

Sustainability Review 2012

The Hongkong and Shanghai Hotels, Limited

“In my Chairman’s Statement in last year’s Annual Report I mentioned that corporate sustainability underpins activities across all our businesses. This involves not only paying the closest attention to the environmental and social impact of our operations, but also conducting our business in a manner and to standards which will ensure that the Company continues to prosper and succeed for decades to come. To that end, our management team and key stakeholder groups are involved in a structured and wide-ranging exercise of assessing the future trends that will affect our business over the long term and in creating a shared direction and vision for a sustainable business.”



The Hon. Sir Michael Kadoorie
Chairman



“I have always believed that the Group’s sustainability journey would be made more focused by regular measurement of our progress. To further strengthen how we govern the environmental and social impact of our operations, we took an in-depth look at our sustainability management system and process in 2012. We expanded the reporting scope to cover more than 90% of the Group’s businesses and reconsidered the metrics that we should use to give us greater clarity on our impacts.

The revamped and more robust sustainability management processes underpin our commitment to integrating sustainable practices and principles across our businesses with balance and focus. In the coming years, we will work on expanding our employee engagement programme so as to bring this commitment to all parts of our business.”

Clement K. M. Kwok
Chief Executive Officer

The Journey So Far...

The HSH sustainability journey started in late 2007 when our Chief Executive Officer convened a Group Corporate Responsibility Committee (CRC) and challenged the executive team to find better and the most sustainable ways to continue providing the highest standard of luxury and quality to our customers.

Over the past five years, we have learned to use resources in a more environmentally conscious way. In 2012, we used 5.8% less energy and 6.1% less water than the baseline of 2006-2008 average consumption in spite of our business growth and we have become increasingly conscious of our impact on the world's bio-diversity. In line with our efforts in responsible sourcing, we

have stopped serving shark fin at all our owned food outlets around the world since the beginning of 2012 and launched a commitment to procure all our paper products only from responsibly managed forests by 2017. During the year, we also embarked on a structured process to engage our key stakeholder groups on sustainability issues, and continued to build on our long-standing commitment to support the development of the communities in which we operate.

We understand that sustainability demands both a systems perspective and a cultural approach. In 2012, we revamped our sustainability management system to better support our efforts to integrate sustainable practices and principles

across our businesses. As part of a new and wider internal engagement programme, we convened a special forum with the Group's management team to assess key future trends that will impact our sustainable development. This forum also marked our first step in exploring a shared long term direction for sustainable business at HSH.

We believe that sustainability work is characterised by long term commitment and many small steps that can positively impact our planet, our community, our business and our families. We will continue to enhance our efforts in driving continuous improvement and in bringing this commitment to sustainability to all parts of our business.

About this Section

In this section of the Annual Report, we focus on specific environmental and social issues that contribute to the sustainable development of HSH and are of interest to our stakeholders.

Reporting Scope

This section focuses on HSH's businesses in the Hotels Division and Commercial Properties Division, as well as other businesses including the Thai Country Club, Quail Lodge & Golf Club and Tai Pan Laundry in the Clubs and Services Division where HSH has operational control. It covers 94%¹ of the Group's business portfolio.

The reporting scope of waste management and community engagement performance in the 2011 report only covered the Hotels Division and The Repulse Bay. This has now been expanded to align with the complete reporting scope detailed above. HSH employees working for Peninsula Merchandising Limited and Peninsula Clubs & Consultancy Services (PCCS)

are included in the workforce statistics. However, facilities managed by PCCS or Peninsula Boutiques operating outside Peninsula hotels are not included in the environmental data as HSH does not own these facilities nor has sole control of their policies. The Peninsula Paris and the de Ricou tower of The Repulse Bay are not included in the report as they are still under construction or refurbishment.

Reporting Content

The content reported in this section covers the calendar year of 2012, and is guided by the most significant and relevant sustainability issues identified by the Group's Corporate Responsibility Committee and through a materiality process involving both external and internal stakeholders. These issues are grouped under six topics, including people, health and safety, the environment, responsible sourcing, the community, and the overall management framework. The Sustainability Data Statements section supplements the discussion in this section with detailed performance data. (See pages 215 to 221.)

In line with our commitment to transparency and accountability, we report not only our achievements, but also areas where we need to improve. We welcome feedback from readers and contact details can be found on page 227 of this report.

Reporting Standards and Assurance

We have used the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) G3.1 in the development of this report. GRI references can be found on pages 220-221. The report meets GRI Application Level B+ as checked by GRI.

KPMG were commissioned to conduct assurance of this report in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and to provide an independent limited assurance opinion on whether the reported information complies with GRI G3.1 as detailed on pages 220-221. The report from KPMG is set out on page 222.

1. Based on the Group's annual revenue in 2012.

Strengthening the Foundation to Look Further



It takes the commitment of each staff member to make a difference within HSH's sustainability journey.

We believe that the HSH sustainability journey would be made more focused by regular measurement of our progress. We started by tracking our environmental performance and have since expanded our reporting to other sustainability disciplines. To further strengthen how we govern the environmental and social impact of our operations, we have taken additional steps in 2012 to improve our sustainability management system and process.

Increasing Understanding of Our Impact

As we continued to improve our understanding of the impact we have on society and the environment, we recognised a need to revisit our entire sustainability reporting system and process so as to assess our impact more accurately.

We reconsidered the metrics that we should use and the data points that need to be tracked. The new reporting templates for workforce issues, waste management and community involvement were launched during the year. We will commence implementation of new health and safety, responsible sourcing and carbon reporting templates in 2013. We also extended the reporting requirements to additional Group operations, particularly in the areas of community involvement and waste management. More than 94% of the Group's businesses are now covered by the reporting system.

A new Corporate Responsibility Quarterly Report, covering all Group operations' performance in each of the focused areas, was introduced during the year to provide regular updates to the CRC. This allows the

CRC to identify any issues earlier than was previously feasible. It has also re-established the discipline of tracking and driving our performance on a quarterly basis within our sustainability management system.

We believe that the revamped and more robust sustainability reporting system will enable a solid foundation to be built for informing management decisions and driving continuous improvement in our sustainability performance.

Integrating Sustainability into Business Processes

In 2012, we introduced the Corporate Responsibility and Sustainability (CRS) Budget Planner to help incorporate CRS initiatives planning in the annual budgetary process. Group operations were requested to itemise their projected spends in each of the core areas of our CRS programme. This process encourages Group operations to think ahead in terms of their sustainability action plan and allows the Company to allocate appropriate resources for improving our sustainability performance. It also helps to identify gaps and needs where more support from Group level may be required, ensuring that material issues will be given proper attention.

During the year, we also embarked on developing a Group Risk Register to further strengthen how we assess and manage key strategic and operational risks that the Group faces, including sustainability and

How we govern and manage

The Group's Corporate Responsibility Committee (CRC) provides a formal governance structure to address the wider aspects of HSH's environmental, social and ethical responsibilities. Chaired by our Chief Executive Officer, the Committee meets at least three times a year to review Group operations' sustainability performance and to discuss policies and plans for embedding sustainable practices and principles across all operations. The reporting structure and composition of the Committee is outlined on page 119 in the Governance Report.

Our Sustainability Vision and Policy Statement² guides our approach to managing sustainability risks and opportunities and has laid out six focus areas, namely: corporate governance and ethics, employees, environment, health and safety, supply chain, and community engagement. Each focus area is championed by a CRC member whose role is to develop policy and advance work in the area with Group operations.

The Chief Executive Officer is accountable for HSH's overall corporate responsibility and sustainability performance. He is supported by the Senior Manager, Corporate Responsibility and Sustainability, who is responsible for setting the direction of the Group's policy and strategy on corporate responsibility and sustainability, managing stakeholder relationships on environmental and social issues, and supporting the Champions.

Policies and procedural manuals have been put in place to support the effort of the Champions.

- Our Energy Conservation Manual provides guidance on best energy management practices, while the HSH Sustainable Design Standards looks at environmentally responsible practices for new development projects and major renovation work.

- The Group Human Resources Manual and Code of Conduct detail the Group's approach to human resources management and ensure consistent practices across the Group, providing the foundation for attracting, engaging and developing our talent.
- Central to our health and safety management framework is the Operational Risk Manual, which specifies standards from occupational health and safety management system to fire risk, crisis management and security standards.
- The HSH Supply Chain Code of Conduct and policies on responsible sourcing outlines the Group's corporate responsibility commitments as well as our expectations of suppliers and contractors on environmental, social and ethical practices.

Most Group operations have also formed corporate responsibility committees at their level to coordinate actions and review progress for integrating sustainable practices in their day-to-day operations. These committees are often supported by specific working groups on health and safety, the environment and community engagement.

In addition, by joining sustainability advocacy groups, we are able to keep ourselves informed of the latest developments on sustainability issues and to learn from other industry peers while sharing our own experience. Internationally, we are a member of the International Tourism Partnership (www.internationaltourismpartnership.org) and Forum for The Future (www.forumforthefuture.org). In Hong Kong where the Group is headquartered, we are a member of WWF Hong Kong (www.wwf.org.hk) and Hong Kong Council of Social Services (www.hkcss.org.hk).

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



How we did in 2012

- ➡ Developed a roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues.
- ✅ Developed a shared understanding amongst the Group's management team on key global trends that may affect our business in the medium to long term.
- ➡ Developed a Group Risk Register.

✅ achieved

➡ on plan

supply chain risks. The Group Risk Register will progressively be rolled out across Group operations over the next two years. For more information on how we manage risk, please refer to the Governance section on pages 125 to 130.

These new management processes have been implemented to enhance our governance on environmental, social and economic risks, and underpin our commitment to integrating sustainable practices and principles across our businesses with balance and focus.

Helping Employees to Embrace Sustainability Practices

It is the responsibility of HSH to ensure all employees are trained to make appropriate decisions and to be accountable for our sustainability performance as the commitment of our people is fundamental to the success of our corporate responsibility programme.

Group operations use various means, such as notice boards, wall displays and video channels at staff canteens to communicate with employees. Many operations have also set up green teams and caring committees to brainstorm ideas and coordinate initiatives to educate and engage employees on caring for the environment and the community. For example, the green team at The Peninsula Bangkok organised an Energy Week using interactive boards to help employees understand the energy demands of various forms of lighting, while The Peninsula Tokyo posts its daily

energy consumption and targets to remind employees to consume energy wisely. At HSH Head Office, a bazaar offering products from social enterprises was organised to introduce the concept of social enterprise and to give our staff an opportunity to enjoy the fun of shopping whilst supporting worthy social and environmental causes. The many fundraising and charity drives we organised among our employees throughout the year also helped to remind us of the needs in our communities.

Across our operations, 17,049 hours of health and safety training were provided to employees in 2012. Our food and beverage teams received ongoing training in food safety and hygiene, a priority issue for our stakeholders. All Peninsula Hotels' housekeeping staff undergo training in setting heating and air conditioning in order to conserve energy when rooms are not occupied. These training sessions aim to ensure that our employees remember to constantly take sustainability concerns into consideration in their day-to-day duties.

