



SUSTAINABILITY REPORT 2011

THE HONGKONG AND SHANGHAI HOTELS, LIMITED

SUSTAINABILITY REVIEW

Introduction

This section reports on our corporate responsibility and sustainability performance in 2011. Our reporting has evolved since 2008, when we published our first annual Sustainability Report. This year, we have aimed for a better integration of the reporting of our financial and sustainability performance, with a view to reflecting on the importance of taking long term sustainability considerations into our everyday business decision-making.

HSH is committed to transparency and accountability. Stakeholders have a right to accurate, straightforward information about the environmental and social impacts we have as a business, the risks we face and how we are managing them. In that spirit, we acknowledge not only our achievements but also the areas where we need to improve.

In the following pages, we highlight a range of issues of concern to stakeholders and how we are responding to them. We report on our performance in key areas such as energy and water use, waste management, managing and developing our people, responsible sourcing and community engagement.

Where we can, we have provided performance data for this and previous years so readers can form a view of the progress we are making. In order to ensure that we report accurately, we have engaged independent auditor Lloyd's Register Quality Assurance Limited (LRQA) to provide an assurance report on the non-financial data in this Annual Report.

Reporting scope

Except where noted, the scope of reporting in this section covers HSH's hotel properties and other businesses where HSH has operational control, including: the Peninsula hotels in Hong Kong, Shanghai, Beijing, New York, Chicago, Beverly Hills, Tokyo, Bangkok and Manila; non-hotel properties including The Repulse Bay Complex, The Peak Complex and The Landmark in Ho Chi Minh City; and other businesses including Thai Country Club, Quail Lodge Golf Club, Peninsula Merchandising and Tai Pan Laundry in Hong Kong. The Peninsula Boutiques in various Peninsula hotels are included in the performance reporting statistics, while Peninsula Boutiques in separately-owned facilities, such as the Hong Kong International Airport, are not included.

This report has covered environmental performance information of The Peninsula Shanghai, which soft opened in October 2009 and was not included in the 2010 report. Facilities managed by HSH, including The Hong Kong Club, The Hong Kong Bankers Club and Butterfield's, as well as the Cathay Pacific Airways' first and business class lounges in the Hong Kong International Airport are not included in the environmental performance statistics as we do not own or control the policies of these facilities. However, HSH employees working at these facilities have been included in this Report's workforce statistics. To facilitate comparison over time, statistics of workforce at The Hong Kong Club, The Hong Kong Bankers Club and Butterfield's have been restated in the 2010 and 2009 employee data of this Report.

How we report

This report covers the calendar year 2011. The content and quality of the information reported in this section are guided by the Global Reporting Initiative (GRI) G3 reporting guidelines and key sustainability issues identified by the Group's Corporate Responsibility Committee. To demonstrate HSH's commitment to producing a transparent and credible report, the accuracy of a representative sampling of non-financial data and statements and their compliance to GRI Level C disclosure is assured by Lloyd's Register Quality Assurance and checked by GRI.

This review section is complemented by the Sustainability Data Statements section which includes all our relevant performance data for 2011 (see page 197).



ENGAGING WITH STAKEHOLDERS

Listening to and anticipating the needs and expectations of our customers are at the heart of what we do every day. In addition to our customers, our key stakeholder relations also include shareholders, employees, travel trade partners, suppliers and non-governmental organisations. They are part of the broad range of stakeholders that affect or may be affected by our business activities.

We recognise that we are accountable not only to our shareholders, but also to our other stakeholders, specifically on environmental and social issues which have wider implications for the community where we have a presence. It is both our corporate responsibility and in our long term business interests that we meet our accountabilities to our stakeholders. Understanding what issues are material to them and how their expectations sit with us helps us with our decision-making.

Our approach

We use existing communication channels to engage with our key stakeholders. Whether they are our hotel guests, patrons of our restaurants, or tenants of our properties, we like to solicit their feedback while they are with us. It enables us to maintain a close rapport with these corporate and individual customers. We have meetings with investors on a regular basis throughout the year. Our annual shareholder meeting provides a forum for two-way dialogue between our directors and shareholders. The various networks and forums that we participate in also allow us to gather feedbacks on our sustainability performance informally.

We recognise that the benefits of a well-structured stakeholder engagement process on sustainability issues can be significant. It can help us understand the evolving concerns and expectations that our stakeholders may have, and how the HSH Group is being perceived in terms of our environmental, social and ethical performance. This will provide valuable insights to complement and to guide our internal governance and management of sustainability issues. However, to reach out to our diverse and global network of stakeholders on a regular basis is not without challenge. We have been actively considering various possibilities and learning from others' experience, with a view to developing a process that is manageable, meaningful and adds genuine value in advancing our sustainability commitment. We aim to undertake pilot studies and provide more details in 2012.

How we did in 2011

- ➔ Complete the exercise to identify stakeholders and assess risks across the Group and take appropriate engagement actions
- ➔ Continue to engage stakeholders through existing channels and conduct engagement sessions with priority stakeholders

● objective achieved ➔ on track to achieve objective ● objective missed

Listening to our sustainability partners

In 2011, we began a dialogue with a range of non-governmental organisations (NGOs) and sustainability experts in Hong Kong, where the Group is headquartered, and in the cities where we operate our hotels. Close to 40 stakeholders were consulted through one-on-one meetings with the Group's sustainability team.

It has been a useful process to understand from these stakeholders their views on the priority environmental and social issues for their local communities and on a global level; the issues that they consider relevant and important to the HSH Group; and in what ways they would like us to respond. Issues raised in these discussions included among others sourcing of sustainable seafood and building materials, business sustainability in response to climate change impact, the evolving perception and tension between luxury and the world's sustainability, and more strategic and impactful engagement with the community. This is just a start. We aim to embark on a structured approach to engaging our stakeholders on wider sustainability issues in the coming year.

Listening to our employees

We are running an engagement survey across all our global operations to hear from our employees how they feel about HSH. The first phase covering five operations was completed in 2011 and we have been very encouraged by the results. Over 84% of the 2,155 employees at these five operations participated. The survey showed that our employees are proud to be associated with HSH and are happy to advocate the HSH brand.

The employee engagement survey would not add value to us if it did not identify some areas where we think we can do better. The results told us that there is room for improvement on performance management, employee recognition and increasing two-way communications.

The survey “make a difference” has clearly made an impact on the organisation in fostering collaboration and better understanding amongst different teams. It has identified areas where we can improve, with a view to creating a better workplace for our employees.

Sindy Tsui
General Manager, Human Resources

The five operations have put in place action plans to address the feedback and to start delivering what has been promised in the action plans for 2012. At the Group level, we have responded to the feedback about strengthening our performance management process and will work on revamping our competencies and management review process in the coming year. We also look forward to introducing the survey to another seven operations in 2012 and to gathering more feedback that will help build a more engaged and effective workforce.

Our 2012 commitment

- Develop a roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues
- Develop a shared understanding amongst the Group's senior management team on key global trends that may affect our business in the medium to long term
- Develop a Group risk register
- Conduct phase two of Group employee engagement survey



OUR PEOPLE

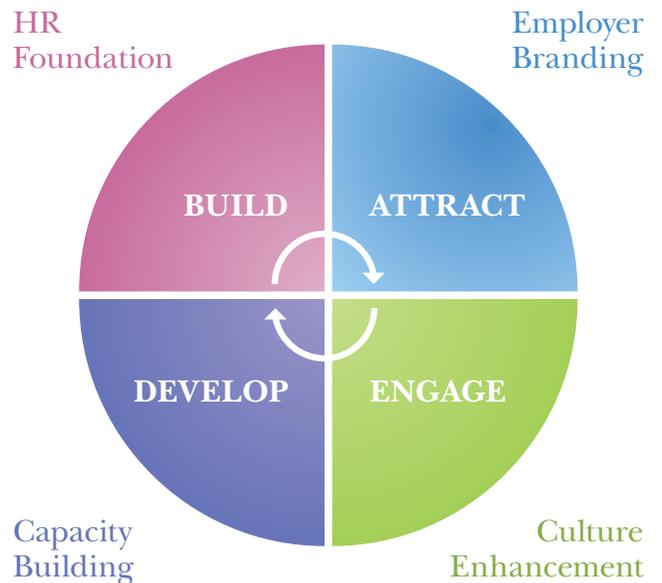
What make us special to our customers is not just our products, but more importantly our people. Their passion, commitment and creativity to go above and beyond the expectation of our customers define the excellence that HSH stands for.

We aspire to be the employer of choice and treasure long term relationships with our employees. We support, motivate and reward our employees to help them realise their full potential, and are committed to providing an environment that promotes respect and equal opportunities for every employee.

Our approach

At the heart of our Human Resources (HR) strategy is our commitment to creating a culture of engaged employees across HSH's operations, where HSH is recognised as a genuine and caring employer that continually grows and develops its own talent. We will continue to empower our employees to create special memories for our guests. Our HR strategy helps to strengthen our brand and enable our leaders to achieve our business results.

The 4 building blocks of our people strategy



Delivering on our commitments

In 2008, we launched a five-year plan to refresh our HR strategy. The plan identifies areas of focus including our remuneration structure, practices for attracting, developing and retaining staff and succession planning for key management positions. Each year, we set ourselves interim targets towards delivering the five-year plan. In 2011, we focused on expanding our learning and development programmes and employee engagement effort across Group operations.

The HSH Group HR Manual was revamped and launched in 2010. The manual details the Group's approach to every aspect of human resources management and sets out what is expected of each operation. It ensures more consistent practices across the Group while still allowing flexibility to account for local labour conditions and culture. The manual enables a solid foundation to be built for further work on attracting, engaging and developing our talents. The re-alignment of some Group HR practices will also facilitate employee mobility between operations as the Group continues to grow. In 2011, Group operations focused on updating their respective Employee Handbooks and HR guidelines to be in line with the new manual. The first on-site HR operational review was completed in accordance with the manual to ensure compliance and, most importantly, to allow for sharing of best practices.

How we did in 2011

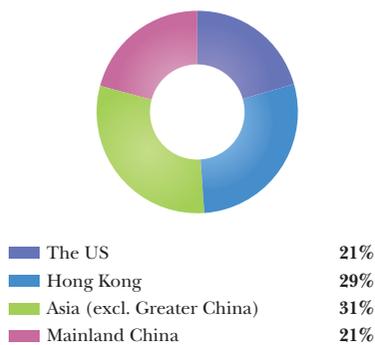
- Launch equal opportunities module as part of Code of Conduct learning programme
- Expand the number of employees undergoing the Executive Development Programme
- Develop corporate training programme for middle managers
- Expand the Peninsula Scholar Programme
- Conduct phase one of Group employee engagement survey
- Continue the roll out of retirement planning sessions across the Group and implement surveys for ORSO plan members
- Roll out videos on HSH's heritage and corporate culture to engage employees

● objective achieved ➔ on track to achieve objective ● objective missed

Our family profile

The Group employs more than 7,500 people around the world, and retains a strong and unique family culture that runs deep through our history. Caring, genuine, passionate and proud are qualities that describe the dynamic and diverse individuals who together form the HSH family. All of these qualities perhaps provide that little bit of magic that sets us apart.

