IT systems.

Helping our people to flourish

Learning and Development: Investing in our people is perhaps the most important investment we can make for the sustainability of our business. The opportunity to learn and grow is also a key motivating factor for employees, especially among younger staff. We offer various management development and acceleration programmes to enhance the skills and knowledge catering to the different job levels of our employees. For example, trainees from our corporate management training programme, which manages our emerging talent, come from around 12 countries and have worked on average 4.5 years, in three operations across seven functions during their programme period. As for our internship programmes, we filled around 1,000 internships globally in 2018.

We partnered with digital media university students from The Polytechnic University of Hong Kong to develop bite-size culture training videos. We also trialed artificial intelligence technology in one of our training programmes. We will continue to seek out new ways to increase effectiveness of our programmes. In 2018, there was 32,000 registrations of different online training modules, translating to around 4.3 online modules per employee. Of these modules, around 250 were bespoke training programmes created specifically for us.



Staff engagement: Both group and local operations use varied ways to ensure our teams are informed and heard. From engagement surveys and town hall meetings, to newsletters and the intranet to informal gatherings and online social networking groups. We share information to keep staff abreast of the happenings across the Group. The CEO also speaks to all employees by quarterly webcasts with regular visits to local operations from our Group executive team. We continued to provide opportunities for staff to contribute their ideas about real business challenges to senior management, such as improving and preparing the company for the future of work.

Creating a culture of healthy, passionate and engaged employees is crucial in helping our people consistently meet our guests' and customers' needs



We developed our wellness programme, *Wisdom on Wellness (WOW)* to go beyond the traditional approach to wellness, instead implementing a holistic programme with these elements: mind, body, soul and spirit. Each operation has local champions to advocate for the WOW cause and implement related initiatives. Since its launch in 2017, we organised competitions such as a healthy recipe challenge and a dance challenge. Local operations also arranged yoga sessions, sports clubs, mental health discussions and financial literacy sharing. We are pleased to see a positive response to WOW and look forward to implementing more activities that will help our staff to live and work more purposefully.



Vision 2020 Commitments

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



On Track

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



On Track

OUR CITIES



We believe our hotels and properties are part of the local community, from hiring local people and contributing to local economies. 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.

OUR CITIES

Working as collaborators, innovators and partners in finding win-win solutions for our society's shared problems



In 2018, we piloted a project that produced a teddy bear by upcycling retired bed covers from The Peninsula Hong Kong. The covers were naturally dyed using onion skin waste provided by The Repulse Bay with the dyeing done by hand by St. James Settlement, our Hong Kong-based charity; and the bears produced by Philippines-based social enterprise, ANTHILL Fabric Gallery, a charity partner of The Peninsula Manila.

Designed by a young Hong Kong designer, Junya Au, who was awarded by the United Nations Educational, Scientific and Cultural Organization for his functional designs, the bear also transforms into a beautiful bathrobe for the little one. Each purchase of this bear helped to raise funds for our teams in The Hong Kong Oxfam Trailwalker, with several distributed by Box of Hope as part of its gift giving programme to underprivileged children in Hong Kong and Asia. Truly an upcycled gift that kept on giving!



Vision 2020 Commitments

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



On Track

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



On Track

Community

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

Key Highlights

18.7%

Employees engaged in community work, meeting our target with over 240 charities totalling over 90,000 community hours since 2013, with our target on track.



518

Community programmes supported worldwide with more than HK\$ 12 million in cash and in-kind donations, 1.2% of operating profit.



4

Oxfam Trailwalker teams from our hotels in Shanghai, Tokyo and Head Office with long-time participant, the Hong Kong team participated together for the first time and fundraised to support poverty alleviation and emergency relief projects in Hong Kong, mainland China, Africa and other parts of Asia.



Our Approach

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

WHO are our beneficiaries

- Elderly
- Youth
- Under-served



WHY we help them

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

HOW do we help them

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

Our Community Development Work

Below are some examples of our community development work.