Each of our employees contributes to managing one or more of the priority issues we report on. It takes the commitment of each member of staff to make a difference within HSH's sustainability journey. We will continue to work on building a wider and deeper understanding among all employees until this commitment to sustainability takes roots in and reaches all areas of our business.

Our Sustainability Management Process



Building a Shared Direction Towards Sustainable Luxury

From the Chief Executive Officer chairing the Corporate Responsibility Committee through to the direction set by General Managers of Group operations, we recognise how important it is that our leaders inspire their teams to address sustainability issues with intent and purpose.

Reflecting on our sustainability journey over the past five years, we are pleased with the management framework that we have established and the progress we have made. However, we are highly aware that we are only at the beginning of this journey. We acknowledge the need to enhance the degree to which sustainable practices and principles are integrated into our day-to-day business decision-making. We also recognise the importance of making sustainability a corporate value that

we live and breathe. As suggested by our stakeholders, we could also be more proactive in exploring ways to add value to our business by making sustainability concerns an element within the luxury aspiration we offer.

In order to embark on the next phase of our journey, we understand the importance of developing a shared understanding among the Group's management team of key macro trends that may affect our business in the medium to long term and to create a shared direction for sustainable business at HSH. As such, we convened a special forum engaging our management team members around the world to specifically discuss macro trends that have been shaping our society and our business, and assess how these trends may impact the Group. This innovation exercise was extremely thought-provoking as it looked at the ways through

which other businesses have turned sustainability challenges into opportunities, and it has inspired us to begin creatively exploring how increased sustainability awareness can influence our business strategy.

Working together as a management team on sustainability issues in a focused way has strengthened the foundations of our programme. It also allowed us to begin working towards an overall shared vision for sustainable business at HSH. We believe that establishing a vision and defining longer term goals will offer a clearer direction to follow and will strengthen our staff's engagement with our sustainability programme.

We do not yet have a detailed roadmap, but our ambition to set a new vision of sustainable luxury is a compass for our journey. Establishing the direction to achieve this new vision will be a focus of our work over the next two years.

Sustainability Review Strengthening the Foundation to Look Further

The perspectives of external stakeholders will serve to both advise and challenge us, while keeping us accountable.

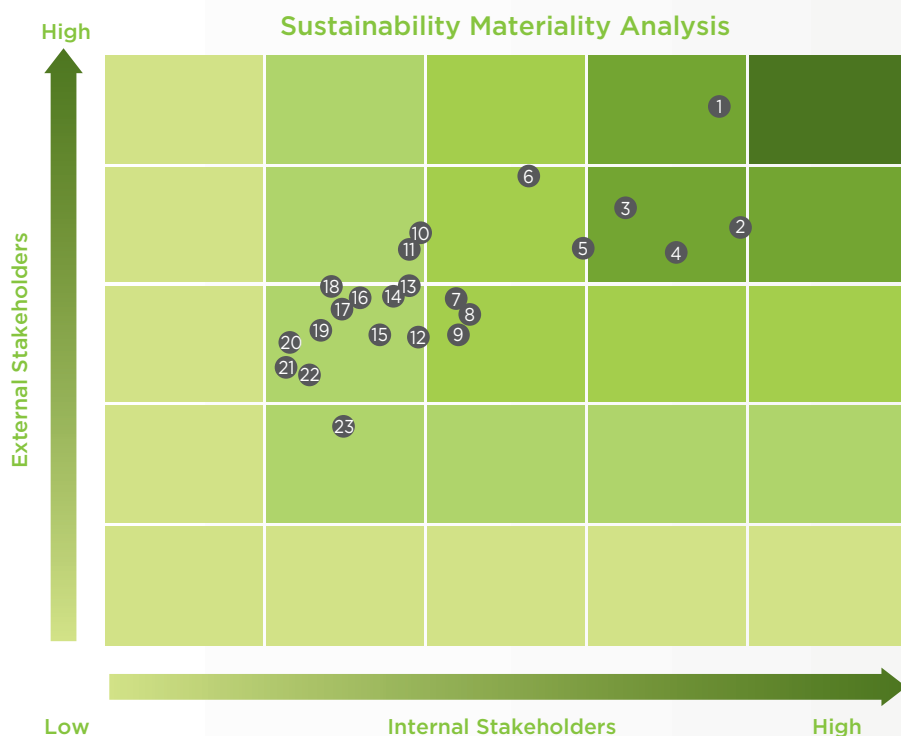
Listening to Our Stakeholders

We believe that the perspectives and ideas of stakeholders outside the Company are of great value to us. It will serve to both advise and challenge us, while keeping us accountable.

In 2012, we commissioned an independent consultancy, Two Tomorrows, to conduct a pilot stakeholder engagement programme through an online survey followed by targeted phone interviews

for further in-depth analysis. The Group's management team, as well as external stakeholders from 12 major stakeholder groups in Asia, Europe and the U.S., were invited to provide their feedback on the sustainability issues of highest concern to them and on our disclosure of sustainability work. Just as it is important to build a shared understanding among our senior managers on our priority sustainability issues, it is also important that we have an understanding of the views of our external stakeholders.

Developing our materiality matrix



In our materiality matrix, material issues are defined as the issues of highest concern to the Company and to external stakeholders. These are defined through the processes of risk assessment and stakeholder engagement. For the Company, priorities are set based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, prioritisation is given to the importance of the issues to society and their relevance to HSH.

The Matrix has combined the perspectives of external and internal stakeholders and provides a mapping of material sustainability issues to HSH.

- | | | | |
|---|---|--|--|
| ① Food Safety & Hygiene | ⑦ Local Employment & Skills Development | ⑬ Biodiversity | ⑲ Contribution to Local Economic Development |
| ② Bribery & Corruption | ⑧ Diversity & Equal Opportunities | ⑭ Stakeholder Engagement | ⑳ Health and Nutrition |
| ③ Corporate Governance & Ethical Standard | ⑨ Human Trafficking & Sex Tourism | ⑮ Local Air Pollution | ㉑ Sustainable Packaging |
| ④ Data Privacy & Security | ⑩ Water | ⑯ Responsible Sourcing | ㉒ Heritage Preservation |
| ⑤ Human Rights & Labour Practices | ⑪ Waste Management | ⑰ Climate Change | ㉓ Wealth Gap |
| ⑥ Health & Safety of Employees and Guests | ⑫ Community Development | ⑱ Environmentally Conscious Building Construction & Renovation | |

More to do, but we are in the right area

Findings of the pilot stakeholder engagement programme confirmed that HSH understands its range of sustainability issues. Stakeholders considered HSH to have strong governance and a strong sustainability programme. Stakeholders in particular commended HSH on its shark fin ban as demonstrating real leadership in defining environmentally responsible luxury and setting examples for the industry. They also commended HSH's sustainability reporting which was considered to be well structured and easy to understand. Key issues raised by the stakeholders were presented to the Group's management team and fed back to the external stakeholders who took part in the exercise. These are also highlighted in the discussions throughout this section.

Issues related to health and safety and corporate governance were ranked among the highest priorities. The Group policies and programmes that we undertook during the year, such as the new data privacy training, mandatory indoor air quality assessment policy and pursuing HACCP³ certification to strengthen our commitment to food safety and hygiene, go further to address those issues that our stakeholders perceived to be the most material.

While the overall assessment of our action and disclosure on sustainability was positive, stakeholders suggested that HSH consider:

- Setting longer-term sustainability vision and goals to provide context and direction to our sustainability programme.
- Making our community programme more strategic and better coordinated across the Group.
- Communicating more about our procurement policy and how we have been managing the environmental and ethical standards of our supply chain.

These suggestions are in line with what we considered as material to our business and will serve as valuable reference when prioritising our sustainability work and reporting. This was just a start. We will continue to develop our approach to engaging with stakeholders on wider sustainability issues during 2013, with a view to creating a process that is manageable, meaningful and which adds genuine value in advancing our sustainability commitment.

Moving in the Right Direction

Our effort in building shared understanding both internally and with our external stakeholders, as well as establishing a framework of robust systems and processes to give us greater clarity on our impacts, have laid a solid foundation for us to look further ahead and to move towards our ambition of setting a new vision of sustainable luxury.



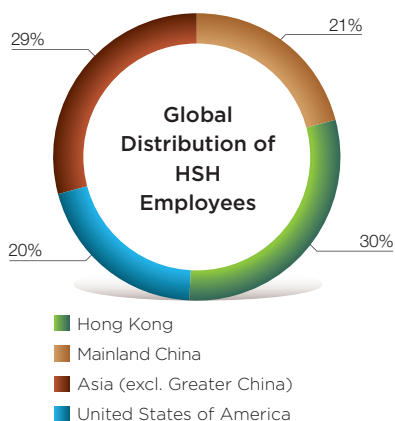
Stakeholders commended HSH on its shark fin ban as demonstrating real leadership in defining environmentally responsible luxury

Our commitment 2013

- ☐ To develop a longer-term sustainable business vision and define the associated goals.
- ☐ To continue to work on building a longer-term roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues.
- ☐ To develop a new Group employee engagement programme on sustainability issues.
- ☐ To continue the rollout of the revamped sustainability management system.
- ☐ To assess the implications of new international and local sustainability disclosure requirements at HSH.

3. HACCP stands for Hazard Analysis & Critical Control Points, an international food safety and hygiene management standard.

Investing in Our People



What Makes HSH Special

The Group employs more than 8,000 people around the world and maintains a unique family culture that runs deep throughout our 146-year history. Our people are at the very heart of our business and our brand. We put considerable effort into ensuring our products reflect the highest standard of quality and luxury. What makes us special to our customers are our people and their passion, dedication and creativity to going above and beyond in order to create special memories for our customers. This defines the excellence that HSH represents.

We place great value and pride in being an employer of choice. Our five-year human resources plan helps to ensure that HSH remains committed to being a genuine and caring employer and that our human

resources strategy is attuned to the ever-changing environment within which our businesses operate. Launched in 2008, the plan set out our commitments in the four building blocks of our human resources strategies, which include building, attracting, engaging and developing our people.

Building an Enabling Platform

The Group Human Resources Manual details HSH's approach to human resources management. In order to ensure consistent implementation of the manual across Group operations, HR reviews were conducted within five operations in 2012. The review process helps the Group to understand how successfully our operations are implementing the policies and guidelines outlined in the manual and to identify areas requiring particular support and attention going forward.

Each review comprehensively assessed an operation's compliance in 10 core areas set out in the manual, resulting in a corrective action plan with short (six months), medium (12 months) and longer term (18 months) targets to address key development priorities. The five reviews in 2012 also highlighted a number of development areas at the Group level, including more focus on skills training and employee retention strategies. We will update the manual (originally issued in 2010) in response to the evolving needs of our employees and findings from operational reviews.

In 2012, we took an in-depth look at the processes for managing payroll, time and attendance in all HSH's Hong Kong businesses. The purpose of the review was to establish a set of standardised policies and procedures in these human resources functions for all of our Hong Kong operations, and to create a blueprint for developing a new human resources and payroll system in 2013.