Global Distribution of HSH Employees

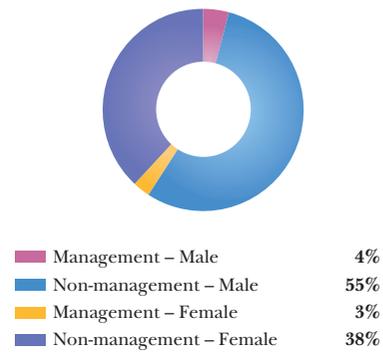


Celebrate our diverse roots

We embrace diversity in our workforce. For example, The Peninsula New York houses employees from more than 50 nationalities under one roof. A diverse workforce offers us the opportunity to learn from one another and to connect with a wide range of customers. Despite our diverse roots, there is great camaraderie among our employees.

The Group is committed to providing an inclusive workplace that promotes equal opportunities. Our recruitment process and opportunities for career development is not limited by gender, age, nationality, religion, sexual orientation, or disability.

Gender Diversity



Female Staff 41% ♀ ♂ Male Staff 59%

A long term relationship

Retention rate is a key parameter for measuring the success of our people strategy. We value our experienced and knowledgeable staff because they are best placed to provide our special brand of customer service. The average turnover rate for all our operations is 19.5%. Our hotels have a turnover rate of 17.6%, which is well below the industry average¹; and indeed in The Peninsula Manila, the rate is 7.5%. This is a good level of performance but one we still aim to improve.

Our emphasis on treating everyone with respect regardless of position, providing fair opportunities for growth, and working hard together as a team are key to retaining our talents. The loyalty and long service of our staff speaks for itself.

1. Reference on average turnover rate of the hospitality industry is made from Walker and Miller (2010) www.ijbssnet.com/journals/Vol_2_No_23_Special_Issue_December_2011/9.pdf

Ensuring people behave ethically

Honesty, integrity and fair play are the values which shape our culture and guide how we work with each other and our customers. The Code of Conduct and Equal Opportunities Policy articulates our commitment to acting in accordance with these values, setting out the standards of behaviour and ethics we expect at all times from each and every employee. We take our Code of Conduct seriously. Over the year, out of the Group's workforce of over 7,500 colleagues, only a small number of grievances of discrimination were lodged, investigated and dealt with in accordance with the Group's policy, and breaches of the Code of Conduct were recorded and resulted in separation of employment.

The Code of Conduct is structured as a series of policy guidelines on different ethical issues, including bribery and accepting gifts, conflicts of interest and equal opportunities. It also broadly acknowledges and recognises the United Nations' Universal Declaration of Human Rights (UDHR). The principles outlined in the UDHR include denouncing all forms of child exploitation, forced or bonded labour, and recognise the basic right of workers to form and to join trade unions to protect their interests. We are committed to conducting our business in a manner consistent with these principles. In 2011, 29% of our employees are members of trade unions.

For us to maintain and enhance our reputation, it is vital that all employees understand their responsibilities to act ethically. Hence, as part of the Code of Conduct learning programme, a compulsory module focusing on equal opportunities and complaints, investigation and reporting on Code of Conduct matters was launched in 2011. All employees across the Group are required to attend this training and assessment through either a bespoke e-learning platform or classroom-style workshop. By end of the year, more than 90% of the management team and the general employees had completed the module.

Communication leads to community

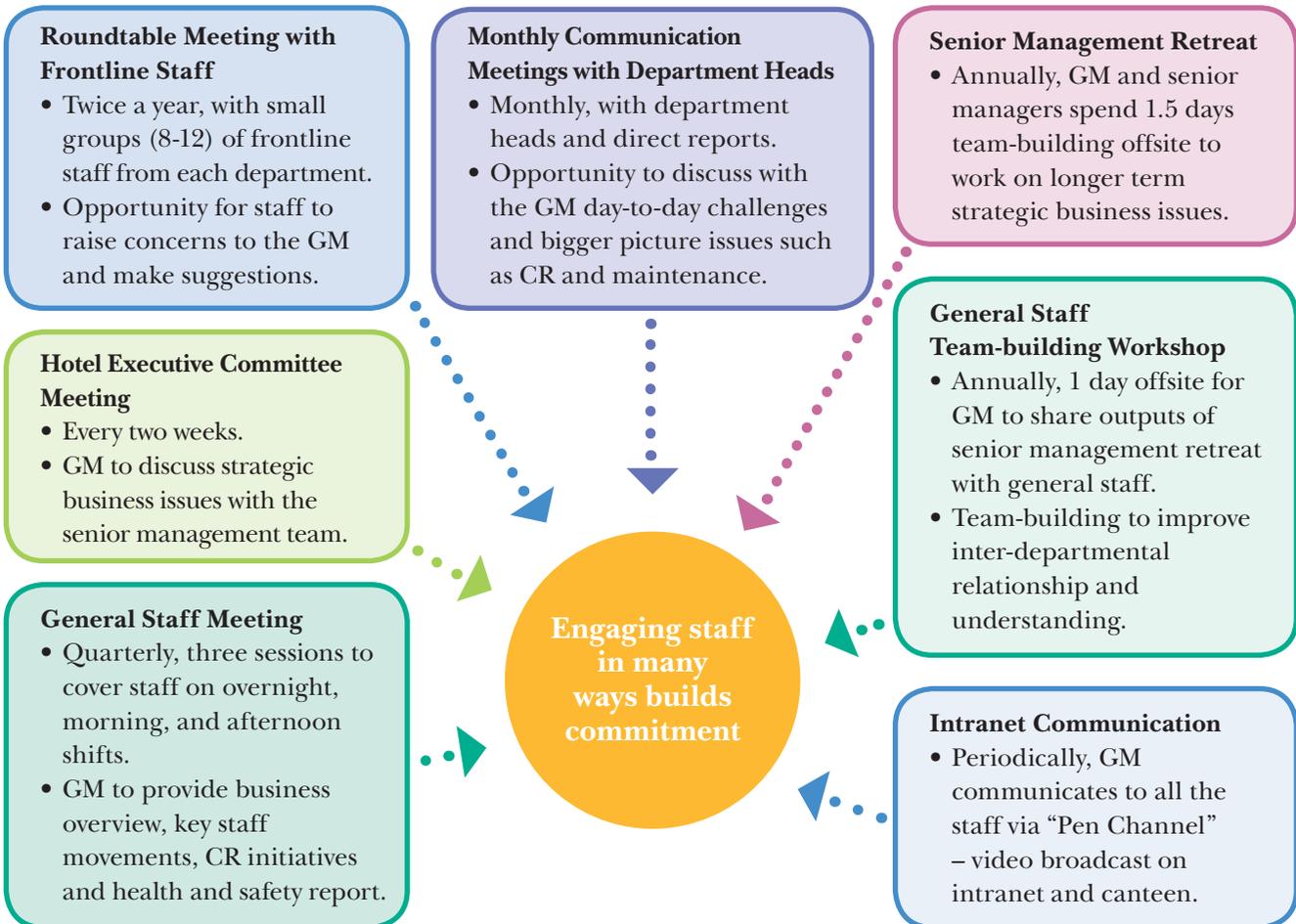
We understand that we are only as good as our employees who help to shape the experiences of thousands of customers every day. We want our employees to be committed and enthusiastic ambassadors of our brands. The best way to encourage that commitment and enthusiasm is to engage wholeheartedly with our employees, communicating openly with them and providing them with the respect and opportunities to influence how we operate.

It is important to us that people understand our values of integrity, heritage and tradition when they join the HSH family. We use two videos to reach out to our global team: The HSH Story and Portraits of HSH, both of which are available in six languages. To keep people informed during the year, the Group publishes

a half-yearly newsletter in four languages and our Chief Executive Officer speaks directly to staff through webcasts three times a year. We also have a Group intranet – unfortunately it has not been used as widely as we would like. A steering committee was set up in 2011 to explore how we might rejuvenate this platform so it is more relevant and engaging for employees.

Many of our individual operations use quarterly town hall meetings to update their staff on priority business and development issues. We recognise the value in two-way communications: engaging staff is not only about talking, it is also about effective listening. Some of our operations run less formal events where employees can express their concerns to the General Manager (GM) and offer their opinions on how to improve their working environment or current practices.

At The Peninsula Hong Kong, a range of different forums are used to reinforce key messages and to ensure staff at all levels are heard. This enables the staff to feel involved in the running of the hotel and be motivated to perform to the very best of their abilities.



Note: CR refers to corporate responsibility.

From learning to development

We take pride in our unending commitment to provide a genuine luxury experience for our customers. Investing in our people is the right thing to do and is essential for enabling us to continue to lead in our pursuit.

Our Learning and Development (L&D) Programmes aim to address the learning needs of all employees, whether they are a senior manager in the corporate office or a frontline staff member in the business operation. Based on the annual analysis of training needs across the organisation, we added a revised executive development training offer, a new programme for middle managers and an expanded scholarship scheme to the 2011 programme.

Preparing the next generation of leaders

Our executive development programme is for Hotel Managers, the second-in-command in our hotel operations. It prepares them for stepping up to General Manager level.

Over the last three years, the programme has played a significant part in our succession planning with all recent appointments to General Manager being internal candidates.

The 2011 programme was re-designed to align with the needs for running our increasingly global business. It includes a new media training course and six months one-on-one coaching with an executive coach.

Top training for middle managers

This new programme helps middle managers to enhance and develop managerial and leadership skills. The 40-hour course covers modules such as Lead by Example, Engage your People and Embrace Innovation.

The scholarship programme goes international

In 2011 we expanded our scholarship programme for hospitality students from one to six participants and it is now available in the US and Asia. We are currently funding three years' tuition for three students in Hong Kong, and the final year's tuition for two in the Philippines and one in the US.

Students spend their summer internships working in our hotels and will be made a job offer when they graduate.

Our international portfolio of luxury hotels makes these scholarships very popular with students. The able students are in turn very popular with our hotel managers, who are keen to keep them when they graduate.

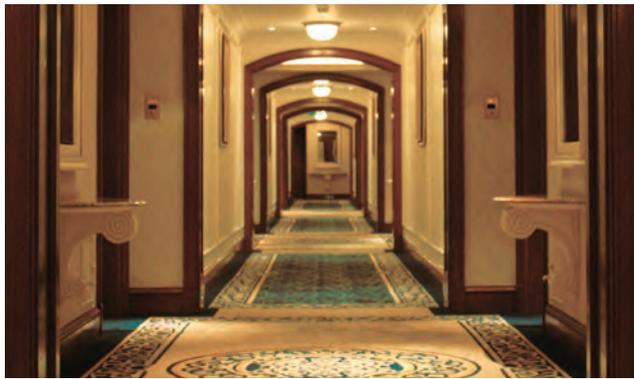
Making better plans for retirement

We have a long-standing reputation for looking after the welfare of our people whether they are new to the company or about to retire. We offer a comprehensive package of staff benefits and are proactively helping our employees to think ahead.