Elderly caring

With Hong Kong's increasing elderly population requiring social support networks to enhance their quality of life as they age, our head office colleagues, led by the IT Department, organised a digital skills session. A group of elderly people from the St. James Settlement in Hong Kong were taught to use fun social media apps such as the "Snow" app, popular in Instagram and Snapchat, to enable them to interact with young people and have fun at the same time. This was a great example of the kind of social interaction needed by our elderly, while being able to utilise the skill-sets of our people in a relevant way.

Youth development

In Beverly Hills, for the second year in a row, we partnered with A Place Called Home, a charity supporting underprivileged children and teens in South Los Angeles with enrichment, mentorship and development opportunities. The Annual Girl Power Empowerment Day focused on young girls participating in the charity's year-long Girl Power programme. The luncheon was provided by The Peninsula Beverly Hills with our female managers giving advice on education, career goals and their own journeys in the hospitality industry.

Helping the under-served

Volunteers from The Landmark operations in Vietnam organised an Eye Care Festival at Phu Giao District of Binh Duong Province, north of Ho Chi Minh City, for around 200 underprivileged sixth and seventh graders. Our volunteers brought an eye screening machine, invited ophthalmologists and provided free pairs of spectacles for those in need and organized games to increase awareness on better eye care.

Whether it is sharing the joys of the festive season or our skills to help young people with their careers, we are committed to supporting our local communities and see them thrive



The Repulse Bay was transformed into an authentic European Christmas Village for one Saturday in December. A charity party was organised to offer Hong Kong's less privileged children the opportunity to experience the joys of the festive season. Thirty-five local charities were invited to participate in the event, with some 1,100 children from underprivileged families attending the party. Over 50 staff from HSH and The Repulse Bay volunteered to ensure the children enjoyed an unforgettable day out.



Aimed at developing underprivileged and at-risk youth in China through life skills and hospitality vocational training, the two-year mentoring programme developed by the Sir Horace Kadoorie Youth Development Centre in Shanghai now has 11 graduates from its first cycle and 21 mentees in its second cycle. Several of these graduates are now members of The Peninsula Shanghai team while some of the mentees have started their final training at our hotels in Beijing and Shanghai. The initiative was made possible through a private donation from HSH's current chairman, The Hon Sir Michael Kadoorie, GBM and Lady Kadoorie as a tribute to Sir Michael Kadoorie's uncle, the late Sir Horace Kadoorie, CBE, a former chairman of HSH for 35 years. Youths admitted into the programme will spend 18 months training at the centre followed by six months of industry experience before graduation.

Our Cities

Our guests can enjoy the finest things the world can offer, while we ensure that these products are sourced responsibly and have done good along the way



Peninsula Merchandising, which sells a range of food products and gift items packaged under The Peninsula brand, was recognised by Fair Trade Hong Kong with the Fair Trade Corporate Label – Gold Award and the Most Fairness Award for their work on responsible sourcing and fair trade principles. These principles include workers receiving their fair share of income, alleviating poverty and reducing inequality. For over a decade, they have been working closely with Teesta Valley, their Fairtrade tea partner in India with 175 years of history in sourcing premium teas. Over 70% of their tea offerings are Fairtrade certified.



Vision 2020 Commitments

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



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

93.8%

of paper from sustainable sources; a few percentage points away from our target. (+3.5pp compared to LY)



84.2%

of the coffee we served was responsibly sourced, with 71.5% for chocolates and 59.7% for tea. (+21.3pp for coffee; +49.2pp for chocolate and +14.3pp for tea compared to LY)



94.6%

of our cleaning products are biodegradable; meeting our target.



55.7%

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



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 Supply Chain Code of Conduct.



Supply Chain Code of Conduct

To explain how we expect our suppliers to live up to our responsible sourcing commitments, we introduced our Supply Chain Code of Conduct (SCCOC) in late 2009, 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, we updated our Supply Chain 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 Multinational Enterprises 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.

 [Learn more about our Supply Chain Code of Conduct](#)

Working with our Suppliers

In 2018, we developed an approach for 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 would like to support them in their sustainability journey. This approach will be fully implemented in 2019.

In addition, we are further developing our approach to implementing checks of our suppliers to ensure that they comply with our SCCOC, and are putting a framework in place to engage in a continuous dialogue with them. This approach also specifically incorporates actions related to human rights, human trafficking and modern slavery.