Reinforcing an ethical culture

Maintaining strong corporate governance and ethical standards was among the highest concerns for HSH and its stakeholders. Our Code of Conduct and Equal Opportunities ('Code of Conduct') sets out our steadfast commitment to conducting business activities in an ethical manner and to providing an environment that welcomes diversity and promotes equal opportunities. The Code of Conduct outlines the standards of

behaviour that we expect from each and every employee on a range of ethical issues, including anti-bribery and corruption, fair competition and equal opportunities. It broadly acknowledges and recognises the principles outlined in the United Nations' Universal Declaration of Human Rights, including among others denouncing all forms of child exploitation, forced or bonded labour. We also recognise the basic right of workers in forming and joining trade unions to protect their interests. At HSH, 13% of our employees are covered by collective bargaining agreements.

We are committed to conducting our business in keeping with the standards outlined in the Code of Conduct. In 2012, out of the Group's workforce of over 8,000 employees, 10 grievances of discrimination were lodged, investigated and dealt with in accordance with the Group's policy, and there were no breaches of anti-corruption practices reported. To safeguard our reputation and the success of our business, it is vital that all employees understand their responsibilities to act ethically. Hence, it is a mandatory requirement for all employees to undertake the Code of Conduct training programme covering a module on anti-corruption and bribery and another on equal opportunities which is an important aspect of human rights issues relevant to our operation. All new hires completed the modules over the year which accounted for 21% of the total workforce⁴.

Building a Global Competency Framework to help strengthen the basis for all HR processes









During the year, we laid the groundwork for building a global competency framework, which will further strengthen the foundation of various human resources functions. This framework will help us to further understand and define the behaviours that drive success across different job levels. It will also enable us to more clearly articulate the link between our company goals and the desired qualities and behaviours, which in turn will introduce more transparency in respect of recruitment, development and succession planning decisions. The process for building this global competency framework was rolled out in January 2013 and will remain a focus of our work over the next two years.

4. In 2012, 31% of the total workforce undertook anti-corruption training and 28% undertook equal opportunities training. About 10% of the participants were existing employees who were not able to attend the training modules in 2011. This involved a total of 1,235.5 hours of anti-corruption training and another 1,127.5 hours of equal opportunities training.




How we did in 2012

-  Conducted five operational HR reviews in accordance with the Group HR Manual.
-  Conducted phase 2 of the Group employee engagement survey.
-  Built a competency framework for the Group.
-  Rolled out a revised management bonus plan for the Group.
-  Rolled out the third module of Code of Conduct online and classroom training on guest data privacy.
-  Designed a Finance for Business Managers Programme for all Executive Committees in the operations.

 achieved

 on plan

 behind plan

We take our obligation to customer data privacy seriously. We implemented a Data Privacy Manual in 2012 to raise awareness of privacy risks among our employees and to provide guidance on possible data privacy issues and precautionary steps. A new learning module on safeguarding customer data privacy was introduced as part of the Code of Conduct training programme. More than 380 managers across our global operations attended the classroom training, and a bespoke e-learning platform was rolled out to more than a thousand employees in end 2012.

Attracting the Right Talents

We seek to attract and retain the right talents to meet our operational needs and strengthen the HSH team. Our commitments to building a caring and respectful workplace, offering competitive compensation and benefits, and providing equal opportunities for recruitment and development of all employees, irrespective of gender or ethnicity, are crucial components in growing a happy and engaging workforce.

Offering competitive rewards

We conduct benchmarking exercises regularly to ensure we are offering competitive compensation and

benefits to attract new talents and retain good performers. In 2012, we renewed the management bonus plan to better reflect our philosophy of rewarding for performance. The new plan focuses more on an employee's performance, allowing high performers to be more competitively rewarded.

We also ensure that our employees are given regular and fair performance reviews to assess their work over the year and potential for career development. In 2012, 90.8% of the Group's full-time employees received performance reviews.

Supporting employee wellness and work-life balance

In reviewing the processes for managing payroll, rostering, as well as compensation and benefits for all of our Hong Kong operations, we also looked into areas where we could better support our employees' wellness and work-life balance. We formalised the policies to extend the annual medical examination benefits to all permanent employees in our Hong Kong operations in end 2012. Our Hong Kong operations would implement the policies over the next 18 months. We will also introduce a three-day paternity leave and a four-week adoption leave as well

as offering full remuneration for maternity leave. All of these benefits to support our employees in these special moments in their lives are beyond the statutory requirements in Hong Kong. Separately, a new nursing room was set up during the renovation of the Group's Head Office facility to support the needs of new mothers at work. These initiatives help to ensure that, whilst building the HSH family, we also support our employees in building theirs.

In 2012, 194 employees within the Group took parental leave. All the men and 88% of women returned to work, and among those who took parental leave in 2011, 95% were still working with us a year on. We actively endeavour to help our employees to balance their work and family commitments.

A loyal partnership

We treasure long-term relationships with our employees as their experience and deep understanding of our corporate values make them best placed to provide the exceptional level of customer service that our brand is known for. The annual turnover rate of the Group was 19.2%, while that for our Hotels Division alone was 18.3%, which was well below the industry average⁵.



Check out the Sustainability Data Statements section

Embracing diversity in our workforce

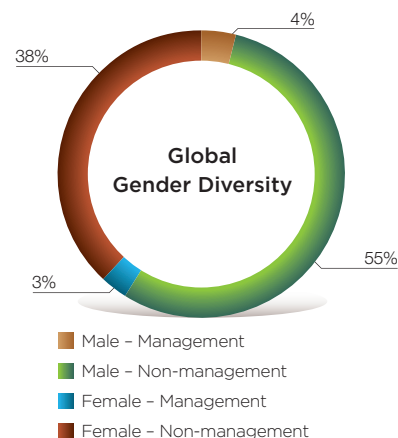
With operations spanning three continents, the Group has a workforce that comes from diverse roots. Individual operations such as The Peninsula New York have employees from more than 50 nationalities under one roof. Diversity is a valuable asset in our workforce and it offers employees the opportunity to learn from one and other and allows us to effectively connect with our customers from all corners of the world.

The Group is committed to providing an inclusive workplace that promotes equal opportunities. Our recruitment process and professional development opportunities should not be limited by gender, age, nationality, religion, sexual orientation or disability. Many of our operations employed people with disabilities in their workforces to perform duties that can effectively utilise the abilities of these employees. However, our hotel operations in Shanghai, Beijing and Bangkok will be paying a total of HK\$480,102 to their respective local government agencies to compensate for not meeting the required quota for employing people with disabilities in 2012. The Group Management Committee has directed all operations to ensure the required employment quotas are met in 2013.

An inclusive workplace



The Peninsula Tokyo team includes a number of employees with mild mental disabilities. They are fully-fledged members of the Peninsula family and are well cared for by fellow colleagues. They are engaged in a variety of duties that can tap into their abilities. Some play an important role in segregating our paper waste and recycling partially-used bathroom amenities, which enable the hotel to achieve over 80% of waste diversion rate.



Note:

The gender split of our workforce: 40% of our full time workforce are female while the ratio of female in our part time workforce are 50%. Of our employees on permanent employment, 41% are female, while 47% of those on our fixed term/temporary contract are female. In Asia, 40% of the employees are female while in the U.S. the ratio is 44%.

5. 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

Walk in My Shoes

My first job ever was washing dishes in a restaurant. So working in stewarding took me back to my roots. I forgot how physical the job was and how intense the kitchen can be. It was a very gratifying experience for me and I think the staff enjoyed having the opportunity for me to work side by side with them.

Maria Razumich-Zec
Regional Vice President
USA East Coast



Razumich-Zec (in the middle) surrounded by the stewarding team at The Peninsula Chicago.

Engaging Staff to Build Commitment and Community

From town hall meetings for updating employees on priority business issues to less formal gatherings that encourage employees to express their concerns and expectations, Group operations use many different forums to ensure their teams are informed and are heard. In the case of any significant operational changes that would substantially affect our employees, we keep them informed well in advance, typically with a minimum notice period of two to 12 weeks and this is specified in collective agreements where they apply.

The extended Executive Committee members of The Peninsula Chicago and The Peninsula Manila had the opportunity to choose a department and spend a day working alongside frontline staff. This “Walk in My Shoes” programme helped to strengthen relationships and deepen the understanding between the management team and the frontline staff and between departments.

At the Group level, a redesigned intranet platform “Sphere” was launched in Spring 2012. It provides a better-structured and more dynamic

platform to engage our employees around the world, enabling them to keep abreast of the happenings across the Group and to access information more efficiently. In addition to “Sphere”, the Group reaches out to its global workforce through webcasts by the Chief Executive Officer, newsletters and corporate videos.

Listening to our employees

This year, we undertook the second phase of our global employee engagement survey to hear from employees of another seven Group operations how they feel about HSH. The first phase covering five operations was conducted in 2011. We were pleased to achieve an even higher participation rate than the first phase. More than 2,400 employees participated, representing 91% of the workforce in these seven operations.

Findings of the survey were broadly in line with that of the first phase. They showed that our employees are proud to be associated with HSH and to advocate the HSH brand. The results also stated that employee recognition and two-way communication are areas for development. The seven operations will develop their action plans to respond to feedback.

Developing Our People

We understand that we are only as good as our employees who help to shape the experiences of thousands of customers every day. Investing in our people is perhaps the most important investment for the sustainable development of our business.

In the past five years, we continued to grow our learning and development programmes in terms of both depth and reach to address the learning needs of all employees within the Group. Our annual learning and development plan covers a range of programmes to support our employees in their daily work as well as their longer-term professional development. The Executive Development Programme supports the Group's succession planning while the new Finance for Business Managers programme was rolled out during the year to enhance

the capacity of the management teams across our operations in managing financial processes. In 2012, we invested more than HK\$19.1 million on training and development programmes for employees across the Group, including the development of a Luxury Programme to be implemented in 2013 to refresh and reinforce all of our frontline staff's commitment to creating and delivering a genuine luxury experience for our customers.

In 2012 our Global Cross Exposure Programme gave more than 80 employees from senior managers to frontline staff members the opportunity to learn best practices from another operation within the Group, broadening their horizons and skillsets. During the year, we also conducted a pilot cross exposure programme with our sister company CLP to exchange best practices in human resources, finance and corporate governance functions.

Our commitment 2013

- ☐ To develop a human resources manual and toolkit for hotel pre-opening.
- ☐ To enhance our support for employee wellness and work-life balance.
- ☐ To launch a new module of the Executive Development programme targeting the next generation of leaders.
- ☐ To expand the Peninsula Scholarship programme.

Just a training programme?

Across the HSH Group, we truly recognise the value of training and nowhere is this more true than at The Peninsula Bangkok where training is deeply embedded into the culture of the hotel. The Peninsula Bangkok tapped into the Thai love of fun in designing engaging campaigns

that deliver tangible results for improving service standards and health and safety performance. 60% of the employees at The Peninsula Bangkok are generally between 26 and 30 years old. In 2000, the hotel embarked on an extensive and fun "Train the Trainers" programme, leveraging on the experience and knowledge of longer-serving employees throughout the company to coach the less experienced. All the volunteer

trainers went through a structured three-day programme to understand the value of training, how to identify training needs, as well as basic coaching and presentation skills. The trainers, with support of the hotel's learning and development team, could creatively design their training programmes to address the needs they had identified. With motivation and recognition, the hotel has developed a troop of trainers achieving a ratio of one trainer for every 10 employees. During 2012, a total of 212 trainers delivered over 27,000 man hours of training. With an average of 36 hours of training per employee during the year, it is clear how much value the staff place on training. This motivating initiative not only underpins the service standards of the hotel but has also manifested in great camaraderie among The Peninsula Bangkok family.