We provide defined contribution retirement coverage for employees in Hong Kong and senior managers in Asia, with local programmes elsewhere. In recent years, we have taken steps to improve the Group retirement scheme. The Group's Occupational Retirement Schemes Ordinance Committee meets quarterly to organise briefings from the scheme's advisers to help employees make more informed plans for their retirement. At the end of 2011, we ran a survey of pension scheme members to assess how they feel about the quality of the advice they are receiving. We will use the results of the survey to improve the financial planning advice sessions in 2012.

Our 2012 commitment

- Roll out a revised management bonus plan for the Group
- Roll out the third module of Code of Conduct online and classroom training on guest data privacy
- Conduct five Operational HR Reviews in accordance with the HSH Group HR Manual.
- Build a competency framework for the Group
- Design a Finance for Business Managers Programme for all Executive Committees in the operations



ENVIRONMENTALLY RESPONSIBLE LUXURY

Buildings account for around 40% of global energy consumption, with significant impact on the world’s carbon footprint and energy demand. We develop and manage a portfolio of prestigious hotels and premium properties. This makes driving energy efficiency and hence reducing our carbon footprints the number one environmental challenge for the Group. Increasing energy costs worldwide also makes the case financially compelling.

Water conservation and waste management are other key environmental challenges associated with our business. We endeavour to do our best in identifying and managing the adverse environmental impacts of our business activities. We do this to be accountable to the communities where we operate and to our global marketplace.

Our approach

Our Sustainability Policy² guides our commitments to environmental responsibility across the Group. Through discipline, creativity and new technology, we have started to improve our energy and water performance. Most Group operations have also formed specific environmental working groups to drive ideas and initiatives to improve our conservation effort.

We strive to deliver luxury and quality in the most sustainable way possible, and to make environmental planning part of our everyday decision-making. This is in the best long term interests of our shareholders, our customers and the communities in which we operate.

Clement K.M. Kwok
Chief Executive Officer

Central to how we manage our environmental impacts is our steadfast commitment to providing the highest standard of luxury products and services to customers. We task ourselves to find ways to use resources efficiently, to minimise any adverse environmental impacts, and to still exceed customers’ expectations.

We recognise that increasing energy and raw material costs, supply chain disruption and the threat of water shortages are some of the potential risks which climate change may pose to our business. A precautionary approach helps us weigh up the risks to the Group and to our stakeholders.

When it comes to considering new capital investment, we take a long term view looking at whole life cycle costs, instead of merely upfront costs. Along with factors, such as cost, quality and functionality, environmental impact has become an integral part in our investment decision-making process.

In December 2010, the HSH Sustainable Design Standards were launched to provide guidance on environmentally responsible practices for new development projects and major renovation work. More work is needed to introduce the standards to the Group’s project and operation teams and to incorporate it in the project design process.

How we did in 2011

- Cut energy intensity by 15% against 2006-08 baseline
- ➔ Reduce carbon intensity by 10% against 2008 baseline
- Reduce water intensity of our Hotels Division by 6% against 2006-08 baseline
- ➔ Phase out the use of ozone depleting substances by 2015
- ➔ Monitor waste generated and collected to improve on waste diversion and reduction
- ➔ Roll out sustainable design standards and guidelines throughout the Group and provide training

● objective achieved ➔ on track to achieve objective ● objective missed

2. To view HSH’s Sustainability Vision and Policy Statement, please refer to www.hshgroup.com/cr

Energy-wise, carbon-wise

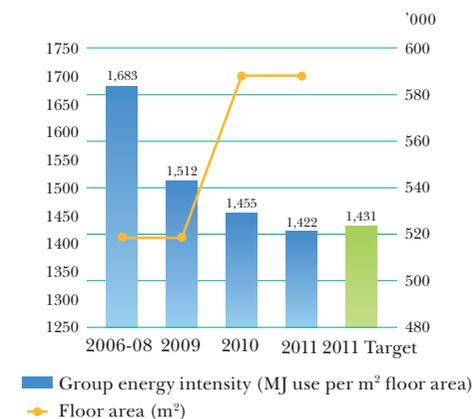
Effective water-heating, good air-conditioning, or tasteful lighting are some of the basic components that create a luxurious environment for our hotel guests or property tenants. Along with the commitment to deliver the highest standard of products and services, we endeavour to continuously improve our energy efficiency and reduce our carbon footprint. In 2011, the Group consumed a total of 836,600 GJ of energy, down 4.7% on 2010. Energy intensity was 15.5% lower than the baseline of 2006-2008 average consumption, achieving our target of reducing energy intensity by 15% by end of 2011.

Our energy consumption in 2011 generated a total of 117,769 tonnes of CO₂ equivalent, which was 9,303 tonnes less than 2010. Along with our business growth over the years, the Group's absolute carbon emissions have increased by 6.6% since 2008, however our Group carbon intensity was 6.1% lower than that of 2008.

Two factors have helped to achieve these. Firstly, our environmental engineering projects, ranging from improvement to lighting efficiency, the application of variable frequency drives in optimising energy load to demand, cooling and heating systems upgrades, and using solar window film to help reduce solar heat load. Over 2010 to 2011, with an investment of HK\$24.2 million, these projects saved a total of 44,750 GJ; Secondly, employees are making a difference by changing the way they work to save energy. All Peninsula hotels housekeeping staff receive training to set heating and air conditioning to conserve energy when rooms are not occupied. Behavioural change is never easy to effect. We will expand our employee engagement programme to inspire our people to take more action. This will be a focus for us in 2012 and the medium term.

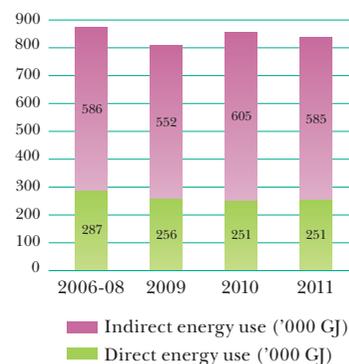
We recognise that the energy and carbon cuts in the past three years were much easier to achieve than those needed in the next three years and beyond. However, we are committed to challenging ourselves in making continuous improvement in this area. Our target for 2012 is to reduce our energy intensity by a further 3%.

Group Energy Intensity

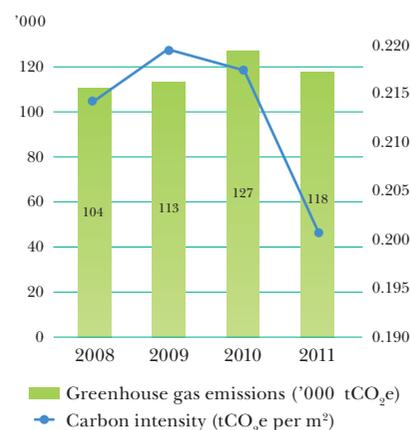


Note: The increase in floor area in 2010 reflects the addition of The Peninsula Shanghai.

Group Energy Use³



Group Carbon Emissions and Intensity



3. Direct energy is energy we use in our operations such as gas for heating or electricity for lighting. Indirect energy is energy consumed to provide the energy we use, for example the fuel burned in power stations to generate our electricity.

The art of lighting

We are very particular in our choice of lighting, especially in the front-of-house areas in a hotel. They light up the soul and character of our hotels, and are core to the experience we offer to our guests. Our engineers are always on the lookout for more energy-efficient lighting options. We conduct extensive trials of new lights in the back-of-house areas before introducing them into guest areas.

The ongoing re-lamping exercise in the past two years has resulted in saving 11,980 GJ energy over 2010-2011, the equivalent to burning more than 1,300 tonnes of coal for electricity production by a thermal power station!

↓ 92% *At our Tokyo hotel, we replaced 496 bulbs in guest corridors with LED lamps towards the end of 2010. It reduces energy required to light those areas by 92%, offering an annual energy saving of 806,215MJ in 2011, which is equivalent to the average annual electricity consumption for lighting of more than 200 Japanese households.*

↓ 50% *Looking ahead, our flagship hotel The Peninsula Hong Kong will conduct an ambitious upgrade of its guestrooms in 2012. This landmark renovation also provides an opportunity to reduce the lighting load of all the guestroom floors by more than 50%.*

The art of optimisation

The use of variable frequency drives (VFDs) helps to optimise energy load to the demand of our ventilation systems and pumps. Over 2009-2011 they generated some 3,720 GJ of annual energy savings across the Group.

The heating and cooling systems consume the most energy in a building. In addition to the technical process, our engineers have to understand how to manage cost, safety, efficiency, as well as heat balance and outside climatic conditions. The new laundry steam recovery system at The Peninsula Beijing saved 2,990 GJ in 2011, whilst The Peninsula

Chicago upgraded its heaters to more efficient models, saving 1,345 GJ, which is equivalent to the annual electricity-related CO₂ emissions from 32 US homes⁴.



Renovation following LEED standard

Refurbishment not only can rejuvenate a property but also offers opportunities to make improvements in its environmental performance. The Repulse Bay Complex comprises eight towers of apartments, restaurants and a commercial arcade. In 2011, it managed to cut energy use in the commercial arcade by 15% through installing variable frequency drives for the ventilation system. All newly purchased electrical appliances such as refrigerators and washing machines provided to its residential tenants are now meeting the highest Grade 1 energy efficiency labeling standard, and Grade 2 as a minimum for split type air-conditioning units. All paints used in renovating the apartments are without any volatile organic compounds (VOCs), which can cause breathing difficulties. In the past two years, switching to low energy lighting and installing recycling bins to encourage its tenants to recycle waste are among the many conservation initiatives at The Repulse Bay Complex.

We have planned a major refurbishment of de Ricou in 2012. The renovation work is being done in accordance with the LEED certification standard (US Green Building Council's Leadership in Energy and Environmental Design standard), in line with the Group's Sustainable Design Standards. In 2012, we have also planned to invest in new oil-free chiller units to support the arcade and restaurants area as well as The Repulse Bay Club, which is a three-level, 60,000 square feet recreation and activity centre.

4. <http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results>

Minimising our impact on the ozone layer

Ozone-depleting substances (ODS) have a detrimental effect on the ozone layer, damaging the Earth's protection against excessive levels of solar radiation. The Montreal Protocol regulates the phase-out of CFCs, halons, and other ozone-depleting chemicals internationally. Older air-conditioning systems in our hotels and properties are the main sources of our ODS emissions. We have a target to replace all ozone-depleting refrigerants in use by the Group by the end of 2015, and the effort is continuing. We upgraded five chillers in 2011 with environmentally safe refrigerants across our hotels in Beijing (three chillers replaced), Manila and The Landmark in Ho Chi Minh City. Our estimated ODS emissions in 2011 were 92 kg CFC-11 equivalent compared to 146 kg in 2010.

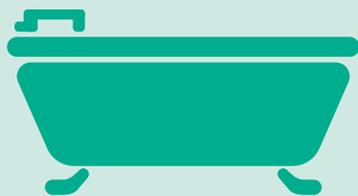
Water-wise

Water was once considered an infinite resource, but no longer. By 2030, more than 40% of humanity will be living in water-stressed areas, including some of the communities where we operate. Just as water is vital for life, it is crucial to our operations, notably to the production of food and energy.