Working within our 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 the exclusive Responsible Luxury Initiative (ReLI), which convenes luxury sector companies to collaborate and learn about sustainability issues. Its members are some of the biggest luxury brands in the world, several of whom are also retail tenants in our hotel arcades, and are part of our value chain. We are the only hospitality company member. In 2018, we, along with the members of ReLI launched a new report, *Disrupting Luxury: Creating Resilient Businesses in Times of Rapid Change*, outlining opportunities and recommendations for the luxury sector to address the global challenges posed by climate change and biodiversity loss, new technologies and automation, and rising economic inequality. We are considering the findings in the development of our post-2020 sustainability strategy.

Bringing others with us so we can move on sustainability together



With biodiversity of the marine ecosystems declining, responsible and sustainable sourcing plays a vital role. While our impact is relatively small compared to our peers, we know that we can influence our sector, for example when we announced our shark fin ban. In 2018, we participated in several sustainability collaborations focused on seafood. We were part of WildAid's public service announcement on their global corporate shark fin ban pledge and a sponsoring partner of the Hong Kong Sustainable Seafood Coalition organised by the ADM Capital Foundation, convening seafood industry stakeholders to develop a set of voluntary standards towards responsible seafood sourcing. The Repulse Bay hosted a sustainable seafood fundraiser and a sustainable seafood mural remained at The Peak Complex, both organised together with the Mexican Consulate in Hong Kong, helping to increase awareness on this topic.

Vision 2020 Commitments



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



On Track

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



On Track

Our Cities

Managing and adapting to climate change (TCFD disclosures)



One of the issues highlighted by the ReLI study are the challenges posed by climate change. We took serious note of the *Special Report on Global Warming of 1.5°C* of the United Nations Intergovernmental Panel on Climate Change in 2018 regarding the urgent need for climate action to keep warming to 1.5°C to ensure a more sustainable and equitable society. This is our first disclosure referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to provide information to our stakeholders on how we are managing 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, GCRS 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. We are developing a more comprehensive approach on climate change as part of our post-2020 strategy. We are a corporate member of the World Travel and Tourism Council, Business for Social Responsibility and Responsible Luxury Initiative where we consider their thought leadership studies and initiatives on climate change related topics.



Risk Management: Some of the risks related to climate change are already included in our Annual Report's Group Risk 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. We will continue to delve into a deeper understanding of other impacts of climate change and integrate into our overall risk process, with increased 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, climate and water, including the value chain assessments of agricultural products such as cotton.



2018 Outcomes: In 2018 our total energy spend and water spend was HK\$209 million. Currently while we have seen some financial impacts related to short-term loss of business, increased insurance costs and expenditures to repair damaged property, this has not yet reached a material level. Apart from what we have provided, it is also difficult to provide a reasonable estimation on the financial implications to our businesses due to climate change. 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 2018 of HSH (further referred to as “the Report”) for the year ended 31 December 2018 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 30.
- The following data points as included in the Data table on page 33.



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 36 to 42 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 2018 of HSH for the year ended 31 December 2018, 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
14 March 2019