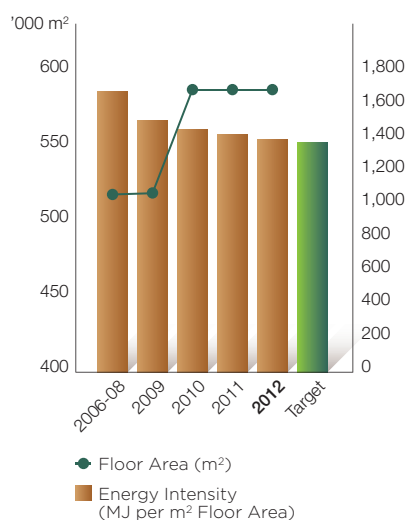
over
27,000
man hours
of training



Environmentally Responsible Luxury



Group Energy Intensity



What HSH Means for The Environment

HSH's core business is in developing, owning and managing a portfolio of prestigious hotels and premium properties. We are conscious that the building sector accounts for a significant part of the world's greenhouse gas emissions and energy use annually. This makes managing our energy consumption, and hence our carbon footprints, a clear priority in our operations. Our energy management programme is part of our precautionary approach for managing the commercial and environmental risks to the Company and for meeting our corporate responsibility.

Our key impacts on the local environment are associated with how we manage the water we use and the waste that we generate in our business operations. They are also issues of keen interest to

our stakeholders. Additionally, as a business with a global supply chain, we are responsible for managing the indirect environmental impact associated with the consumables and materials that we purchase to support our operations and development projects.

We endeavour to do our best in understanding and managing the adverse environmental impacts of our business activities. However, we are also steadfastly committed to providing the highest standard of luxury products and services to our customers. To meet both objectives is not without challenge. However, this challenge has created a space for innovation – for us to find the most sustainable way possible to deliver luxury and quality to our customers, and to explore how we may increasingly make sustainability part of the appeal of our luxury offering.

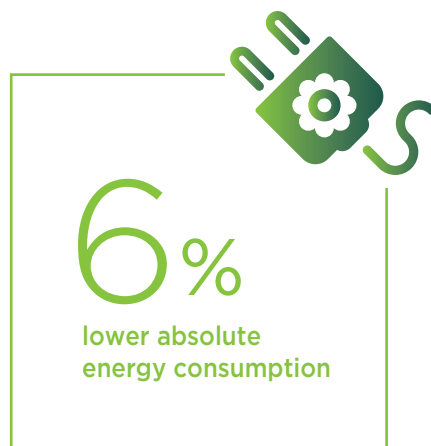
17%
lower energy
intensity



Continuous Improvement on Energy And Carbon Performance

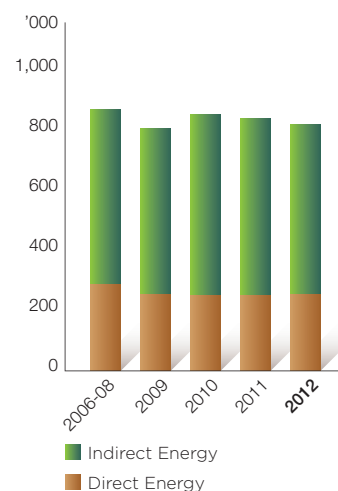
Along with the commitment to deliver the highest standard of luxury and quality, we have managed to continuously improve our energy performance and carbon footprints since we began our environmental programme in 2008. In 2012, the Group consumed a total of 822,779 GJ of energy, down 2.1% on 2011. Despite our business growth over the years, including the addition of The Peninsula Shanghai to the Group, our absolute energy consumption has reduced by 5.8% when compared to the baseline of 2006-2008 average consumption. Energy intensity was 17% lower than the baseline, close to reaching our ambitious target of reducing energy intensity by 18% by the end of 2012. We are resolute on continuing the efforts and meeting the 18% reduction target in the coming year.

In 2012, our energy consumption generated a total of 115,858 tonnes of CO₂ equivalent, 1,925 tonnes less than the previous year while our Group carbon intensity was 1.5% lower. In our Hotels Division, carbon intensity was 148.8 kgCO₂e per occupied room per day⁶.



The improvements in our energy and carbon performance were achieved mainly through our environmental engineering projects. For example, in 2012, The Peninsula New York installed a new building automation system which helps to save an estimated 2,599,368 MJ of energy annually, equivalent to the carbon emissions from annual electricity-related CO₂ emissions from 26 U.S. homes⁷. At The Peninsula Bangkok, by improving its laundry equipment, the hotel now saves an estimated 1,239,564 MJ each year. The energy we saved over the past four years amounted to 84,001 GJ, which is enough energy to power more than 1,000 homes in Hong Kong for three years⁸. These projects, with an investment of HK\$95.7 million, would also generate an estimated saving of HK\$24.0 million on our recurring annual operational cost and an overall return on investment of 25%.

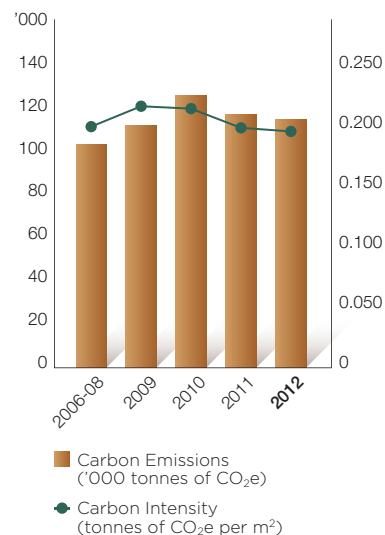
Group Energy Use



Note:

Direct energy is the energy we use in our operations such as gas for heating. Indirect energy is energy consumed to provide the energy we use, for example the fuel burned in power stations to generate our electricity. In 2012, the split of our direct energy consumption by sources were: 56.8% gas, 32.8% diesel oil, vehicle fuel 10.1% and 0.3% fuel oil, whilst our indirect energy consumption were mainly from electricity (90%) and steam (10%).

Group Carbon Emissions and Intensity



Check out the Sustainability Data Statements section

6. Based on the carbon accounting methodology of Hotel Carbon Measurement Initiative developed by International Tourism Partnership and World Travel and Tourism Council (www.tourismpartnership.org/www.wttc.org)

7. Reference made from www.epa.gov/cleanenergy/energy-resources/calculator.html#results

8. According to Energy Efficiency Office, Electrical & Mechanical Services Department, HKSARG www.emsd.gov.hk/emsd/_e_download/pee/HKEEUD2012.pdf, 55,501TJ energy was used in residential sector in 2010. Housing Authority, HKSARG recorded 2,359,000 households www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf.



How we did in 2012

-  Cut energy intensity by a further 3% against 2006-08 baseline.
-  Enhanced the engineering teams' capacity on carbon management.
-  Reduced Hotels Division's water intensity by another 2%.
-  Enhanced the robustness of waste management data so as to improve on waste diversion and reduction.
-  Improved awareness of the sustainable design standards and guidelines throughout the Group and encouraged its adoption in new development and major renovation projects.
-  Promote the use of sustainable building materials in new development and renovation projects.

 achieved

 on plan

 behind plan

 objective missed

We are committed to challenging ourselves in making continuous improvement. While our engineering teams will continue to be on the lookout for more energy efficient systems and possible applications of alternative energy, building the awareness and commitment of each of our employees is an increasingly important area of our environmental strategy. Environmental improvement comes not just from policies and programmes, investment in machinery or audits and accolades. It also counts on the people in the organisation to make it happen. We aim to further reduce our energy intensity in 2013 and work on expanding our internal engagement programme to inspire more employees to take individual action.

Obvious benefits

An ongoing re-lamping exercise has resulted in saving 15,655 GJ energy over the past three years (2010 to 2012) across the Group, the equivalent of burning more than 1,601 tonnes of coal for electricity production by a thermal power station⁹.

At The Peninsula Hong Kong, we invested in LED lamp replacements in guest room corridors, leading to energy savings of 711,687 MJ and a 40% return on investment. At The Peninsula Tokyo, we replaced halogen lamps in the guestrooms with LED lamps, facilitating an annual energy saving of 33,713 MJ. It also boasted a payback period of 1.5 years.

Although the re-lamping exercise can be a very effective and financially efficient measure for energy reduction, it has been one that we undertook with great caution, as we devote a great deal of attention to lighting quality, especially in the front-of-house areas of our hotels. Lighting is a core component for creating a luxurious environment for our guests and enhancing the character of our hotels. Extensive trials of new lighting options are often conducted in back-of-house areas before being introduced into guest areas.

Cool investment

The heating and cooling systems consume the most energy in a building. In 2012, we invested HK\$41.4m in upgrading eight chillers across our operations in Hong Kong, Bangkok, Manila and Vietnam. These upgrades will allow us to make energy savings of around 13.5 million MJ and an estimated saving of HK\$52.7m on energy costs annually.

Older chillers in the air-conditioning systems of our hotels and properties are also the main sources of our ODS emissions. The replacement of these eight units has helped to move us closer to our target of replacing all ozone-depleting refrigerants in use by the Group by the end of 2015. Our ODS emissions in 2012 were 71 kg CFC-11 equivalent compared to 92 kg in 2011.

Ozone-depleting substances (ODS) have a detrimental effect on the ozone layer, damaging the planet's protection against excessive levels of solar radiation. The Montreal Protocol regulates the phase-out of CFCs, halons, and other ozone-depleting chemicals internationally.

When it comes to considering new capital investment, such as a chiller, we take a long-term view to evaluate its whole life cycle cost, instead of merely upfront capital costs. Although most of these chiller replacements were planned capital investment of fully depreciated equipment, they presented an opportunity for us to look at more environmentally efficient options. These replacements have enabled us to reduce our energy consumption, emission of ozone-depleting substances as well as ongoing utility costs. Along with factors, such as cost, quality and functionality, environmental impact has increasingly become an integral part in our investment decision-making process.

An Ongoing Focus on Water

Water is an ongoing area of focus as we develop our sustainability strategy. In 15 years, nearly half of the world's population will be living in water-stressed areas⁹, including some of the communities within which we operate. Vastly undervalued, water is vital for life, crucial to our operations, and essential for food and energy production.



Over
920,000
bathtubs saved

Finding the right balance

The use of variable frequency drives (VFDs) helps to optimise energy load to the demand of our ventilation systems and pumps. From 2009 to 2012, these generated some 17,476 GJ of annual energy savings across the Group. In 2012, The Peninsula New York invested US\$360,000 (HK\$2,808,000) in VFD installation, yielding an estimated 13,251 GJ energy savings and a US\$144,000 (HK\$1,123,000) saving of energy cost annually. The financial savings will pay back the investment in two and a half years, giving a return on investment of 40%.