We are pleased to make headway in reducing our water use. Across the Group, we used 1.82 million m³ of water, down 2% on 2010. Our water savings initiatives in 2011 notched up 171,270 m³ of water saved (equivalent to just over 850,000 bathtubs). The water intensity of our hotels in 2011 was 1,320 litres per guest night, a 6.5% reduction on the 2006-08 baseline. We therefore met our hotels water intensity reduction target of 6%.

856,360

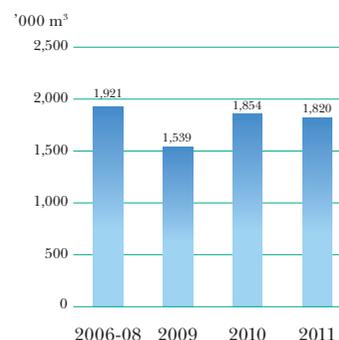
bathtubs saved



Note: 200 litres per bathtub. Reference made from Chinawaterrisk.org

In 2011, 5.2% (94,770 m³) of our total water consumption was recycled, down from 7.6% (141,565 m³) in 2010. As an example, our Tokyo hotel saved 15,000 cubic metres of water in 2011 by re-using kitchen wastewater for watering plants and back-of-house toilet flushing.

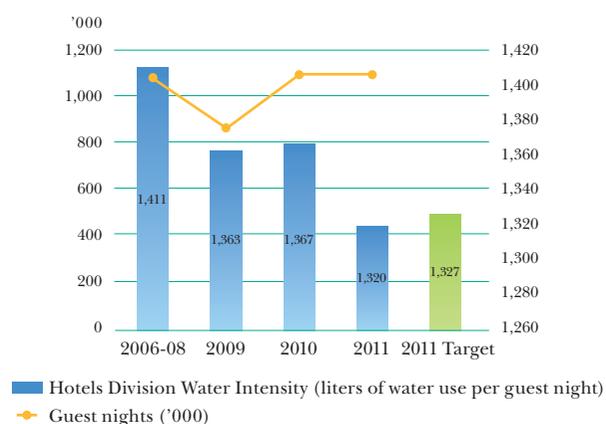
Group Water Consumption



What about HSH in water-stressed regions? Beijing and Shanghai, where our hotels are located, are among China's most water-stressed cities. In 2011, our hotels in Beijing and Shanghai saw a year-on-year reduction of 10% in their water intensity. Their annual water consumption reduced by 2.6% and 18.2% respectively when compared to 2010.

Although the threat of water risk is not immediate, we fully recognise the gravity of the issue and the importance of developing a long term plan in responding to the water challenge.

Hotels Division Water Intensity



Waste-wise

We continue to improve our understanding of the nature and quantities of the resources we use and the waste generated. Waste management arrangements vary across our operations, largely due to available solutions and infrastructure in the communities where we operate. Our hotels at Beverly Hills, Beijing and Shanghai send their waste to contractors designated by the municipal government for single stream waste segregation and recycling. Other Group operations operate their waste collection and recycling with various waste management vendors and charities, and are always assessing new options to reduce the quantity of waste to landfill.

In 2011, some 2,905 tonnes of food waste and 1,807 tonnes of dry waste were generated from our operations around the world⁵. Of this, 6% of food waste and 28% of dry waste was diverted from landfill for reuse and recycling. Overall, 14% was recycled⁶ – the weight of over 150 elephants⁷!

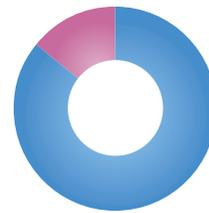
All Group operations recycle glass, wastepaper, plastic bottles, aluminium cans and used cooking oil. For example, in an effort to divert food waste sent to landfill, our hotels in Chicago and Manila have some of their food waste composted for farm use. In 2011, The Peninsula Hong Kong invested in a food bio-digester to turn food waste into waste water, as urban Hong Kong offers limited space for food composting. We work with local partners to recycle used cooking oil into bio-fuel. Since June 2010, The Peninsula Manila started to use converted waste cooking oil to power one of its delivery vans. The van has run 2,210 kilometres since, saving some 230 litres of petroleum fuel.

5. Data from 10 of our 16 properties: all nine Peninsula Hotels and The Repulse Bay Complex.

6. The Peninsula Beverly Hills, Beijing and Shanghai are excluded from the percentage calculations. Their wastes are handled by waste contractors designated by local municipal governments.

7. According to the online database of animal natural history and classification of the University of Michigan (<http://animaldiversity.ummz.umich.edu/site/index.html>), the average size of an adult African elephant is around 4,500kg.

What happens to our waste?



Waste diverted from landfill (kg) 14%
Waste sent to landfill (kg) 86%

Turning waste into resources

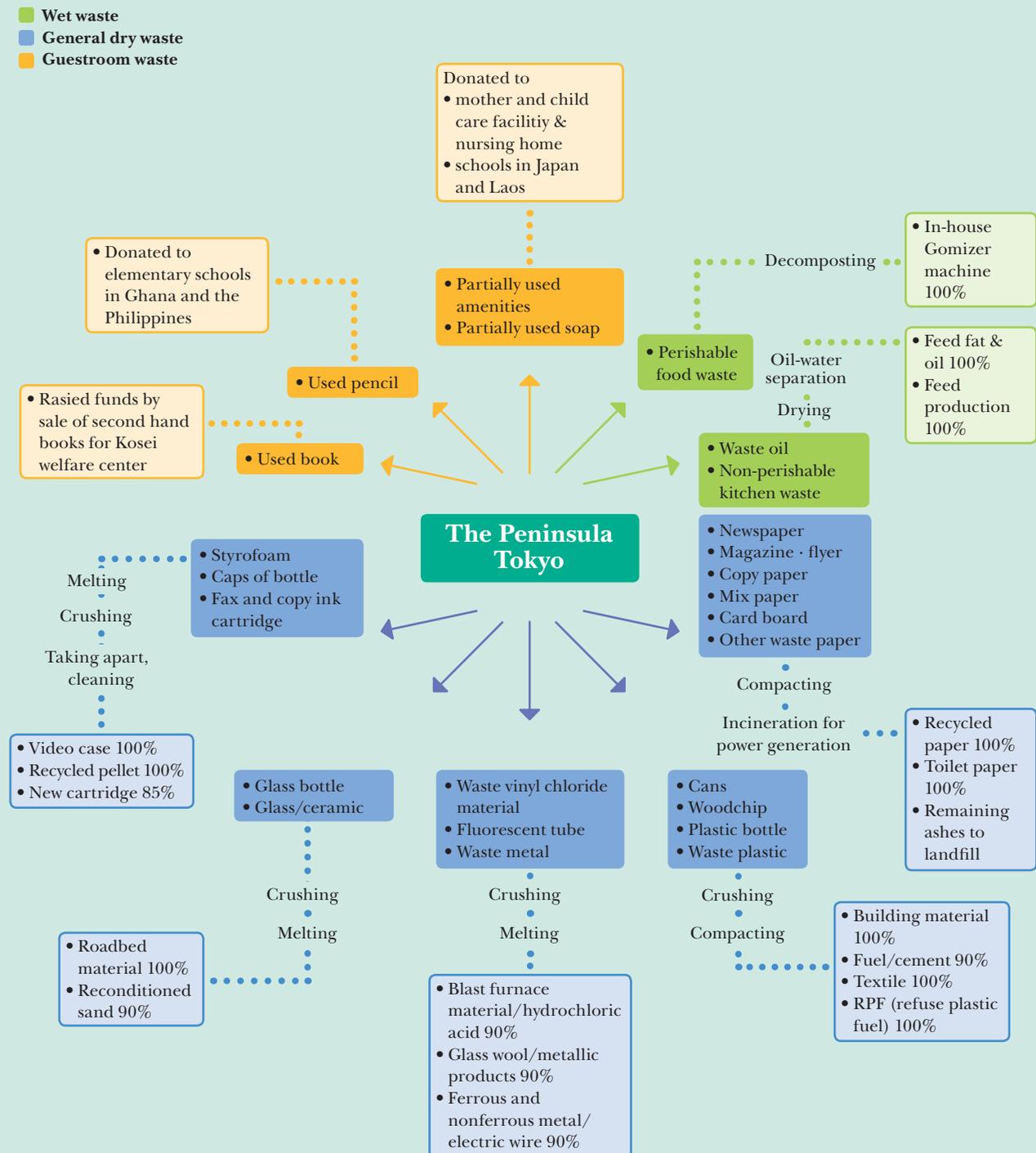
The housekeeping teams at the Group's hotels in the US join with Clean The World, a US-based non-profit organisation, in collecting used guestroom amenities for distribution to impoverished countries to help prevent deaths caused by diarrhoea and other hygiene-related illnesses. This meaningful programme has also helped the Group to divert tens of thousands of used soap bars and bottled amenities from becoming landfill waste. Instead, they have been turned into products to improve hygiene standards in some deprived communities.

Our 2012 commitment

- Cut energy intensity by a further 3% against 2006-08 baseline
- Enhance the engineering teams' capacity on carbon management
- Reduce Group companies' water intensity by another 2%
- Enhance the robustness of waste management data so as to improve on waste diversion and reduction
- Improve awareness of the sustainable design standards and guidelines throughout the Group and encourage its adoption in new development and major renovation projects

A leader in waste diversion

The Peninsula Tokyo manages a highly organised waste diversion system, supported by a wide range of specialist recycling contractors and the good practice of its employees. The Peninsula Tokyo diverted more than 80% of its total waste from landfill in 2011, sending 96 tonnes of waste for recycling and reuse – more than 260kg every day.





HEALTH AND SAFETY

Making sure our hotels and properties are safe for our guests, tenants, employees, contractors, and the wider community is of the utmost importance to our corporate responsibility. We take an active, hands-on approach to managing safety and security. This enables us to comply with relevant regulatory requirements and helps to protect and enhance our reputation.

Our approach

In common with how we manage other functions, health and safety is managed through policy, procedures and risk assessments across the Group. Central to this is the Operational Risk Manual. Produced in 2009, the manual provides guidelines and standards on crisis management, occupational health and safety management system, disease prevention, fire risk, emergency response and security standards. Group operations have been progressively implementing the manual and the Hotels Division aims to fully adapt the manual to suit the respective operations in 2012. The Peninsula Hong Kong was the first to complete the manual. During the process, we identified skills gaps which we will continue to address through training.

Each hotel and commercial property assigns a designated person to oversee health and safety issues, and a committee which comprises representatives of various departments who meet on a regular basis to review progress. During 2011, our Hotels Division re-organised its risk management team, creating two new Regional Director roles in Asia and the US. These roles take a strategic region-wide view of risk, security and health and safety, facilitate best practice sharing and synergies within the region, drive improvement, and support the implementation of the safety management system. In 2012, the hotel risk management team will undergo a “360 degrees” skills audit. This will give us a greater understanding of the training we need to strengthen the capacity of the team.