SUSTAINABILITY DATA STATEMENTS

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

1. Performance Highlights ⁽¹⁾

			2018	2017	2016	2015	2014	2006-08 baseline
Economic	Revenue (incl. interest income)	HK\$m	6,232	5,804	5,668	5,797	5,903	–
	Operating costs	HK\$m	2,241	2,102	2,134	2,142	2,168	–
	Employee wage and benefits	HK\$m	2,291	2,135	2,108	2,063	2,052	–
	Capital expenditure	HK\$m	1,490	1,827	2,479	1,379	354	–
	Payments to providers of capital	HK\$m	195	224	239	217	211	–
	Tax payments to governments ⁽²⁾	HK\$m	486	442	410	480	458	–
	Total floor area	'000 m ²	652	652	651	651	651	518
	Total number of guest nights	'000	1,333	1,240	1,190	1,256	1,277	1,119
People	Headcount ⁽³⁾		7,594	7,534	7,985	8,447	8,728	–
	Turnover	%	21.9%	21.3%	22.0%	22.6%	19.9%	–
	Headcount by Gender	% Female	42.6%	41.9%	42.6%	42.8%	42.3%	–
Health and Safety	Injury rate ⁽³⁾⁽⁴⁾	incidents per 100 employees	8.1	8.7	8.7	8.3	7.3	–
	Lost day rate ⁽³⁾⁽⁴⁾	days per 100 employees	58.7	47.4	47.8	59.4	75.3	–
Environment	Greenhouse gas emissions	'000 tCO ₂ e	101	102	103	107	116	117
	Group carbon intensity	kg CO ₂ e per m ²	154	156	158	164	178	226
	Total energy use ⁽⁵⁾	'000 GJ	864	864	866	892	871	858
	Energy intensity ⁽⁵⁾	MJ per m ²	1,325	1,326	1,329	1,369	1,338	1,658
	Direct water consumption ⁽³⁾	'000 m ³	1,705	1,662	1,651	1,765	1,747	1,807
	Water intensity							
	Hotels Division ⁽⁶⁾	litres per guest night	1,075	1,100	1,154	1,168	1,132	1,373
	Commercial Properties, Clubs & Services Division ⁽³⁾	litres per m ²	1,131	1,226	1,173	1,247	1,276	1,280
	Water recycled and other water sources ⁽³⁾	'000 m ³	448	489	613	137	124	–
	Waste generated ⁽³⁾⁽⁷⁾	tonnes	6,895	7,605	7,746	7,832	7,778	–
Waste diverted ⁽³⁾⁽⁷⁾	tonnes	3,505	3,610	3,270	3,294	3,219	–	
Community	Monetary Donations ⁽⁸⁾	HK\$'000	2,519	3,250	4,232	6,273	4,197	–
	In-kind Donations ⁽⁸⁾	HK\$'000	7,189	6,370	9,040	7,115	7,196	–
	Other contributions for community development ⁽⁹⁾	HK\$'000	2,796	2,730	2,125	2,447	2,689	–

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.
- (3) There have been changes on reporting scope and methodology for people, health and safety, environmental and community data, please refer to page 35 for details. (footnote 1 for people; footnote 5 and 6 for health and safety; footnote 12 for water and waste; footnote 21 for community)
- (4) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2018.
- (5) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.
- (6) Includes all water uses in the hotels, not just those used by guests directly.
- (7) Group waste diversion rate in 2018 was 50.8%. Grease trap waste, hazardous waste and construction waste were not included in the waste data reported.
- (8) Decrease in cash donations and increase in-kind donations are aligned to our new community donation strategy where we provide more discounted or pro-bono products and services as required by community needs.
- (9) Relates to contributions made to non-charitable organisations on projects supporting the wider community, for example, the Hong Kong Heritage Project, an archive project for preserving valuable historical records of the Kadoorie family and its businesses, mostly based in Hong Kong.