Optimise energy load on demand to generate environmental and financial savings

9. <http://science.howstuffworks.com/environmental/energy/question481.htm>

10. Managing Water For All: An OECD Perspective on Pricing and Financing – Key Messages for Policy Makers © OECD 2009, www.oecd.org/env/42350563.pdf

Treating water wisely

When The Peninsula Bangkok was built 17 years ago, local rules and regulations meant that it had to have its own sewage treatment facility and the effluent water had to meet the highest standards before being discharged into the river. Since 2006, the hotel started to look into how it can put this treated grey water to better use.

The engineering team began to divert the treated water for floor cleaning, watering plants and replenishing the ponds in the gardens. Our engineers took this challenge further and by treating the sewage effluent water with a system of filtration, disinfection and reverse osmosis, it became clean enough to use in the cooling tower of the hotel's chiller system. This water recycling effort enabled the hotel to since save a monthly 15,000 cubic metres of water that it would otherwise have had to purchase from its municipal water supply company. After water has been extracted from the sewage sludge, the residue product is further treated and used as fertiliser in the hotel's gardens and elsewhere. As a result of this effort, the hotel bought less water and made its own fertilizer, thus both keeping costs down and being efficient with precious resources.

The water recycling effort at The Peninsula Bangkok enabled the hotel to save

15,000

cubic metres of water every month



We continue to reduce our water use. Across the Group, we used 1.80 million m³ of water, down 1% on 2011. Our water savings initiatives since we began our environmental programme in 2008 have saved 184,908 m³ of water (equivalent to 924,540 bathtubs¹¹). The water intensity of our hotels in 2012 was 1,280 litres per guest night, a 9.3% reduction on the 2006-2008 baseline, achieving our Hotels Division's water intensity reduction target of 8%.

In 2012, 6.8% (121,873 m³) of our total water consumption was recycled, compared to 5.2% (94,770 m³) in 2011. In addition, The Peak Complex in Hong Kong reused water collected by The Peak Tram reservoir to a greater extent for garden irrigation and in tramway track construction work, saving an estimated 18,250m³ of water annually.

We are sensitive to the risks of operating in water-stressed areas such as Beijing, Shanghai¹² and California. In 2012, our hotels in Beijing and Shanghai saw a year-on-year reduction of 15% and 4.9% respectively in their water intensity. Their annual water consumption was reduced by 7.1% and 5.1% respectively when compared to 2011. The Peninsula Beverly Hills has also reduced its water intensity and consumption by 6.8% and 7.5% respectively, since 2011.

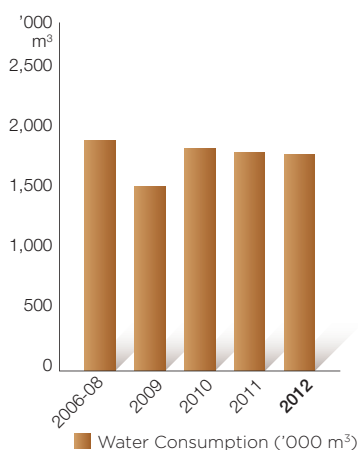
Every drop counts

At The Peninsula Shanghai, we have found a way to save about 150m³ of water each time we clean our water tank. Instead of allowing the water left at the bottom of the tank to be discharged to the sewage system, we changed our practice by pumping it out and divert it for landscaping use. We have also expanded the use of water meters for kitchen areas to more accurately monitor our water use and drive savings.

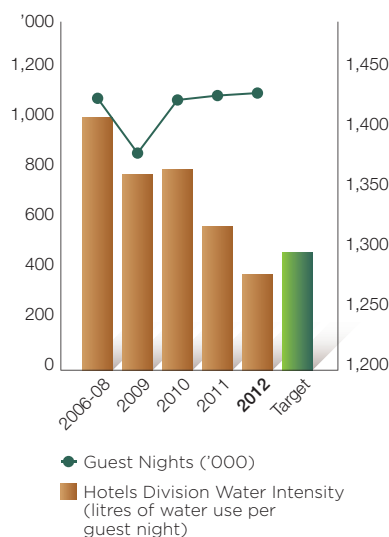


The Peninsula Shanghai has found a way to save about 150m³ of water each time they clean the water tank

Group Water Consumption



Hotels Division Water Intensity



Managing Waste Responsibly

We recognise that if waste is not properly managed, it can lead to a host of environmental, social and health issues in the community. The amount of waste we generate is reflective of how well and how wisely we manage our resources. We understand that measuring quantities of different waste streams is important and a pre-requisite for developing targeted waste reduction plan and for assessing alternative disposal methods other than landfilling. Hence, we took an in-depth look at revamping our waste reporting system and extending the reporting requirements to more Group operations during the year.

As detailed in our 2011 report, waste disposal methods vary across our operations, largely due to available solutions and infrastructure in the communities where we operate. Despite the difference in arrangements, our goals remain the same – to reduce the waste we generate and divert as much waste as possible from landfilling.

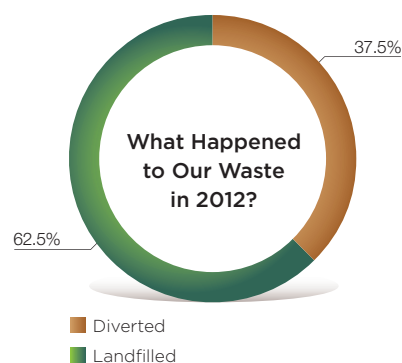
In 2012, some 3,696 tonnes of wet waste and 2,574 tonnes of dry waste were generated from our operations around the world¹³. Of this 36.2% of food waste (including used cooking oil) and 39.3% of dry waste were diverted from landfill for reuse and recycling. When compared to 2011, the overall diversion rate has improved by 23 percentage points, meaning 2,350 tonnes of waste was recycled – the weight of over 522 elephants¹⁴!


The Peninsula Tokyo continued to lead in its waste reduction and diversion effort within the Group. The hotel generated 395,134 kg of waste, a 3.1% reduction from the previous year, while recycling an impressive 83.1% of it.

The revamping of the waste reporting system enabled us to gather an overview of Group operations' management of hazardous waste. In 2012, we recorded the disposal of 11,027 kg of hazardous waste¹⁵, mainly associated with fluorescent tubes, paints, solvents and dry cleaning chemicals. The disposal of our hazardous wastes is regulated by local authorities and handled by specialist contractors.

Our challenge

The HSH Sustainable Design Standards was introduced in late 2010 to provide guidance on environmentally responsible practices for new development projects and major renovation work, taking into account our commitment to quality. We are keenly aware that building design has vital implications on ongoing energy and water efficiency as well as operating cost. We feel we have not made as much progress in applying the standards as we aspired to. Hence, we will commit to conducting a thorough review of the Sustainable Design Standards in 2013 with a view to improving the guidance on how its principles can be incorporated in our future projects.



 Check out the Sustainability Data Statements section

11. Reference made from Chinawaterrisk.org

12. Reference made from Chinawaterrisk.org

13. The 2012 figures excluded The Peak Complex as accurate waste data was not available. 2011 data only included 10 of our 16 properties: all nine Peninsula Hotels and The Repulse Bay.

14. According to an 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.

15. Hazardous waste is defined by local legislations.

From granite to green: Impressive change at The Repulse Bay

It was thinking of life back in his homeland of Denmark that set General Manager Palle Ledet Jensen on the path to solving how to manage the gardens at The Repulse Bay in a more sustainable way.

With residents and visitors alike admiring the wonderful landscape at the property, maintaining the gardens is an important job. With more than half of the 150 weddings hosted at The Repulse Bay taking place outdoors, it is also an important commercial consideration.

The soil in Hong Kong mainly consists of de-composed granite. Any turf that was laid down at The Repulse Bay had so little humus or rich soil for its roots to reach into that it would quickly deteriorate. All that could be done was to replace the entire 1,100 square metres of turf twice a year, which did nothing to contribute to the health of the soil. Not only did the old turf end up in Hong Kong's increasingly full landfill sites, but the process also required three weeks of clearing and removing with all the associated noise

and truck journeys that entailed. That was when Jensen's memory of life back home in Denmark inspired a thought that has revolutionised how the lawns are now maintained at The Repulse Bay.

Organic fertiliser used as soil conditioner is the answer. It is used all over Denmark and in many countries to help improve soil quality and help nourish plants. Jensen could see no reason why in theory it could not work in Hong Kong, so he and his team researched options from around the world. There were a number of requirements that had to be met. Any fertiliser had to be free of micro-organisms, fungi and bacteria. It could not have any weed seeds in it and it had to be odourless. In the end, after an exhaustive search looking at options from around the world, it was in fact a Danish product that ticked all the boxes. The fertiliser is pasteurised using the high level of heat produced by composting it in a tight chamber. As well as being safe and bug-free, the end product also has a high nutrient content, with five to six times the nitrates and potassium of

typical artificial fertilisers, not to mention the many vital micro nutrients that such products do not contain.

By switching to this soil conditioner, Jensen and his team had to replace only 30 square metres of lawn in the summer and less than 100 square metres in January 2013. The Flame trees are healthier and the wildlife is more abundant, as the improved soil conditions attract butterflies, earthworms, and birdlife. There is far less disruption to tenants and far fewer trucks now need to visit the site. No gardening waste is now landfilled and what little turf is removed is simply chopped up and used for further soil conditioning of the lawns. The gardens can now be enjoyed by both residents and wedding guests for a longer period of the year.

It just goes to show what creative thinking combined with diligent research and analysis can achieve. And sometimes a little walk down memory lane doesn't hurt either.



“It has been good for customers and tenants – and so good for the business; but it is the lush, dew-fresh green colour that really strikes you.”



Palle Jensen,
General Manager
The Repulse Bay

We are committed to finding ways to use resources efficiently, to minimise any adverse environmental impact, and to still continue to exceed customers' expectations.

Turning waste into resources

Almost all Group operations recycle glass, wastepaper, plastic bottles and aluminium cans. In 2012, our hotels in the U.S. donated 6,956 kg of used soap bars and bottled amenities for distribution to impoverished countries through the Clean The World programme, helping these deprived communities in combatting hygiene-related illnesses. We also started to engage our Asia hotels in developing a regional programme to donate partially-used guestroom soap bars for good causes. The initiative will progressively be rolled out across our Asia operations and we will report our progress in 2013.

Food waste and used cooking oil are the major types of wet waste generated in our operations. All Group operations work with local partners to recycle used cooking oil into bio-fuel. The Peninsula Manila went a step further and since June 2010 has used the converted waste cooking oil generated from its kitchen to power one of its delivery vans.

The Group's hotels in Chicago and Manila arranged for their food waste to be composted for farm use. Urban Hong Kong offers limited space for food composting, so in an effort to divert food waste from landfilling, The Peninsula Hong Kong invested in a second food bio-digester in 2012 in order to turn all its food waste into wastewater.

Looking Forward

From energy and water management to waste reduction, core to our strategy is building a strong metrics system to track progress and keep us focused on our goals. We are pleased with the progress we made on this journey to robust environmental management and practices and strive to deliver continuous improvement through discipline, creativity and applying the right technology.

We are committed to finding ways to use resources efficiently, to minimise any adverse environmental impact, and to still continue to exceed customers' expectations. We do this to be accountable to our shareholders, our customers and the communities in which we operate.