How we did in 2011

- ➔ Minimise injury and lost day rates
- ➔ Achieve full implementation of the Operational Risk Manual across the Group, as measured through audits
- ➔ Standardise health & safety risk reporting across the Group
- Complete Indoor Air Quality assessments across the Group

● objective achieved ➔ on track to achieve objective ● objective missed

A preventive approach

We are constantly improving the way we track safety data. For 2011, our lost time injury rate was 9.5 and instance rate of occupational disease was 1.2⁸. Initial analysis shows good improvement in safety since 2010; we will report more on this in 2012. Training is fundamental to our approach in managing health and safety concerns. We are expanding the scope of risk management as well as health and safety seminars to reach out to all the employees. Across our operations, 11,147 hours of health and safety training were provided to the employees in 2011. Workplace safety and first aid were the main training topics covered. Many Group operations follow these up with “drip-feed” reminders. We also continually push the use of personal protection equipment and any transgression is treated seriously.

We continually review where our health and safety performance required close attention. As part of our commitment to providing a safe working environment, a priority for 2012 is to improve the tracking of training and incident data. In 2011, we introduced a software to track all employees injury in Hong Kong and this would gradually be rolled out to other operations. Quarterly root causes analysis of the incidents was conducted to devise appropriate preventative measures. In 2012, we will be training our people on how to use a new reporting system for incidents and risks. This will help to ensure consistent classification across Group companies, which will improve the data and the monitoring of our performance in this important area.

Safety before taste

We provide a luxury catering experience for our guests. Our commitment to food safety and hygiene is a core part of our dedication to pursuing gastronomic excellence. Our catering operations follow the principles of Hazard Analysis and Critical Control Points (HACCP), an internationally recognised food safety and hygiene standard for commercial kitchens, or equivalent local standards.

Excellence in safeguarding food safety and hygiene

The Peninsula Beijing is the first in the Group to achieve HACCP certification. During the past two years, we reviewed all aspects of our catering operation, including our food provenance, storage, handling, kitchen cleanliness, serving practices, training, audit and documentation. We have seen strong levels of staff engagement. We identified areas that we can improve and are continuously monitoring our compliance with the standard. We worked with suppliers over the two-year process and now only deal with HACCP approved suppliers for the majority of our fresh produce. In 2011, the hotel also led in the Group in health and safety training, delivering almost 4,000 hours.

8. Data for 2011 exclude The Landmark in Vietnam. Based on the GRI definition, lost time injury rate represents time lost per 100 equivalent employees per year due to non-fatal or fatal injury arising out of or in the course of work, while instance rate of occupational disease is the frequency of occupational diseases (e.g. stress or regular exposure to harmful chemicals) relative to the total time worked by the total workforce in the reporting period. Please refer to Glossary on page 207 for details on how injury rate and instance rate of occupational disease are defined under GRI G3 reporting standards.

Healthy indoor air quality

Air quality in our hotels and properties is constantly monitored to ensure compliance to local and international hygiene standards. Air quality can vary due to airborne bacteria, suspended particles and volatile organic compounds (VOCs) from solvents. Poor indoor air quality increases the risk of respiratory problems. In addition to routine check-ups, all Group operations in 2011 conducted extensive indoor air quality assessments and have listed actions for improvement.

Making sure every breath taken on our premises is a safe breath is our benchmark for managing indoor air quality. To achieve this goal, we carefully manage our indoor environments through cautiously controlled heating, cooling and water systems, ventilation control, well-timed maintenance work and the use of less hazardous paints and cleaning products.

The comfort of the indoor environment relates to how well a building helps people enjoy their life or work within it. It is affected by indoor temperature, humidity, ventilation, use of day-lighting, as well as fire safety and noise level. For any new development or renovation projects, we will take into consideration in the early stage of our project-planning work factors such as the use of flame-retardant materials, maintaining a comfort level of humidity in the air from our heating and cooling system, good insulation for minimising noise transmission and many others.

Our 2012 commitment

- Improve the recording of health and safety training and incident data so as to enhance the management of health and safety issues
- Hotels Division to fully implement the Operational Risk Manual
- All catering operations to review compliance to HACCP or equivalent standards as guidance on food safety
- Review the Indoor Air Quality assessment findings and implement recommendations to improve our IAQ standard



RESPONSIBLE SOURCING

We work with a diverse range of suppliers to source raw materials and products to support our operations around the world. Our supplier relationships are part of our reputation and brand. We seek to buy at competitive rates but not at the expense of labour standards, human rights or the environment. Managing standards across a diverse supply chain network on a global basis is a complex task. Nonetheless, working with our suppliers on responsible sourcing – from food items to building materials – is a key priority for us over the next five years.

Our approach

In 2009, we launched a supply chain code of conduct, which outlines HSH Group's corporate responsibility commitments as well as our expectations of suppliers and contractors on environmental, social and ethical practices. We have communicated the code to our major suppliers and requested that they assess their compliance with the code using self-assessment questionnaires.

We are reviewing the findings and next steps. Based on the reports provided by our suppliers, we believe that they share our sustainability vision and are themselves conducting their businesses in line with our commitments. Since then, Group operations have been progressively making compliance with the code a requirement of our procurement contracts, and have started to visit priority suppliers to communicate the code and to review the level of compliance.

Internally, we can refer to our Group sustainability guidelines for responsible procurement practices. For example, when appropriate and financially viable, we recommend choosing certified energy efficient equipment, organic food produce, paints free of volatile organic compounds (VOCs) and biodegradable cleaning products. Since 2010, all Peninsula hotels and The Repulse Bay have been regularly reporting on how well they do in switching to products and services from sustainable sources. Collecting robust procurement data of such diverse categories of products and raw materials across our global operations is a key challenge. Over the next twelve months, we will develop a more systematic process to track our supply chain performance. We will also look into improving the Group's guidance on responsible sourcing practices and its communication across Group operations.

How we did in 2011

- Enhance the robustness of reporting on sustainable sourcing practices
- ➔ Improve how we engage with key suppliers to enhance sustainable sourcing practices
- ➔ Review how well we are using the sustainability guidelines to enhance our sourcing of environmentally and socially responsible goods and services

● objective achieved ➔ on track to achieve objective ● objective missed

Food focus

Reputable and sustainable sources of our food are increasingly becoming part of the luxury gastronomic experience that our guests expect. All our owned food and beverage operations endeavour to source quality produce from local and sustainable sources. These may include, for example, free-range chicken and eggs, certified organic vegetables, and seafood certified by the Marine Stewardship Council⁹.

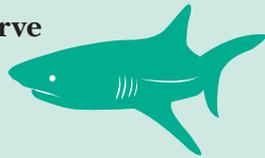
Our chefs are always reviewing the quality, sources and certifications attached to food products. We are making steady progress in shifting to more responsible sources of seafood, vegetables and dairy products.

9. www.msc.org

The Peninsula Chicago, with due attention to quality, availability and price, switched 70% of its poultry as well as 80% of eggs and dairy supplies to local organic sources. It combines fresh, local and organic produces on a “Market Menu” which delights its guests.

We aspire to avoid serving any product that is critically endangered, such as those listed in the IUCN Red List of Threatened Species. We aim to offer seafood listed on the WWF Sustainable Seafood Guides¹⁰. Our intention is genuine but we acknowledge that delivering on it is challenging. Business considerations and inadequate scientific expertise internally may affect how well we do. However, in 2011 we took a definitive stand to ban the sale of shark fin at all our owned food outlets, in an effort to contribute to shark conservation. We will reach out to external experts for guidance and assistance for the work needed in this area.

A commitment to preserve the marine eco-system



We recognise that sharks around the world are increasingly threatened with extinction, primarily due to unsustainable fishing practices. It is difficult to identify shark fin products that have come from non-threatened species and that have not been subject to illegal fishery practices. Hence, the Group announced in November 2011 a new Group Shark Fin Policy which requires HSH companies to stop serving shark fin at all its owned food outlets and to stop consuming shark fin at corporate functions, beginning in 2012.

As Asia’s oldest hotel company, based in Hong Kong for over 145 years, we are acutely aware of the importance of shark fin to Chinese culture. We have been monitoring the shark fin issue over a number of years. Given the mounting scientific evidence and increasing public awareness on the drastic decline of shark populations, we believe that the time is right for us to take a definitive stand on removing shark fin from our menus. We hope our decision can contribute to preserving the marine eco-system for the world’s future generations.

Forests matter

We have started to assess the paper and timber products we buy and to review how we may ensure that our operational needs are not met at the expense of exploiting the world’s forest resources. Forestry that is managed poorly has catastrophic environmental and socio-economic impacts. Uncontrolled deforestation in the paper and timber industry supply chain is a significant global issue. In line with our sustainability vision, we have taken steps since 2009 to switch to recycled paper. We will review the need to provide more specific guidelines on the procurement and use of paper products and expect to provide details in 2012.

Day-to-day choices

There is a clear connection between the environmental performance of a built environment and the type of equipment and materials used. Over the past three years, we have become more conscious of the environmental impact of the choices we make as a buyer. For example, we have upgraded most of our lighting in our properties and the back-of-house of our hotels to certified energy-efficient options, used more biodegradable cleaning products and paints without volatile organic compounds, as well as sourced raw materials from local or nearby locations where we can.

The HSH Sustainable Design Standards also outlines the principles of selecting building materials with a balance of environmental and economic performance in new development and major renovation projects.

Our 2012 commitment

- Improve the framework for tracking our performance on sustainable sourcing practices
- Reduce the environmental impact of our paper procurement requirements and promote sustainable use of forest resources
- Promote the use of sustainable building materials in new development and renovation projects.

10. wwf.panda.org/what_we_do/how_we_work/conservation/marine/sustainable_fishing/sustainable_seafood/seafood_guides/



OUR COMMUNITY

We have a long-standing commitment to the communities in which we operate. Started as a family business that stretches back 145 years, we recognise that the success of our business is rooted in the success of the community around us. We are part of those communities, and proud to be so. In Hong Kong, where the company was founded, the history of The Peninsula Hotel is inextricably linked with the history of the city.

Our approach

The communities in which we operate provide the resources, infrastructure and markets that support our businesses. It is to our mutual benefit that we seek to enhance them. Where we can contribute, we will and we do. We tap into the resources we have and encourage our people to engage in initiatives that support the development of our society. Through our partnerships with local non-profit organisations, our employees not only become more deeply connected with their local communities, they also gain motivation and learn new skills.

Caring for the community is a core value that has long been embraced by the company and our staff. From year to year, we continue to assess and enhance the effectiveness of our outreach programmes. We will be reviewing our community investment and engagement strategies during 2012, in an effort to respond to the needs in our society in the most strategic, relevant and focused way.

How we did in 2011

- ➔ Continue to assess and enhance the effectiveness of community activities
- Increase staff participation in community activities

● objective achieved ➔ on track to achieve objective ● objective missed

Engage with the community

In 2011, HSH group of companies made cash contributions of close to HK\$4.2 million and provided additional support in the form of goods and services. Close to 1,000 staff members across the Group volunteered their time and talents through our employee volunteering programmes, contributing more than 6,000 hours to serve the community. Most of our support went to our long term community partners, while some Group operations also developed new and exciting partnerships with their local charities during the year.