Sustainability Data Statements

2. CRS Performance

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

		2018			2017			
		Hotels	Commercial Properties, Clubs & Services	Group Performance	Hotels	Commercial Properties, Clubs & Services	Group Performance	
Workforce	Total Headcount ⁽¹⁾	6,148	1,446	7,594	6,123	1,411	7,534	
	Male	56.6%	60.6%	57.4%	57.5%	60.7%	58.1%	
	Female	43.4%	39.4%	42.6%	42.5%	39.3%	41.9%	
	by Management Role ⁽²⁾							
	Management	15.1%	11.8%	14.5%	14.9%	9.6%	13.9%	
	Non-management	84.9%	88.2%	85.5%	85.1%	90.4%	86.1%	
	Employees under Collective Bargaining	21.4%	16.0%	20.4%	22.1%	16.3%	21.0%	
	Total Turnover Rate ⁽³⁾	21.6%	23.3%	21.9%	20.5%	25.0%	21.3%	
	Under 30 years old	36.7%	41.9%	37.4%	34.2%	33.4%	34.1%	
	30 to 50 years old	16.6%	19.2%	17.0%	17.1%	23.5%	18.2%	
Over 50 years old	14.2%	19.8%	15.8%	9.8%	22.6%	13.6%		
Average training spend ⁽⁴⁾	per full time equivalent	HK\$3,057	HK\$912	HK\$2,659	HK\$3,279	HK\$1,656	HK\$2,979	
Injury Rate ⁽⁵⁾	incidents per 100 employees	8.9	5.3	8.1	9.7	4.7	8.7	
Lost Day Rate ⁽⁵⁾	days per 100 employees	58.9	57.9	58.7	48.6	42.7	47.4	
Absentee Rate ⁽⁵⁾⁽⁶⁾	days per employee	5.9	5.3	5.8	5.2	5.7	5.3	
Environment	Greenhouse gas emissions ⁽⁷⁾	'000 tCO ₂ e	80	21	101	82	20	102
	Scope 1 emission	'000 tCO ₂ e	15	8	23	14	7	21
	Scope 2 emission ⁽⁸⁾	'000 tCO ₂ e	65	13	78	68	13	81
	Carbon intensity	kg CO ₂ e per m ²	164	125	154	168	121	156
	Total energy use ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	'000 GJ	702	162	864	699	165	864
	Direct energy use	'000 GJ	195	90	285	192	92	284
	Indirect energy use	'000 GJ	507	71	579	507	73	580
	Energy intensity	MJ per m ²	1,441	981	1,325	1,436	1,001	1,326
	Direct water consumption ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	'000 m ³	1,432	272	1,705	1,364	298	1,662
	Water intensity ⁽¹³⁾							
Hotels ⁽¹⁵⁾	litres per guest night	1,075	n/a	n/a	1,100	n/a	n/a	
Commercial Properties, Clubs & Services ⁽¹⁶⁾	litres per m ²	n/a	1,131	n/a	n/a	1,226	n/a	
Water recycled and other water sources	'000 m ³	130	318	448	132	357	489	
Waste generated ⁽¹²⁾	tonnes	6,386	510	6,895	6,248	1,357	7,605	
Waste diverted ⁽¹²⁾⁽¹⁷⁾	tonnes	3,380	125	3,505	3,465	145	3,610	
Emission of ozone depleters ⁽¹⁸⁾	kg CFC-11e	24.8	4.0	28.8	26.1	6.1	32.1	
Community	Monetary donations ⁽¹⁹⁾	HK\$ '000	1,460	1,059	2,519	2,355	895	3,250
	Company donations	HK\$ '000	1,267	884	2,151	2,056	799	2,855
	Donations by employees and customers	HK\$ '000	193	175	368	299	96	395
	In-kind donations ⁽¹⁹⁾	HK\$ '000	4,353	2,836	7,189	4,695	1,675	6,370
	Other contributions for community development ⁽²⁰⁾	HK\$ '000	-	-	2,796	-	-	2,730
	Community outreach							
	Service hours ⁽²¹⁾	hours	19,949	2,609	22,558	18,385	2,913	21,298
Employee volunteers ⁽²¹⁾		1,093	250	1,343	1,441	349	1,790	