A delicious change



reduce food waste by half, to

11,000kg

At The Peninsula Tokyo, we took over the management of the staff canteen from our previous vendor and started to serve the excess food items and uncut fruit from our restaurant outlets in the canteen. This enabled the hotel to reduce food waste by half, to 11,000kg, while improving the food offerings for our employees. The initiative also allows a saving of JPY4 million (HK\$388,000) per year on garbage disposal alone.

Our commitment 2013

- ☐ To achieve an overall 18% energy intensity reduction against the 2006-08 baseline.
- ☐ To further reduce water intensity of our Hotels Division.
- ☐ To conduct a pilot building re-commissioning project.
- ☐ To continue to improve the robustness of monitoring waste management performance.
- ☐ To continue to enhance the engineering teams' capacity on carbon management.
- ☐ To review the Sustainable Design Standards.

Putting Health and Safety First



Our Operational Risk Manual details a holistic approach to driving health and safety as a workplace practice, as a service standard and as a culture.

A Clear Priority

We take our health and safety obligations very seriously. Making sure our hotels and properties are safe for our customers, employees and other stakeholders are of utmost importance to HSH and its stakeholders.

Building capacity

Our Operational Risk Manual details a holistic approach to driving health and safety as a workplace practice, as a service standard and as a culture. Group operations have been progressively adapting the manual to suit their respective operations since it was launched in 2009. Although our operations have yet to achieve full implementation of all the policies and procedures outlined in the manual, the process has been useful in highlighting different risks and development areas.

The commitment to health and safety is contractual, cultural and takes into account local competencies. Hence, in 2012, we continued to bolster employee trainings to reinforce a safety culture and to re-organise and strengthen our safety management team. Following the introduction of two Regional Director roles in Asia and the U.S., a new Health and Safety Director dedicated to the Commercial Properties Division was appointed in 2012. These roles have been created to help support Group operations in improving the implementation of their safety management systems and to facilitate synergies and best practices sharing across operations.

Delivering improvement through increased understanding

In 2012, we conducted 17,049 hours of health and safety training across our operations, which represent a 53% increase from the 11,147 hours of training delivered in 2011. Fire safety was the predominant training topic, but 2012 also saw a large increase in training relating to safety induction, manual handling, confined space safety and general occupational health management, such as supervision and hygiene. For example, at the Tai Pan Laundry, around a quarter of the safety training hours logged focused on occupational safety related to the use of washing machines, dryers, tunnel washers and flatwork irons. The Peninsula Bangkok ran a Safety Week to supplement its ongoing safety training, using videos, corridor displays and poster competitions to plant the seeds of a safety culture in every employee.

During the year, we recorded 596 injury incidents and started to undertake more root cause analysis to understand the causes of injuries in order to devise more targeted measures and training to prevent such incidents from happening again. We have also been reviewing and revamping the reporting system for health and safety issues in an





effort to improve the accuracy and consistency in tracking incidents of injury and occupational disease across Group operations. A new reporting template will be introduced in 2013. We will also look into investing in appropriate software systems to support our effort in driving continuous improvement in our health and safety performance.




Safeguarding Food Safety

Our commitment to food safety and hygiene is core to our dedication in pursuing gastronomic excellence. This is also an area of key importance to our stakeholders. It was rated the number one priority corporate responsibility issues for HSH in our recent materiality research.

Our food and beverage operations strictly adhere to local food safety standards. It is vital that we continue to uphold a strong culture of food safety and to meet the expectations of our stakeholders. We have decided to introduce Hazard Analysis and Critical Control Points (HACCP)¹⁶ certification as a Group standard that all our food and beverage operations should pursue, beyond just meeting their local regulatory food safety requirements. HACCP is an internationally recognised food safety and hygiene standard for commercial kitchens.

How we did in 2012

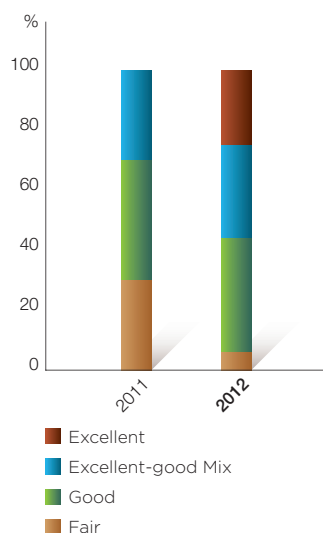
-  Improved the recording of health and safety training and incident data so as to enhance the management of health and safety issues.
-  Hotels Division to fully implement the Operational Risk Manual.
-  All catering operations to review compliance with HACCP or equivalent standards as guidance on food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

 achieved  on plan
 behind plan

16. Hazard Analysis & Critical Control Points (HACCP) is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.



Indoor Air Quality Assessment Result



An important step during 2012 was the introduction of a new Group Indoor Air Quality Policy to strengthen our measures in safeguarding indoor air quality.

The Peninsula Beijing has been HACCP certified since 2011 after a thorough review of all aspects of its catering operations and rigorous employee training in the past two years. The team worked closely with suppliers during the two-year process and most of the hotel's fresh produce is now sourced from HACCP approved suppliers. The Beijing team shared their learning from the process on "Sphere" for other operations to take reference from.

The Peninsula Hong Kong and The Peninsula Manila have also made head starts on assessing their gaps for complying with HACCP, while all Group operations will conduct a HACCP gap analysis supported by the Group in 2013.

Healthy Indoor Air Quality

Making sure every breath taken on our premises is a safe breath is our bottom line for managing indoor air quality (IAQ). The quality of indoor air can vary due to airborne bacteria, suspended particles and volatile organic compounds (VOCs) from solvents. Air pollution in some of the cities where we operate has been worsening, presenting increasing challenge for us to manage our indoor air quality. Poor indoor air quality increases the risk of respiratory problems. We constantly monitor the air quality in our hotels and properties and carefully manage indoor environments through cautious control of heating and cooling, as well as ventilation systems, well-timed maintenance work, and the use of less hazardous paint and cleaning products.



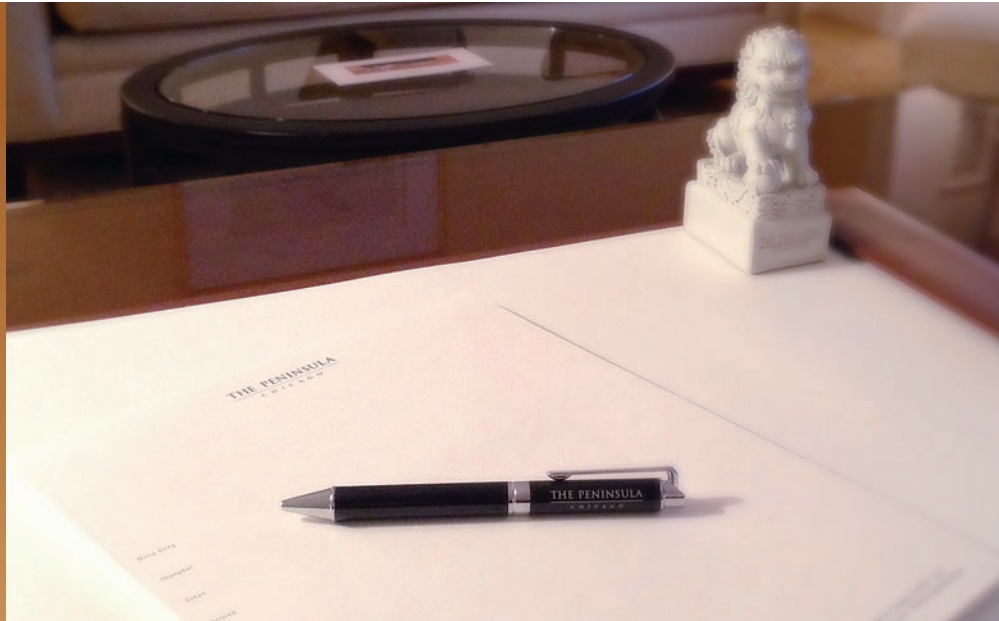
An important step during 2012 was the introduction of a new Group Indoor Air Quality Policy to strengthen our measures in safeguarding indoor air quality. Whilst IAQ assessment is not a regulatory requirement in any of the locations where we currently operate, the new policy directs all of our hotels and properties operations to assess their IAQ standard annually based on a framework with 7 mandatory and 5 optional parameters, including levels of carbon dioxide, VOCs, dust, bacteria, air movement and others.

During 2011, IAQ audits were undertaken at 10 properties and in 2012 this increased to 16, i.e. all operations in our environmental reporting system. From arcades to guest rooms, spas to bars, and restaurants to car parks, our sampling approach reached all corners of our buildings. Most were rated 'good' or 'excellent'. No major concerns were noted, with some improvement areas in ensuring air is not over-cooled, cleaning filters in air-conditioning systems more frequently, and improving fresh air intake to counteract the build-up of carbon dioxide levels.

Our commitment 2013

- ☐ To roll out a new health and safety reporting template to improve the monitoring of Group operations' performance on training and reducing incidents.
- ☐ All catering operations to complete their gap analysis on compliance with HACCP as a Group standard.
- ☐ Hotels Division to continue to implement the Operational Risk Manual.

Responsible Supply Chain



Our Group Paper Policy sets forth HSH's commitment to support forest conservation. It is our goal that all paper products used in our operations will be from certified sustainable sources by 2017.

Understanding Our Impact

As a business with a global supply chain, we are aware that our procurement decisions have a direct impact on the environment and the communities where our products originate. We strive to ensure that our sourcing activities do not encourage practices that have adverse effects on biodiversity or the local community. Working with our suppliers on responsible sourcing practices – from food items and paper products to building materials and furniture, fixture and equipment – is an ongoing priority.

Our Group sustainability guidelines for responsible procurement outline the recommended principles

and practices of sourcing both locally and sustainably. We have been developing a framework for tracking our performance on sustainable sourcing. Designing a system for collecting robust and meaningful procurement data on such diverse categories of products and raw materials across our global operations is a challenge, but one which we are determined to undertake. We have planned to roll out a new reporting template to measure our performance in this area on an ongoing basis in the coming year. This will help us gain a better understanding of the sustainability impacts of our purchasing decisions and guide our efforts in embedding sustainability considerations into our sourcing practices.

Forests Matter

In 2012, we launched a new Group Paper Policy which sets forth HSH's commitment to support conservation of forest and forest biodiversity. 12 to 15 million hectares of forest are lost each year – the equivalent of 36 football fields per minute¹⁷. We recognise that forests not only play a key role in maintaining the world's ecosystem and keeping global warming in check, but also provide habitats to diverse species and offer important source of livelihood for many human settlements. However, uncontrolled deforestation has been a pressing environmental issue that jeopardises human livelihoods, threatens species, and intensifies global warming.

Around 40% of the world's commercially harvested timber is used for paper production. HSH's day-to-day business operations involve more than 100 types of paper products in addition to corporate publications and promotional collateral. To ensure that our operational needs are not met at the expense of exploiting the world's forest resources and to mitigate potential reputational risks associated with the supply chain of our paper product, we introduced a new policy which prescribes Forest Stewardship Council (FSC) as the preferred Group paper procurement standard¹⁸. It mandates all Group companies to purchase paper product from sustainable and transparent sources and to reduce the consumption of paper.