In 2011, at the Group level, we engaged in raising awareness and funds for breast cancer research, contributed to the relief effort in aid of victims of the Great Eastern Japan tsunami as well as provided emergency support for our staff in Thailand whose families were affected by the worst flood in the country's history. Individual Group operations are encouraged to work with their community partners to make a contribution to the welfare of children and the elderly, and education of the underprivileged. These are some of the key developmental challenges that are common to all the communities of which we are a part.

Give a little something to the children

Improving facilities for school children

Over the last four years, we donated winter coats and sanitary equipment to the children at the Zhou Bang Cun Primary School in the Xilin County of GuangXi province, China. This year, we are funding the refurbishment of the school's dormitory including new bunk beds, sheets and blankets.



We wanted to go further and improve their living conditions. Of 354 students, 217 board at the dormitory because their homes are too far away to commute daily. All 217 are crowded into six rooms, each with 40 bunk beds. The current dormitory dates from 1976 and is in poor condition. The bunk bed frames are flimsy, rusted and unsafe for the children.

Hence, in 2011, the Hotels Division engaged our guests in donating over HK\$234,000 through the Salvation Army to improve the facilities. The funds helped to buy new bunk beds, mattresses, bed sheets and most importantly new blankets. The money was also used to repaint and update the dilapidated dormitory.

Making wishes come true

A young lady, age 17, found out before Christmas 2010 that she has CML (Chronic Myelogenous Leukemia), a form of cancer of the white blood cells. During her treatment, she stayed with her uncle who is an employee of The Peninsula Manila. Perhaps inspired by her uncle, she has always dreamed of being a hotelier someday, and from 3rd to 6th May 2011 that's exactly what she was.

Through the Make-A-Wish Foundation, she came to The Peninsula Manila and found out how we run the hotel, serve our customers and look after their every need. From back-of-house to the front desk, she saw how the whole operation works. Her family was also invited to stay in the hotel while she was with us. We were only too happy to make her wish come true for a few days.

In 2011...

- 230 programmes
- > 950 staff volunteers
- > 6,000 service hours

- HK\$4.2 million by the company
- HK\$300,000 raised by the staff

Corporate
volunteering
programmes

Cash
contributions

Across the Group...

The Peninsula Bangkok hosted 15 children living with AIDS to breakfast and lunch in the hotel before staff volunteers took them to a theme park; in New York, we ran a food drive gathering over 60 kilograms of food for the city's needy children; and staff volunteers at The Peninsula Shanghai organised a carnival day for children of migrant workers in Shanghai.

Enhance the lives of elderly people

Helping elderly people find a job

For the last four years, The Peninsula Tokyo has been helping elderly people to retrain and find work in the hospitality industry. The National Re-training School for Elderly People teaches them service skills over a period of six months. The Peninsula Tokyo provides them with the opportunity to take the final exam at the hotel and shares feedback on their service skills so they learn where they can continue to improve.

This also gives us the opportunity to consider these elderly students for employment at The Peninsula Tokyo. Over the course of our partnership with the National Re-training School, we have hired 12 elderly students for positions in housekeeping, engineering and other front-of-house operations.

Internship or work exposure programmes

- 880 participants
- > half a million training hours

In-kind donations

- 3,500 hotel room nights
- Food and beverages for 680 events
- 140 spa treatments

Halloween treat for Chicago elders

Staff volunteers of The Peninsula Chicago shared the fun of Halloween with 85 elderly people in their neighbourhood. The volunteers, all dressed up in Halloween costumes, cooked and served a top-quality three-course lunch and entertained these special guests with their amusing performance.

The event was run in partnership with Little Brothers – Friends of the Elderly, a charity organisation that we have supported for a number of years. We are currently exploring creative ways to develop the relationship further in 2012.

Across the Group...

The Peninsula Beijing donated television sets to a local hospital, and in Hong Kong we took groups of elderly people on the Peak Tram to enjoy the panoramic view of the city as well as to visit our hotel and other parts of the city.

Help underprivileged people to help themselves

It's never too late to learn new skills

Many of our hotels are offering internship and vocational training opportunities to underprivileged groups, allowing them to gain skills and experience to earn a living. One of the programmes run by The Peninsula Hong Kong in partnership with Caritas Hong Kong is a retraining scheme for unskilled middle-aged people who are the primary earners in their families.

Since the inception of the partnership in September 2009, we have organised four training sessions, benefiting a total of 14 participants. Nine trainees were offered full-time or temporary positions at The Peninsula Hong Kong after successfully completing their training while another two were offered full-time jobs at other hotels in Hong Kong.

Helping immigrants and refugees to find work

The Peninsula Chicago has been supporting refugees and immigrants for ten years now. Often on the fringe of society, these underprivileged groups can struggle to adapt to a new environment and we aim to help them build lives of dignity and self-reliance in Chicago.

Working with our partners RefugeeOne and the Chinese Mutual Aid Association, we give them mock job interviews, “dos and don'ts” and tips on what to wear to create a positive impression.

This long term initiative has proved a rewarding relationship for everyone: refugees and immigrants can begin new lives and gain livelihood opportunities in the city, and we know we are supporting people with genuine needs and developing potential employees too.

Across the Group...

The Peninsula Beverly Hills offered training opportunities to students who aspire to become hoteliers; and in Tokyo, we have been working with handicapped high-school students for four years, teaching them how to make their own lunch and other basic life skills to gain more independence and confidence.

Respond to the community at times of challenge

2011 saw the world facing a number of catastrophic natural disasters. Among them were the 11th March devastating earthquake and tsunami in Japan and the widespread flooding in Thailand in October. We operate in both countries.

Hope for Japan



On the day that the tsunami and earthquake shocked Japan and the world, The Peninsula Tokyo opened the hotel as an emergency shelter, offering food and blankets to some 800 members of the public who were stranded by the temporary shut-down of the public transportation system.

Some of our employees in Tokyo even rushed back to the hotel to join their fellow colleagues in serving our guests and the general public through this difficult time.

Just days after, we launched our Hope for Japan campaign across all Peninsula hotels worldwide to support victims of the disaster. The three-month long fundraising drive had three elements: a donation for each guest stay, a special Japanese-themed Afternoon Tea with 100% of the retail price being donated and “The Tree of 1,000 Cranes” where guests were invited to make a minimum donation of US\$5 (HK\$40) and receive an origami crane to hang on the tree. The tradition of folding 1,000 origami cranes represents warm wishes for healing and hope during a challenging time. A total of JPY42 million (HK\$4.12 million) was raised for the Japanese Red Cross Society in aid of families affected by earthquake and tsunami.

The Peninsula Tokyo subsequently launched “Save Energy For Japan” over the summer, in response to the call from the Japanese government for everyone to contribute to a 10% energy reduction target. The hotel achieved a 15% reduction through various initiatives, including wearing custom-made white polo shirts as uniform. It allowed the hotel to reduce its energy and water consumption for laundering uniform jackets and dress shirts, and for air conditioning.

Without affecting the quality of guest experience, the hotel took other steps to reduce energy use. These included turning off the hotel’s exterior lights, changing over 500 interior lights to LED (Light-emitting Diodes) and reducing the use of office and parking area fluorescent lights by 50%. We also lowered the temperature of the indoor swimming and vitality pool by up to one degree and consolidated the food supply in a smaller number of refrigerators so we could turn some of them off.

Providing financial support for our staff in Thailand

When Thailand declared a national emergency after being hit by the worst flood in the country’s history, we felt we had to act quickly to support our staff at The Peninsula Bangkok, the Thai Country Club and Siam Chaophraya Holdings’ Office in Bangkok who had been affected.

A variety of financial assistance was offered to all employees in Thailand to ease the immediate financial pressures that the employees were facing. The Peninsula Bangkok also housed 143 staff and 73 families whose homes were submerged in water.

Turn The Peninsula pink

“Peninsula in Pink” was expanded to become a new group-wide campaign of the Hotels Division in 2011. The Peninsula Hotels around the world offered their support for Breast Cancer Awareness Month throughout October to raise both awareness and funds for breast cancer.



Breast cancer is the most prevalent cancer in the world today, accounting for one in 10 of all new cancers diagnosed worldwide and nearly one in four female cancer sufferers. The most common cancer found in women in both developed and developing countries, it is the principal cause of death among women globally. Though far less common than in women, it is also possible for men to develop breast cancer, accounting for approximately 1% of all breast cancer cases.

With these grim statistics in mind, every Peninsula hotel harnessed their resources and creativity to offer their own collection of pink initiatives. They included specially created pink-hued cocktails, restaurant promotions, a pink-themed Ladies’ Lunch and parties, donations from Spa treatments and from Rolls-Royce trips at the flagship Peninsula Hong Kong. Each Peninsula hotel also worked closely with their local breast cancer organisation in offering information pamphlets and seminars to female guests and hotel staff.

Apart from flower arrangements in pink, some hotels even illuminated their buildings in pink and garlanded the traditional Chinese stone door lions with pink ribbons. An exclusive pink ribbon pin was designed to mark Breast Cancer Awareness Month and worn by our staff members throughout October. Some also participated in breast cancer walks, runs and other activities – all to increase awareness about breast cancer.

“Peninsula in Pink” Afternoon Tea

A signature attraction across all hotels was the “Peninsula in Pink” Afternoon Tea. Through the years, the Peninsula Afternoon Tea has become a hallmark feature of every Peninsula hotel around the world. Each hotel created a pink-themed tea for the month of October, offering a selection of pink-hued cakes and pastries in addition to the traditional scones, clotted cream and preserves. For every “Peninsula in Pink” Afternoon Tea sold, a donation was made to the respective hotel’s designated local breast cancer charity.



Our 2012 commitment

- Review the Group’s community investment and engagement strategies – the longer term roadmap, the strategic focus and framework.
- Explore new community development initiatives that align with the Group’s focus areas and challenges common to the communities where we operate.

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 Global Reporting Initiative's (GRI) disclosure framework, which is an internationally recognised set of indicators for economic, environmental and social aspects of business performance.