		2016			2006-2008		
		Hotels	Commercial Properties, Clubs & Services	Group Performance	Hotels	Commercial Properties, Clubs & Services	Group Performance
Workforce	Total Headcount ⁽¹⁾	6,391	1,594	7,985			
	Male	56.5%	60.8%	57.4%			
	Female	43.5%	39.2%	42.6%			
	by Management Role ⁽²⁾						
	Management	7.7%	6.7%	7.5%			
	Non-management	92.3%	93.3%	92.5%			
	Employees under Collective Bargaining	21.3%	13.7%	19.8%			
	Total Turnover Rate ⁽³⁾	20.9%	26.3%	22.0%			
	Under 30 years old	35.1%	28.9%	34.3%			
	30 to 50 years old	16.6%	23.1%	17.8%			
Over 50 years old	11.6%	30.0%	17.5%				
Average training spend ⁽⁴⁾	per full time equivalent	HK\$3,555	HK\$1,728	HK\$3,205			
Injury Rate ⁽⁵⁾	incidents per 100 employees	9.4	6.0	8.7			
Lost Day Rate ⁽⁵⁾	days per 100 employees	47.0	51.2	47.8			
Absentee Rate ⁽⁵⁾⁽⁶⁾	days per employee	4.9	5.5	5.0			
Environment	Greenhouse gas emissions ⁽⁷⁾						
	Scope 1 emission	83	20	103	92	25	117
	Scope 2 emission ⁽⁸⁾	15	7	23	17	8	25
	Carbon intensity	68	13	80	75	17	92
	Total energy use ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	170	122	158	244	177	226
	Direct energy use	707	159	866	705	153	858
	Indirect energy use	194	85	279	214	69	283
	Energy intensity	513	74	587	491	84	575
	Direct water consumption ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	1,452	967	1,329	1,865	1,097	1,658
	Water intensity ⁽¹³⁾						
Hotels ⁽¹⁵⁾	1,374	277	1,651	1,536	271	1,807	
Commercial Properties, Clubs & Services ⁽¹⁶⁾	1,154	n/a	n/a	1,373	n/a	n/a	
Water recycled and other water sources	n/a	1,173	n/a	n/a	1,280	n/a	
Waste generated ⁽¹²⁾	128	485	613	-	-	-	
Waste diverted ⁽¹²⁾⁽¹⁷⁾	6,447	1,299	7,746	-	-	-	
Emission of ozone depleters ⁽¹⁸⁾	3,146	124	3,270	-	-	-	
Monetary donations ⁽¹⁹⁾	26.3	7.9	34.2	157.0	141.3	298.3	
Company donations	3,193	1,039	4,232				
Donations by employees and customers	2,169	243	2,413				
In-kind donations ⁽¹⁹⁾	1,024	795	1,819				
Other contributions for community development ⁽²⁰⁾	7,577	1,463	9,040				
Community outreach							
Service hours ⁽²¹⁾	-	-	2,125				
Employee volunteers ⁽²¹⁾	11,936	3,458	15,394				
	1,294	364	1,658				

Footnotes:

- From 2017 onwards, headcount data only covers to 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 December 2018) is 8,216, this includes employees working on a part time basis (e.g. two part time employee working half day are counted as one full time equivalent).
- Using a revised definition of management which now aligns with the HSH's Competency Framework, leading to an increase in management roles due to re-categorisation of definition.
- 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 10.8% in spend was due to a more effective approach in delivering training, with the outcome unchanged.
- Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2018. Injury and lost day rate recorded from 2017 onwards did not include The Peninsula Beverly Hills due to revised methodology used for monitoring. Lost day rate increased by 23.7% due to several long-term injury cases carried over from 2017 and prolonged injury cases of staff in 2018 (Refer to pages 21-22 in report for details). We revised the methodology to incidents and lost days per 100 employees for easier comparison and understanding of readers.
- 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. In 2018, we revised the methodology to days per employee for easier comparison and understanding of readers.
- Carbon emission generated from Hong Kong Towngas includes both scope 1 (combustion) and scope 2 (generation and transportation) as required under the 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.
- 2018 Scope 2 GHG emissions data presented above are calculated based on the market-based method as per the GHG Protocol Scope 2 Guidance. (2018 location-based Scope 2 GHG emissions was 82,941 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.
- 2018 direct energy consumption by source were 190,569 GJ of gas and 94,651 GJ of diesel oil, whilst our indirect energy consumption by source were 507,109 GJ of electricity, 12,978 GJ of chilled water and 58,551 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.
- To align with the reporting scope, direct water consumption and water intensity of The Repulse Bay from have been restated. Also refer to footnote 12.
- Direct water consumption refers to water obtained from municipal source; water captured directly are reported under recycled and other water sources. Also refer to footnote 12.
- Includes all water uses in the hotels, not just those used by guests directly.
- Water intensity of Tai Pan Laundry (14.40 litres per kilogram washed in 2018, slightly decreased from 15.50 in 2017) is excluded as its intensity is measured on different metrics from that of commercial properties and clubs.
- Group waste diversion rate in 2018 was 50.8%. Grease trap waste, hazardous waste and construction waste were not included in the waste data reported.
- Emission of ozone depleters dropped by 10.5% as The Peninsula Beijing is using more environmentally friendly refrigerants.
- Decrease in cash donations and increase in-kind donations are aligned to our new community donation strategy where we provide more discounted or pro-bono products and services as required by community needs.
- 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 increased due to change in methodology (including activities from soap cycling and waste segregation) and clearer guidelines. Volunteers decreased due to changes in community voluntary approach, however still meeting our Vision 2020 target.