All HSH companies are required to progressively implement the policy and it is our goal that all paper products used in all of our operations will be from certified sustainable sources in five years, i.e. by 2017. Nonetheless, we have already made progress during the year, with about 35% of our paper product being FSC-certified, representing a 13% increase from the previous year.

Responsibly Reliable

We view sourcing our food from reliable and sustainable sources as part of the luxury gastronomic experience that we offer to our guests. From certified organic vegetables, free-range poultry, and seafood certified by the Marine Stewardship Council¹⁹, our chefs are always on the lookout for quality produce from local and sustainable sources. We continue to make steady progress in switching to more responsible sources of the produce that we use in our food offerings.

Since the beginning of 2012, we implemented the Group Shark Fin Policy and stopped serving shark fin at all of our owned food outlets, except for honouring banquet bookings involving shark fin soup made prior to the announcement of the policy. This decision was extremely well received around the world and was strongly supported by our guests. During the year, we also signed the WWF "No Shark Fin Corporate Pledge" as a public support for shark conservation.

For The Peninsula Chicago, nearly 80% of its paper needs are currently met by FSC-certified stock.

Sustainable luxury in a box

The Peninsula Merchandising develops and sells a range of Peninsula-branded food products, gift items and award-winning cookbooks worldwide. As part of the Peninsula Merchandising's brand rejuvenation programme, it has set itself the goal to switch all of its paper packaging materials to FSC-certified sources. Its flagship boutique at The Peninsula Hong Kong re-opened with a new look in November and with all packaging certified to be from well-managed forests.



17. 16 January 2013, WWF (www.panda.org).

18. FSC (ic.fsc.org) is internationally recognised as the most comprehensive certification scheme on forest management.

19. www.msc.org

Working collaboratively to make a difference



The Peninsula Beverley Hills continued to increase its sourcing of sustainable seafood from Kanaloa Seafood, a supplier certified to ISO 14001 for its environmental management system. It has also started to state the sustainable sources of its seafood on the hotel's menus as a means of further raising awareness among its guests.

The chefs and procurement team at The Peninsula Chicago have been working closely with suppliers to increase the supply of sustainable seafood. Taking both the Monterey Bay Aquarium Seafood Watch as well as the Marine Stewardship Council as reference tools, the hotel has succeeded in purchasing 60% of its seafood from sustainable sources. The team has set itself an ambitious target to see The Peninsula Chicago reaching 90% sustainably sourced seafood.

We have also undertaken additional research in order to gain a better understanding on the challenge of sustainable seafood sourcing. We seek to avoid serving any critically endangered species listed on the IUCN Red List of Threatened Species, and only serve seafood that is considered sustainable²⁰. Our intention is genuine, but we acknowledge that delivering on it is not an easy challenge. The expectations of our guests and other business considerations are important factors that we are mindful of. The task is even more complex as our operations span different countries. However, we are committed to work on developing our broader sustainable seafood strategy in an effort to contribute to preserving the marine eco-system for the world's future generations.



20. Reference is made from credible sustainable seafood guides, such as WWF Sustainable Seafood Guides (www.panda.org) and Seafood Watch by Monterey Bay Aquarium (seafoodwatch.org).

Ensuring Responsible Sourcing Become Standard Practice

We work with a diverse range of suppliers around the world to source raw materials and products to support our operations. Supplier relationships are an important part of our reputation and brand. We seek to buy at competitive rates, but not at the expense of labour standards, human rights or the environment.

To explain how we expect our suppliers to live up to our corporate responsibility commitments, we introduced an HSH Supply Chain Code of Conduct in late 2009 to help articulate our expectations of suppliers and contractors on environmental, social and ethical practices. The code has been communicated to our major suppliers who were requested to assess their

compliance with the code using self-assessment questionnaires in 2010. 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.

In the past two years, Group operations have been progressively incorporating compliance with the code as a requirement in our procurement contracts. This requirement is now part of the compliance requirement to the Group's Purchasing and Tendering Procedures Manual. We have planned in 2013 to design a toolkit to empower our procurement teams to communicate the code more clearly and review the level of compliance of our suppliers.

Supplier relationships are an important part of our reputation and brand. We seek to buy at competitive rates, but not at the expense of labour standards, human rights or the environment.

How we did in 2012

- ➡ Improved the framework for tracking our performance on sustainable sourcing practices.
- ✅ Reduced the environmental impact of our paper procurement requirements and promote sustainable use of forest resources.

✅ achieved

➡ on plan

Our commitment 2013

- ☐ To implement a new reporting template for the Group to measure our performance on responsible sourcing practices.
- ☐ To incorporate the requirement of complying with HSH Supply Chain Code of Conduct into the day-to-day procurement practices.
- ☐ To introduce a best practice of conducting regular supplier visits to assess compliance with the HSH Supply Chain Code of Conduct.
- ☐ Explore ways to promote sustainable seafood consumption.

Engaging with The Community



Supported
450
non-profit
organisations with
cash contributions and
in-kind sponsorships

A Long-Standing Commitment

Caring for the community is a core value that has long been embraced by the Company and HSH employees. We seek to support the development of the communities in which we operate by the way we conduct our business, tapping into the resources we have, as well as engaging the talents of our people and our community partners.



400,000
hours of training
and work exposure
programmes

This long-standing commitment to supporting the development of our communities stretches back to 146 years ago when HSH was founded in 1866. In Hong Kong, where the company was founded, The Peninsula Hong Kong, The Repulse Bay and The Peak Tramways represent iconic features of the city's history and heritage. We recognise that the success of our business is rooted in the success of the community around us. They provide the resources, infrastructure and

markets that support our businesses, hence, where we can contribute, we should and we do.

A Developing Strategy

In the past, we focused our community engagement efforts on making a contribution to the welfare of children and the elderly, as well as the education of the underprivileged. In 2012, we took time to review the direction and framework of our community engagement work, with a view to responding to the needs of our community in a more strategic, relevant and focused way.

In reflecting on the ways we can contribute, it has become clear that we can do better in leveraging on our touch-points with the communities to contribute, and be more proactive in integrating our aspirations for supporting the development of our communities with our core operations. It may be through employment opportunities,

Leveraging on our touch-points with the communities to contribute in a lasting way.



Check out the Sustainability Data Statements section

through our sourcing practices or through acting as an ambassador for the areas around our operations.

As reflected in the materiality research, our stakeholders shared with us the aspiration to bring our community efforts to a more strategic level. In 2012, we assessed the key developmental challenges that are common to the communities of which we are a part. We believe that we can generate more long-lasting benefits for the causes we identify by aligning our efforts across regions or globally across the Group. We will continue to consult and explore with our community partners the best ways for us to contribute to the needs of our community and will develop our roadmap in the coming year.

Raising Funds and Awareness for Good Causes

In 2012, we supported around 450 non-profit organisations across the communities in which we operate, with cash contributions of more than HK\$2.8 million, and additional support in the form of venue and in-kind sponsorships. In 2012, the majority of Group operations' charitable donations were channelled through local community partners to support healthcare, the welfare of children and the elderly, and a wide range of social initiatives. At Group level, The Peninsula Hotels in Asia and North America continued to raise funds and awareness for breast cancer throughout October and for the Make-A-Wish Foundation during the year-end holiday season. For

both campaigns, we leveraged on the celebrated afternoon tea served at each Peninsula Hotel and many other products, such as our cocktails and spa programmes, as means to raise funds for these worthy causes and to entice guests to enjoy our services and products.

Breast cancer, the most common cancer found in women in both developed and developing countries, is the principal cause of death among women globally. Through the "Peninsula in Pink" initiative, every Peninsula hotel consolidated its resources to offer a series of signature pink-themed promotions, including the sale of a specially-designed pink ribbon pin with a percentage of the proceeds going directly to support breast cancer

 took a group of
elderly people
on a memorable helicopter
flying experience



Some of the ways in which employees volunteered their time...

The Peninsula Hong Kong, in partnership with its long-term community partner St. James' Settlement, took a group of elderly people on a memorable helicopter flying experience.

The Peninsula Manila underwater team spent a Saturday on the reef of Anilao to clean up garbage and to promote environmental awareness.

Every year The Peninsula Beverly Hills' Food & Beverage team invites children from the Children's Hospital Los Angeles and the Chaka Khan Foundation to have a fun-filled day of decorating gingerbread houses and cookies.



organisations in its respective destination. "Peninsula In Pink" also incorporated many breast cancer walks, runs and other activities, with the aim of further raising employee awareness about breast cancer.

The partnership with the Make-A-Wish Foundation has become a tradition for the Hotels Division. Every December, all Peninsula Hotels invite their guests to buy an ornament to hang on the hotel Christmas tree, with proceeds benefiting the Make-A-Wish Foundation. The Foundation promotes happiness and a brief respite for children around the world with life-threatening illnesses by granting them their most heartfelt wishes. In addition, some of our hotels were involved in granting the very special wishes of the children. The Peninsula Manila helped a little

Make-A-Wish girl who wanted to be a fashion designer to put on a show, while the Peninsula Chicago rolled out the red carpet to welcome another child who wished to be a princess for a day and prepared her family's suite with purple balloons, Christmas presents, princess essentials and even a Christmas tree. Everyone involved had a magical time in making these Make-A-Wish children's wishes come true, creating these extraordinary moments for them just as our employees do for our guests.

Connecting to the Community in an Endearing Way

Employee volunteering is an integral part of our community engagement strategy. It provides new ways for our employees and the company to connect with

their local communities and also enables them to acquire skills and motivation whilst giving something back to society. In 2012, close to 600 staff members across the Group volunteered their time and talents through our employee volunteering programmes, contributing some 7,300 hours to serve the community. The development of children and youth, the physically disabled and the welfare of the underprivileged have been the most important focus within our wide range of community engagement work. In 2012, close to 50% of our employee volunteering programmes were devoted to these areas.

In the past five years of our corporate responsibility journey, employee volunteering has gained considerable momentum across Group operations. Many

Group operations now have a Caring Committee, which includes representatives from different departments, to plan and coordinate the community programmes and activities that employees support. The committee empowers and encourages staff members to step forward to engage their fellow colleagues in various worthwhile initiatives. Our leadership and management team also set examples by participating in the many volunteering programmes. Another characteristic of our approach that has helped grow the momentum of our community work is making these meaningful programmes a whole lot of fun to be part of.

Leveraging on Our Operation as Development Platform

The Group works with hotel schools around the world to help develop new talent for the hospitality industry. We provide work placement opportunities for students and individuals with an interest in hospitality, so that they can experience the internal workings of the industry. In 2012, 1,000 individuals benefited from close to 400,000 hours of training and work exposure programmes with Group operations. These programmes supported their studies while inspiring them to pursue a career in hospitality.

The Peninsula Beijing's Provincial Trainee Programme benefited 125 students studying hospitality management in China with one-month to eight-month internship opportunities in 2012.