Sustainability performance highlights¹

				2011	2010	2009	2006-08 baseline
Economic	Revenue		HK\$m	5,058	4,731	4,233	-
	Operating costs		HK\$m	1,986	1,847	1,698	-
	Employee wage and benefits		HK\$m	1,728	1,639	1,512	-
	Capital expenditure		HK\$m	335	261	281	-
	Payments to providers of capital		HK\$m	195	171	192	-
	Tax payments to governments²		HK\$m	422	376	396	-
	Monetary community donations³		HK\$'000	4,163	617	1,689	-
	Total floor area		'000 m ²	588	588	518	518
	Total number of guest nights		'000	1,090	1,082	870	1,089
People	Headcount			7,759	7,730	7,415	-
	Turnover		%	19.5%	19.4%	11.7%	-
	Headcount by gender		% of female	41%	40%	41%	-
Health and Safety	Safety	Lost time injuries	reported incidents per 200k hours	9.5	-	-	-
		Occupational diseases	reported instances per 200k hours	1.2	-	-	-
		Fatality	reported incidents	0	-	-	-
	Training	Health and safety training	'000 hours	11	-	-	-
Environment	Greenhouse gas emissions		'000 tCO ₂ e	118	127	113	104
	Group carbon intensity⁴		tCO ₂ e per m ²	0.200	0.216	0.218	0.213
	Direct energy use		'000 GJ	251	251	256	287
	Indirect energy use		'000 GJ	585	605	552	586
	Energy intensity		MJ per m ²	1,422	1,455	1,512	1,683
	Energy saved through reduction initiatives		GJ		44,750 ⁵	3,540	-
	Emissions of ozone depleting substances		kg CFC-11e	92	146	167	-
	Direct water consumption		'000 m ³	1,820	1,854	1,539	1,921
	Water intensity	Hotels Division	litres per guest night	1,320	1,367	1,363	1,411
		Commercial Properties Division ⁶	litres per m ²	1,988	1,773	1,557	1,712
	Water recycled		'000 m ³	95	142	129	-
Waste generated⁷		tonnes	4,712	-	-	-	
Waste recycled⁷		tonnes	685	-	-	-	
Community	Community outreach	Service hours	hours	6,192	3,788	2,084	-
		Employee volunteers		942	2,420	1,004	-
	Monetary donations	Company donations ³	HK\$m	4,163	617	1,689	-
		Employee donations	HK\$'000	290	642	97	-
	Internships	Training hours	'000 hours	539	301	83	-
		Participants		881	501	371	-
	Retraining schemes	Training hours	hours	1,113	4,988	3,599	-
		Participants		329	192	22	-

Footnotes:

1. Please refer to Reporting Scope on page 76 for the scope of businesses covered in the reporting of employee, health and safety, and environmental performance. The 2006-08 baseline is used for benchmarking environmental performance. Collection of health and safety data based on GRI's guidelines began in 2011.
2. Inclusive of corporate income tax, property and real estate tax, and payroll tax.
3. Donation reported has not included HSH's yearly contribution to the Hong Kong Heritage Project. More details of HKHP can be found on page 23 of this Report.
4. Carbon intensity baseline is 2008 only, as 2006 and 2007 figures skew the average so preventing a meaningful baseline.
5. 44,750 GJ represented energy saved over 2010 and 2011 through reduction initiatives implemented.
6. The increase of water intensity of the Commercial Properties Division in 2011 was mainly due to the rise in municipal water use at Thai Country Club as a result of the declining quality of well water. The use of local well water was not recorded in the water consumption and intensity in previous years.
7. The scope of total waste and recycled waste reported covers the Hotels Division and The Repulse Bay Complex. Collection of waste data across the Group began in 2011.

Profile of our workforce, 2009-2011

	2011			2010			2009 ³			
	Hotels ¹	Commercial Properties, Clubs & Services ²	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	
Workforce Demographics Turnover	Total Headcount⁴	6,039	1,720	7,759	6,064	1,666	7,730	5,827	1,588	7,415
	by Employment Types									
	Full-time	5,475	1,547	7,022	5,444	1,511	6,955	5,334	1,499	6,833
	Part-time & Casual	564	173	737	620	155	775	493	89	582
	by Type of Contracts									
	Permanent	3,062	1,453	4,515	3,043	1,429	4,472	2,956	1,389	4,345
	Fixed term or at will contracts ⁵	2,752	210	2,962	3,026	221	3,247	2,691	173	2,864
	by Geographical locations									
	Asia	4,575	1,543	6,118	4,633	1,493	6,126	4,481	1,451	5,932
	United States of America	1,464	177	1,641	1,431	173	1,604	1,346	137	1,483
	by Gender									
	Male	58.4%	62.7%	59.4%	58.7%	63.6%	59.8%	58.4%	62.7%	59.4%
	Female	41.6%	37.3%	40.6%	41.3%	36.4%	40.2%	41.6%	37.3%	40.6%
	by Management Role									
	Management	7.4%	6.1%	7.1%	6.4%	6.1%	6.4%	11.03%	9%	10.5%
	Non-management	92.6%	93.9%	92.9%	93.6%	93.9%	93.6%	88.97%	89%	89.4%
	Employees under Collective Bargaining	13.0%	12.5%	12.9%	12.0%	12.4%	12.1%	10.9%	9.9%	10.7%
Union Membership	33.6%	12.4%	28.9%	22.2%	12.3%	20.1%	21.6%	9.8%	19.1%	
Employees receiving regular performance review	99.8%	90.5%	97.8%	99.7%	99.9%	99.8%	87.6%	100.0%	90.3%	
Turnover	Total Turnover Rate⁶	17.6%	26.1%	19.5%	18.1%	24.0%	19.4%	13.0%	11.0%	11.7%
	by Geographical locations									
	Asia	18.73%	24.69%	20.3%	19.8%	20.4%	20.0%	11.3%	10.7%	11.0%
	United States of America	13.86%	50.59%	16.1%	12.6%	81.3%	17.2%	14.9%	75.0%	15.8%
	by Gender									
	Male	10.14%	13.77%	10.9%	17.6%	23.8%	19.0%	N/A	N/A	N/A
	Female	7.45%	12.35%	8.5%	18.9%	24.5%	20.0%	N/A	N/A	N/A
	by Age Group									
Under 30 years old	10.10%	8.53%	9.76%	10.2%	8.7%	9.9%	N/A	N/A	N/A	
30 to 50 years old	6.59%	13.77%	8.17%	6.6%	10.4%	7.4%	N/A	N/A	N/A	
Over 50 years old	0.89%	3.81%	1.54%	1.3%	1.4%	2.1%	N/A	N/A	N/A	

Footnotes:

1. Data reported under the Hotels Division cover the Group's hotel operations and head office operation in Hong Kong, Beijing, Bangkok, Shanghai and the US.
2. Data reported cover the Group's commercial properties as well as all other clubs and services operations.
3. 2009 turnover calculation methodology differs from 2010 and 2011 data as actual total figures were not available. Therefore, the median annual turnover rate was used.
4. Headcount data covers the entire workforce including full-time and part-time employees working on permanent, fixed term and "at will" contracts, and non-contracted employees.
5. All employees are employed "at will" at US hotels, which means an employee may resign or be terminated from employment at any time for any or no reason, with or without notice.
6. Based on GRI's disclosure requirement, the turnover rate refers to full-time employees only.

Our environmental performance, 2008-2011

		2011			2010			2009			2006-2008		
		Commercial Properties, Clubs & Services ¹			Commercial Properties, Clubs & Services			Commercial Properties, Clubs & Services			Commercial Properties, Clubs & Services		
		Hotels	Services ¹	Total	Hotels	Services	Total	Hotels	Services	Total	Hotels	Services	Total
Greenhouse gas emissions	'000 tCO ₂ e	95	22	118	104	23	127	91	22	113	83	21	104
Carbon intensity²	tCO ₂ e per m ²	0.213	0.160	0.200	0.232	0.164	0.216	0.241	0.157	0.218	0.220	0.147	0.213
Emission of ozone depleters	kg CFC-11e	68	24	92	116	30	146	152	16	167	-	-	-
Direct energy use	'000 GJ	183	69	251	189	61	251	189	67	256	217	69	287
Indirect energy use	'000 GJ	510	76	585	524	81	605	473	79	552	502	84	586
Total energy use	'000 GJ	692	144	837	714	142	856	662	146	808	720	153	873
Energy intensity	MJ per m ²	1,547	1,023	1,422	1,623	1,064	1,455	1,684	1,047	1,512	1,899	1,097	1,683
Direct water consumption	'000 m ³	1,438	382	1,820	1,479	375	1,854	1,186	354	1,539	1,537	385	1,921
Water intensity (Hotels Division)	litres per guest night	1,320	-	-	1,367	-	-	1,363	-	-	1,411	-	-
Water intensity³ (Commercial Properties Division)	litres per m ²	-	1,988	-	-	1,773	-	-	1,557	-	-	1,712	-
Water recycled	'000 m ³	95	-	95	142	-	142	129	-	129	-	-	-
Waste generated⁴	tonnes	4,597	115	4,712	-	-	-	-	-	-	-	-	-
Waste recycled⁴	tonnes	681	4	685	-	-	-	-	-	-	-	-	-

Footnotes:

- Inclusive of 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.
- Carbon intensity baseline is 2008 only, as 2006 and 2007 figures skew the average so preventing a meaningful baseline.
- Water intensity of Tai Pan Laundry (14.8 litres per kilogram washed in 2011) is excluded as its intensity is measured on different metrics from that of properties and clubs. The increase of water intensity of the Commercial Properties Division in 2011 was mainly due to the rise in municipal water use at Thai Country Club as a result of the declining quality of well water. The use of local well water was not recorded in the water consumption and intensity in previous years.
- The scope of total waste and recycled waste reported covers the Hotels Division and The Repulse Bay Complex. Collection of waste data across the Group began in 2011.

HSH sustainability scorecard – progress and targets

	What we said we would do in 2011	Progress in 2011	2012 Commitments
Stakeholder Engagement	Complete stakeholders identification exercise, assess risks across the Group, and take appropriate actions	➔	Develop a roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues
	Continue to engage stakeholders through existing channels and conduct engagement sessions with priority stakeholders	➔	Develop a shared understanding amongst the Group’s senior management team on key global trends that may affect our business in the medium to long term
			Develop a Group Risk Register
			Conduct phase two of Group employee engagement survey
Our People	Launch equal opportunities module as part of Code of Conduct learning programme	●	Roll out a revised management bonus plan for the Group
	Expand the number of employees undergoing the Executive Development Programme	●	Roll out the third module of Code of Conduct online and classroom training on guest data privacy
	Develop corporate training programme for middle managers	●	Design a Finance for Business Managers Programme for all Executive Committees in the operations
	Expand the Peninsula Scholar Programme	●	Conduct five Operational HR Reviews in accordance with the HSH Group HR Manual
	Conduct phase one of Group employee engagement survey	●	Build a competency framework for the Group
	Continue the roll out of retirement planning sessions across the Group and implement surveys for ORSO plan members	●	
	Roll out videos on HSH’s heritage and corporate culture to engage employees	●	

● objective achieved ➔ on track to achieve objective ● objective missed

	What we said we would do in 2011	Progress in 2011	2012 Commitments
Environment	Cut energy intensity by 15% against 2006-2008 baseline	●	Cut energy intensity by a further 3% against 2006-08 baseline
	Reduce carbon intensity by 10% against 2008 baseline	➔	Enhance the engineering teams' capacity on carbon management
	Reduce water intensity of our Hotels Division by 6% against 2006-2008 baseline	●	Reduce Group companies' water intensity by another 2%
	Phase out the use of ozone depleting substances by 2015	➔	Enhance the robustness of waste management data so as to improve on waste diversion and reduction
	Monitor waste generated and collected to improve on waste diversion and reduction	➔	Improve awareness of the sustainable design standards and guidelines throughout the Group and encourage its adoption in new development and major renovation projects
	Roll out sustainable design standards and guidelines throughout the Group and provide training	➔	
Health and Safety	Minimise injury and lost day rates	➔	Improve the recording of health and safety training and incident data so as to enhance the management of health and safety issues
	Achieve full implementation of the Operational Risk Manual across the Group, as measured through audits	➔	Hotels Division to fully implement the Operational Risk Manual
	Standardise health and safety risk reporting across the Group	➔	All catering operations to review compliance to HACCP standard as guidance on food safety
	Complete Indoor Air Quality assessments across the Group	●	Review the Indoor Air Quality assessment findings and implement recommendations to improve our IAQ standard
Responsible Sourcing	Enhance the robustness of reporting on sustainable sourcing practices	●	Improve the framework for tracking our performance on sustainable sourcing practices
	Improve how we engage with key suppliers to enhance sustainable sourcing practices	➔	Reduce the environmental impact of our paper procurement requirements and promote sustainable use of forest resources
	Review how well we are using the sustainability guidelines to enhance our sourcing of environmentally and socially responsible goods and services	➔	Promote the use of sustainable building materials in new development and renovation projects
Community	Continue to assess and enhance the effectiveness of community initiatives	➔	Review the Group's community investment and engagement strategies – the longer term roadmap, the strategic focus and framework
	Increase staff participation in community activities	●	Explore new community development initiatives that align with the Group's focus areas and challenges common to the communities where we operate

GRI Index

To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Global Reporting Initiative G3 disclosure framework, which is an internationally recognised set of indicators

for economic, environmental and social aspects of business performance. GRI guidelines help companies in selecting material content and key performance indicators. For more on GRI, please see www.globalreporting.org.