SUSTAINABILITY REPORTING CONTENT INDEX (GRI AND HKEX ESG)

This table summarises the information disclosed in this report, which followed two reporting standards, the HKEx ESG Guide (revised in December 2015) and GRI Standards (latest publication). 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/4579>.

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 31 to 32.

In case of any discrepancy in the disclosures between the HKEx ESG Guide or GRI Standards, the former shall take precedence due to the company's disclosure obligation as per its listing in the HKEx. References to the 2018 Annual Report in the page number column will be abbreviated as "AR".

GRI Standards	ESG Guide	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	–	About this Report AR 6-9 AR 22-23	
102-8	B1.1	33-35	Majority (over 90%) of the workforce is hired under full time and permanent contract and it is not material to breakdown in this manner. There were no significant variations in the number reported. Employee Statistics by region as below, Asia: 5,489; Non-Asia: 2,105
102-9	–	28-30	
102-11	–	5-7, AR 28-38	
102-12, 102-13	–	8-9, AR 116-117	
Strategy			
102-14	–	AR 24-38	
102-15	–	5-9	
Ethics and Integrity			
102-16	–	6-7, 22	
Governance			
102-18	–	6-7, AR 137	
Stakeholder Engagement			
102-40	–	8-9, AR 116-117	
102-41	–	33-35	



GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 102: General Disclosures			
102-42	–	8-9, AR 116-117	
102-43	–	8-9, AR 116-117	
102-44	–	8-9, AR 116-117	
Reporting Practices			
102-45	–	About this Report, AR 6-9	
102-46	–	About this Report, AR 6-9	
102-47	–	5-9	
102-48	–	33-35	Restatement of information: Yes The comparative information on water has been restated to align with the reporting scope. Injury rate, lost day rate, waste and service hours have been restated due to revised methodology. For details please refer to p.35, footnote 5 and 6 for injury rate and lost day rate; footnote 12 for water and waste; footnote 21 for service hours
102-49	–	33-35	Refer to response as above
102-50	–	–	1 January to 31 December
102-51	–	–	Date of most recent report: 2017
102-52	–	–	Reporting cycle: Annual
102-53	–	About this Report	
102-54	–	About this Report	
102-55	–	36-42	
102-56	–	About this Report, 31-32	

Material Issues	GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 200: Economic				
Economic performance	103-1, 103-2, 103-3		33, AR 179-251	
	201-1	B8.2	33, AR 179-251	
	201-3	–	AR 217-220	
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	28-30	
	204-1	–	–	We monitor material issues such as perishable goods, 55.7% were sourced locally and regionally in 2018.
		B5.1	–	HSH has operations in Asia-Pacific, US, Europe and therefore, we have a wide diversity of suppliers located in these geographical regions.
		B5.2	28-30	
Anti-corruption	103-1, 103-2, 103-3	B7	22	We have taken 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 2018. 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	22	No identified legal cases regarding corrupt practices in 2018.
	–	B7.2	22	
Anti-competition	103-1, 103-2, 103-3	–		
	206-1	–	22	No identified cases regarding anti-competitive behavior and violations of anti-trust and monopoly legislation
GRI 300: Environmental				
Energy	103-1, 103-2, 103-3	A2, A3	13-17	
	302-1	A2.1	13-16, 33-35	
	302-3	A2.1	13-16, 33-35	
	302-4	A2.3	13-16, 33-35	