Profile Disclosure	Description	Coverage	Page(s)
Strategy Analysis and Profile			
1.1	Statement from the most senior decision maker of the organisation	●	7, 12
1.2	Description of key impacts, risks and opportunities	●	7, 12, 76, 77, 84
2.1-2.6	Name, location of headquarters, ownership and legal form, structure, countries of operation, primary brands, products and/or services	●	2, 129-131, 209
2.7	Markets served	●	209
2.8	Scale of the reporting organisation	●	2, 209
2.9	Significant changes during the reporting period regarding size, structure or ownership	●	11, 49, 67, 76
2.10	Awards received in the reporting period	●	46
Report Parameters			
3.1-3.5	Reporting period, reporting cycle, contact point and content selection process	●	76, 171-173 of Annual Report 2010
3.6-3.8	Boundary of the report and any specific limitations	●	76
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	76, 197, 198
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied	●	76
3.12	Table identifying the location of the Standard Disclosures	●	202, 203
3.13	Policy and current practice with regard to seeking external assurance for the report	●	76, 204
Governance, Commitments and Engagement			
4.1	Governance structure of the organisation, committees under the highest governance body e.g. setting strategy or organisational oversight	●	100-103, 107-123
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	●	107-123
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	●	100-103, 107-123
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	78, 82, 122, 123
4.14	List of stakeholder groups engaged by the organisation	●	77, 78
4.15	Basis for identification and selection of stakeholders with whom to engage	●	77

● *fully reported* ● *partially reported*

Profile Disclosure/ Performance Indicators	Description	Coverage	Page(s)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	77, 78
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded	●	77, 78
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	●	54-74, 197
Environment			
EN3	Direct energy consumption by primary energy source	●	197, 199
EN4	Indirect energy consumption by primary source	●	197, 199
EN5	Energy saved due to conservation and efficiency improvements	●	197
EN6	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	85, 86, 88
EN10	Percentage and total volume of water recycled and reused	●	87
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	93, 94
EN16	Total direct and indirect greenhouse gas emissions by weight	●	197, 199
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	85, 86, 88
EN22	Total weight of waste by type and disposal method	●	88, 89, 197, 199
Social: Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region	●	197, 198
LA2	Total number and rate of employee turnover by age group, gender, and region	●	80, 197, 198
LA4	Percentage of employees covered by collective bargaining agreements	●	198
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	●	91, 197
LA12	Percentage of employees receiving regular performance and career development reviews	●	198
Social: Human Rights			
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	81
HR4	Total number of incidents of discrimination and actions taken	●	81
Social: Society			
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	●	81
SO4	Actions taken in response to incidents of corruption	●	81

Independent Assuror's Statement



Terms of Engagement

This Assurance Statement has been prepared for The Hongkong and Shanghai Hotels, Limited.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by The Hongkong and Shanghai Hotels, Limited (HSH) to assure its Sustainability Review 2011 (hereafter referred to as "the Report") included within the Annual Report 2011 for the financial year ending 31 December 2011. The Report relates to the sustainability performance of HSH.

Our assurance covered HSH head office in Hong Kong and those properties and businesses where HSH has operational control.

Management Responsibility

HSH's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with HSH.

Ultimately, the Report has been approved by, and remains the responsibility of HSH.

LRQA's Approach

Our verification has been conducted against the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3), 2006. The objectives of the assurance engagement were to:

- Validate HSH's self-declaration of meeting GRI G3 application level C
- Verify HSH's reporting processes provide reliable data and information.

To form our conclusions the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewing HSH's stakeholder engagement process and related information
- Evaluating HSH's material issues against our own independent analysis of stakeholder issues
- Carrying out a benchmarking exercise of high level material issues by reviewing sustainability reports written by HSH's peers

- Understanding how HSH determines, responds and reports on its material issues
- Interviewing HSH's senior management and their external consultant to understand HSH's reporting processes and use of sustainability performance data within their business decision-making processes
- Interviewing key personnel to understand HSH's processes for setting performance indicators and for monitoring progress made during the reporting period
- Verifying HSH's data and information management processes.

Level of Assurance & Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and applying professional judgement for materiality.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Report does not meet the requirements for GRI's C+ application level.

It is also our opinion that HSH's reporting processes provide reliable data and information as we have seen nothing to contradict this conclusion.

LRQA's Recommendations

HSH should:

- Complete its implementation of a systematic approach to stakeholder engagement to ensure future reports contain relevant information
- Implement a programme for establishing internal data verification
- Continue developing the data management systems to improve accuracy and reporting consistency.

William Tsui
LRQA Lead Verifier

10th February 2012

On behalf of Lloyd's Register Quality Assurance Limited
22nd Floor, Dah Sing Financial Centre,
108 Gloucester Road, Wanchai, Hong Kong

LRQA Reference: HKG6008943/0003

Note 1: No source data was verified for its accuracy and completeness as in accordance with our contract; our verification was carried out only in the HSH Head Office, St. George's Building, 2 Ice House Street, Central, Hong Kong.

Note 2: Economic performance data was taken direct from the audited financial accounts.

GRI Accreditation Statement



Statement GRI Application Level Check

GRI hereby states that **The HongKong and Shanghai Hotels, Limited** has presented its report "Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, February 24th 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because The HongKong and Shanghai Hotels, Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 17th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

Glossary

Terms	
Biofuel	Fuel whose energy is derived from biological sources e.g. biomass or biogases.
Back-of-house	Staff-only areas, usually in a hotel.
Carbon Dioxide Equivalent (CO₂e)	The “CO ₂ e” measures how much global warming a given type and amount of greenhouse gas may cause, using the equivalent amount or concentration of carbon dioxide (CO ₂) as the reference.
Carbon intensity	Amount of carbon dioxide released per unit of energy produced (usually CO ₂ per Mega Joules of energy).
Carbon footprint	The total set of greenhouse gas (GHG) emissions caused by an organisation, not always expressed in spatial terms.
Compact fluorescent lamps (CFLs)	Compact fluorescent lamps are low energy lights, using around a third to a fifth less energy with a longer life.
Corporate responsibility	A systematic approach whereby a business monitors and ensures its compliance with the law, ethical standards, and international standards relating to the environment, consumers, employees, communities and other stakeholders.
Sustainable development	Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Source: “Our Common Future”, 1987, World Commission on Environment and Development.
Diversion rate	Waste diversion is the process of diverting waste from landfill through recycling, reuse or other means, expressed as a percentage of total waste arising in an organisation, for example.
Front-of-house	In sight of guests/customers, staff at front-of-house are visible representatives of the company.
Global Reporting Initiative (GRI)	A non-profit organisation that produces one of the world’s most prevalent standards for sustainability reporting.
Greenhouse gas (GHG) emissions	Also referred to as GHG. Emissions of gasses (e.g. carbon dioxide, methane) which have the potential to cause earth warming.
HACCP	Hazard Analysis and Critical Control Points (HACCP) is an internationally recognised food safety and hygiene standard for commercial kitchens.
Health and safety	Responsibility to protect the health and welfare of stakeholders, namely employees, customers, contractors and suppliers.
Indoor Air Quality (IAQ)	Refers to the air quality within and around buildings and structures, especially as it relates to the health and comfort of building occupants.
IUCN Red List	The world’s most comprehensive inventory of the global conservation status of biological species (www.iucnredlist.org).

Terms	
Light-emitting diode (LED)	A semiconductor light source, better than incandescent light sources: lower energy consumption, longer lifetime, improved robustness, smaller size, and faster switching.
LEED	Leadership in Energy and Environmental Design: a rating for the design, construction and operation of green buildings.
Life cycle	The stages of a product's life from-cradle-to-grave (i.e. from raw material extraction through materials processing, manufacturing, distribution, use, repair and maintenance, to disposal or recycling).
Lost Day Rate	Working days taken off due to work-related illness and workplace injuries. An injury is a non-fatal or fatal injury arising out of or in the course of work. The lost day rate is the number of lost work days per 100 equivalent employees per year. It is calculated as the Total Days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
Lost Time Injury Rate	Represents the number of injuries per 100 equivalent employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
Marine Stewardship Council (MSC)	An independent non-profit organisation with an ecolabel and fishery certification programme that is internationally recognised (www.msc.org).
Occupational disease	A disease arising from the work situation or activity (e.g. stress or regular exposure to harmful chemicals), or from a work-related injury. The occupational disease rate is the frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.
Ozone-depleting substance (ODS)	Any substance with an ozone depletion potential (ODP) greater than 0 that can deplete the stratospheric ozone layer. Most ozone-depleting substances are controlled under the Montreal Protocol and its amendments, and include CFCs (chlorofluorocarbons), HCFCs (hydrochlorofluorocarbons), halons, and methyl bromide. CFC-11 is a measure used to compare various substances based on their relative ozone depletion potential.
Responsible tourism	Tourism that attempts to have a low impact on the environment and local culture, while helping to generate future employment for local people.
Safety Management System	Management system designed to manage health and safety, environmental and general risk of a company's operations.
Stakeholders	Groups or individuals that are affected by or can affect a company's activities.
Sustainable building	Also known as "green building". A building which is environmentally responsible and resource-efficient throughout its life cycle.

Terms	
Sustainable luxury	Luxury items or services which maintain a level of responsibility to both the environment and society.
Sustainable procurement	Considering sustainability in procurement decisions, alongside other factors such as price and quality.
Variable Frequency Drive (VFD)	Energy saving devices that match motor speed to output requirement, so only the energy that is needed is produced.
Volatile Organic Compound (VOC)	Substances that are typically gas at room temperatures and can cause health issues if inhaled. Paints, for example, can emit VOCs.
Water footprint	Total volume of fresh water used to produce the goods and services consumed by an individual, community or business.
Water stress	In general terms, a country or region is said to experience water stress when annual water supplies drop below 1,700 cubic metres per person per year.