Material Issues	GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 300: Environmental				
Water	103-1, 103-2, 103-3	A2, A3	13-17	
	303-3 (2018)	A2.2	13-16, 33-35	Seawater is used for flushing only at The Peninsula Hong Kong, and therefore, this is not an material issue to HSH. Direct water consumption in water stress area is 477,785 m ³
	–	A2.4	13-16	
Emissions	103-1, 103-2, 103-3	A1, A3	13-16	
	305-1	A1.1 A1.2	13-16, 33-35	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.
	305-2	A1.1 A1.2	13-16, 33-35	Refer to response above.
	305-4	A1.2	13-16, 33-35	Refer to response above.
	305-5	A1.5	13-16, 33-35	Refer to response above.
	305-6	A1.1	13-16, 33-35	Refer to response above.
Effluents and Waste	103-1, 103-2, 103-3	A1, A3	13-17	
	306-2	A1.3, A1.4	13-16	Less than 1% of our waste generated is hazardous waste, and therefore, it is not a material issue to HSH.
	–	A1.6	13-16	Hazardous waste is disposed according to local regulations.
Environmental Compliance	103-1, 103-2, 103-3	A1	13-16	
	307-1	A1	–	No significant fines or non-monetary sanctions for non-compliance recorded in 2018. An example of relevant laws and regulation for HSH is the Environmental Impact Planning regulations of 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 2019.
	–	A3.1	13-17, 28-30	

Material Issues	GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 400: Social				
Employment	103-1, 103-2, 103-3	B1	18-23	HSH complies with relevant employment and labour laws and regulations in cities that we operate. In the spirit of conciseness and materiality, we only provide employee turnover by age group. Eligible employees receive parental leave based on local regulations; we do our best to encourage return to work for all employees where possible.
	401-1	B1.2	33-35	
	401-3	–	–	
Labour/Management Relations	103-1, 103-2, 103-3 402-1	B1 –	18-23	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.
Occupational Health & Safety	103-1, 103-2, 103-3	B2	21-22	HSH complies with relevant health and safety laws and regulations in cities that we operate. Total number of hours worked is 14,337,383 hours (assume all employees work for 40 hours per week and 50 weeks for a year). Based on GRI methodology, recordable injury rate is 8.1 per 200,000 hours worked. There were 5 cases of high-consequence work-related injuries and no fatal injury recorded in 2018.
	403-9 (2018)	B2.1, B2.2, B2.3	21-22, 33-35	
Training and Education	103-1, 103-2, 103-3	B3	18-23	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.
	404-2	B3	18-23	
	–	B3.1, B3.2	33-35	

Material Issues	GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 400: Social				
Diversity and Equal Opportunity	103-1, 103-2, 103-3	B1	18-23	
	405-1	B1.1	–	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	B1	22	
	406-1	B1	22	
Freedom of Association and Collective Bargaining	103-1, 103-2, 103-3	B4	22, 28-29	HSH complies with relevant laws and regulations in relation to preventing child and forced labour.
	407-1	–	–	We strive to mitigate all potential supply chain risks within our sphere of influence through the HSH Supply Chain Code of Conduct. Refer to P.29 for details.
	408-1, 409-1	B4.1, 4.2	22, 28-29	Our Code of Conduct and CRS Statement of Approach outlines our commitment to respecting human rights including our position against human trafficking, modern slavery, and use of child labour and forced labour in our supply chain.
Human Rights Assessment	103-1, 103-2, 103-3	–	22, 28-29	Refer to response above.
	412-2	–	22, 28-29	Refer to response above.
Local Communities	103-1, 103-2, 103-3	B8	24-27	
	413-1	–	24-27	
	–	B8.1	24-27, 33-35	
	–	B8.2	24-27, 33-35	All operations had local community engagement programmes during the reporting year.

Material Issues	GRI Standards	ESG Guide	Page/Section	Remarks/Reasons of Omission
GRI 400: Social				
Customer Health & Safety	103-1, 103-2, 103-3	B6	21-22	
	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	22	No substantial complaints regarding breaches of customer privacy recorded during the reporting period.
	418-1	B6.5	–	An example of a significant regulation that we complied with in 2018 is the European Union General Data Protection Regulation (GDPR). For our data privacy and security policy, please visit http://www.peninsula.com/en/privacy-security
Compliance	103-1, 103-2, 103-3	B1, B2, B4	–	
	419-1	B6.2	–	No non-compliance with law that resulted in significant fines or sanction identified during the reporting period.
	–	B6.3	–	Our Code of Conduct outlines our commitment to 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 the 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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