Hospitality is a gateway sector into working life for many people. For the young, the old, new immigrants and others who society may have marginalised, our hotels and properties operations can provide valuable opportunities for them to gain access to training, develop new skills and be empowered to seek future employment opportunities. The Peninsula Chicago, by providing training and work experience opportunities, has been engaged in supporting refugees and new immigrants to integrate into the Chicago community for more than 10 years. The Peninsula Tokyo supports the National Re-training School for Elderly People to help the elderly be re-trained and find work in the hospitality industry. In the past five years, the hotel hired more than a dozen elderly students for positions in housekeeping, engineering and other front-of-house operations.

As we develop our approach for more strategic community engagement programmes, it has become clear to us that we can be more proactive in leveraging on our operations as a platform to develop and engage with marginalised groups in the community. Our previous experience has proved to be rewarding for everyone involved. Participants can gain new skills and experience to earn a living, while we guarantee that our programmes are addressing genuine needs in our communities. Not only are the participants empowered to seek livelihood opportunities, these programmes also help our operations to develop potential new employees.

Not to forget the teachers

The Peninsula Tokyo led the way in hosting a Teachers' Day where more than 50 teachers from 36 universities and hotel schools, whose alumni work at the hotel, were invited to spend an afternoon with us to learn more about our work and our values. The teachers appreciated this valuable opportunity to observe the busy action at back-of-house and to gain more insight into how a hotel operates in real life to support their teaching. The programme also enabled The Peninsula Tokyo to grow its relationship with the schools and universities, and provided a great reunion opportunity for the teachers and their students who are working with us.

gain more insight into how a hotel operates in real life to support their teaching



Continue to grow Hope for Japan

In commemoration of the one-year anniversary of the Great East Japan earthquake, The Peninsula Tokyo launched a scholarship programme specifically to benefit students from the devastated Tohoku region who aspire to pursue a career in the hospitality industry. The scholarship is offered to one student every two years, covering full tuition and dormitory expenses, with a part-time work opportunity at The Peninsula Tokyo during school education and a full-time position with the hotel after graduation.



scholarship programme

specifically to benefit students from the devastated Tohoku region

“It was a really fun day out. I had no idea what to expect, but I came away realising that people who have suffered mental illness are just like you and me. I think it’s great that there are these enterprises that give them the opportunity to earn a living and get back on their feet.”

LeeAnn Brown
Director of PenKey
The Peninsula Hotels



In 2012, The Peninsula Chicago offered some beautiful bags hand-woven by women in Guatemala as a special gift to share the Christmas spirit of caring and giving with its key supporters and contacts.



Supporting Social Enterprise

Another strategic focus that we will explore further in the coming years is based on partnerships with social enterprises. A hybrid of business and non-profit organisations, social enterprises are founded to address specific social or environmental causes and strive to achieve their missions through entrepreneurial ventures. Social enterprise generates income through business operations and reinvests its profit to support its social or environmental cause.

As a company, we purchase a diverse range of commodities and raw materials to support our day-to-day operations. We feel that we can more proactively look into opportunities of sourcing from social enterprises to address our business needs whilst simultaneously supporting the development of the community.

Getting to Know Social Enterprise

In 2012, at the Group's headquarters in Hong Kong, we started to work with the Hong Kong Council of Social Services, which represents more than 400 non-profit organisations in Hong Kong and engages in policy research, social services and third sector development, to explore how we may support the development of social enterprises. We organised a series of programmes to introduce the concept and products of social enterprise to our employees, specifically the procurement teams, across our major operations in Hong Kong. In addition to a small

bazaar at the HSH Head Office featuring products from a range of social enterprises from Hong Kong and other parts of Asia, we took a group of employees from various operations in Hong Kong on an exclusive programme to experience the inner workings of local social enterprises. The participants also had the opportunity to learn how to make very popular local egg tarts at the Caritas La Vie Bakery Workshop together with its ex-mentally ill apprentices.

Getting the Words Out for Social Enterprises

The Peninsula Chicago sells a selection of beautiful bags handmade by women in Guatemala at its boutique. These talented weavers are part of an artisan led co-operative which offers them a fair living wage and directs the profits towards helping women in impoverished communities around the world. In Hong Kong, The Peninsula Hong Kong and The Repulse Bay sponsored prizes for a Social Travel Journal Competition to help raise public awareness of social enterprises and the causes behind them.

Be a Champion of Our Community

Our hotels and properties are often the ambassadors that welcome the world to the local communities in which we operate. We take pride in being part of these communities and are keen to support initiatives that promote the areas where we are based, which is good for both our business and the wider neighbourhood.



Celebrating our Home

The Peninsula Hong Kong coordinated a joint effort with the Hong Kong Heritage Project and the Government of the Hong Kong SAR in presenting an exhibition about the Tsim Sha Tsui district, home to the hotel for the past 84 years. Using photographs, toy brick models and oral histories, the “Our Tsim Sha Tsui – Past, Present and Future” exhibition attracted 50,000 visitors to share the heritage and the energy of the district and to envision the future through art pieces created by a group of students.

Sharing Peninsula Moments of Kindness

In the winter of 2012, we introduced an exciting initiative that took the city of Chicago by surprise. Dressed in winter Page outfits, staff members of The Peninsula Chicago dispersed throughout the city of Chicago, spreading holiday cheer with simple acts of kindness from holding doors, passing out umbrellas to even hailing cabs. All the employees that participated in the programme were excited to be a part of spreading good cheer to the visitors and residents of Chicago – extending our dedication in delighting guests with innovative initiatives beyond the hotel.

Embracing the Passion for Music

People love music in the Philippines. This was the first thought when The Peninsula Manila team was pondering on new and fun way that the hotel could be used as a platform for nurturing young talent in the community. Working alongside music industry professionals as well as qualified stylists, the hotel organised the Sing@Ning singing talent contest where the prizes included PHP 100,000 in cash, sponsored training at the city’s renowned performing arts schools and a three-month contract to perform at The Peninsula Manila’s popular Salon de Ning nightclub. The competition attracted 200 entries from college students with an ambition to pursue a career in the entertainment industry. With 22 contestants given live auditions and eliminations every two weeks at Salon de Ning, the contest captured the public’s imagination and created much excitement across the nation.

Looking Forward

There are many different ways that we can further connect with and contribute to the communities where we operate. We will endeavour to explore more of these different community development tools as we renew our engagement strategy and framework in the coming year.

How we did in 2012

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




➡ on plan

Our commitment 2013

- ☐ To roll out a renewed HSH Group community investment and engagement strategy and framework.
- ☐ To roll out new Group community development initiatives that strategically align with the needs of our business and our communities.
- ☐ To continue to actively engage with the local communities where we operate.

Sustainability Review HSH Sustainability Scorecard

Progress and Targets

Focus Areas	Strategy and Engagement	Employer of Choice	Environmentally Responsible Luxury
 Medium-term Focus	<ul style="list-style-type: none"> Develop a longer-term sustainable business vision and define the associated goals Build a longer-term roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues Expand staff engagement programme to raise awareness and inspire actions to integrate sustainable practices in our day-to-day work 	<ul style="list-style-type: none"> Build a competency framework for the Group 	<ul style="list-style-type: none"> Phase out the use of ozone depleting substances by 2015 Enhance the engineering teams' capacity on carbon management
 2013 Targets	<ul style="list-style-type: none"> Develop a new Group employee engagement programme on sustainability issues Continue the rollout of the revamped sustainability management system Assess the implications of new international and local sustainability disclosure requirements at HSH 	<ul style="list-style-type: none"> Develop a human resources manual and toolkit for hotel pre-opening Enhance our support for employee wellness and work-life balance Launch a new module of the Executive Development programme targeting the next generation of leaders Expand the Peninsula Scholarship programme 	<ul style="list-style-type: none"> Achieve an overall 18% energy intensity reduction against the 2006-2008 baseline Conduct a pilot building re-commissioning project Further reduce water intensity of our Hotels Division Continue to improve the robustness of monitoring waste management performance Review the Sustainable Design Standards
 Progress against 2012 Targets	<ul style="list-style-type: none"> Developed a shared understanding amongst the Group's management team on key global trends that may affect our business in the medium to long term Developed a Group Risk Register 	<ul style="list-style-type: none"> Conducted five operational HR reviews in accordance with the Group HR Manual Conducted phase 2 of the Group employee engagement survey Rolled out a revised management bonus plan for the Group Designed a Finance for Business Managers Programme for all Executive Committees in the operations Rolled out the third module of Code of Conduct online and classroom training on guest data privacy Build a competency framework for the Group 	<ul style="list-style-type: none"> Cut energy intensity by a further 3% against the 2006-2008 baseline Enhanced the engineering teams' capacity on carbon management Reduced Hotels Division's water intensity by another 2% Enhanced the robustness of waste management data so as to improve on waste diversion and reduction Improved awareness of the sustainable design standards and guidelines throughout the Group and encouraged its adoption in new development and major renovation projects.

☒ achieved
 ☒ on plan
 ☐ behind plan
 ☒ objective missed

Putting Health and Safety First	Responsible Supply Chain	Engaging with the Community
<ul style="list-style-type: none"> 🕒 Hotels Division to continue to implement the Operational Risk Manual 	<ul style="list-style-type: none"> 🕒 All paper products to be from certified sustainable sources by 2017 	<ul style="list-style-type: none"> 🕒 Continue to actively engage with the local communities where we operate
<ul style="list-style-type: none"> ➤ Roll out a new health and safety reporting template to improve the monitoring of Group operations' performance on training and reducing incidents ➤ All catering operations to complete their gap analysis on compliance with HACCP as a Group standard 	<ul style="list-style-type: none"> ➤ Implement a new reporting template for the Group to measure our performance on responsible sourcing practices ➤ Incorporate the requirement of complying with HSH Supply Chain Code of Conduct into the day-to-day procurement practices ➤ Introduce a best practice of conducting regular supplier visits to assess compliance with the HSH Supply Chain Code of Conduct ➤ Explore ways to promote sustainable seafood consumption 	<ul style="list-style-type: none"> ➤ Roll out a renewed HSH Group community investment and engagement strategy and framework ➤ Roll out new Group community development initiatives that strategically align with the needs of our business and our communities.
<ul style="list-style-type: none"> 🕒 Improved 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 with HACCP or equivalent standards as guidance on food safety ✅ Reviewed the Indoor Air Quality assessment findings and implemented recommendations to improve our IAQ standard 	<ul style="list-style-type: none"> ➡ Improved the framework for tracking our performance on sustainable sourcing practices. ✅ Reduced 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 	<ul style="list-style-type: none"> ➡ Reviewed the Group's community investment and engagement strategies - the longer-term roadmap, strategic focus and framework ➡ Explored 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 bench-marking 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.

1. Sustainability Performance Highlights¹

			2012	2011	2010	2009	2006-08 baseline
Economic	Revenue	HK\$m	5,234	5,058	4,731	4,233	–
	Operating costs	HK\$m	2,053	1,986	1,847	1,698	–
	Employee wage and benefits	HK\$m	1,842	1,728	1,639	1,512	–
	Capital expenditure	HK\$m	1,049	335	261	281	–
	Payments to providers of capital	HK\$m	231	195	171	192	–
	Tax payments to governments ²	HK\$m	437	422	376	396	–
	Total floor area	'000 m ²	588	588	588	518	518
	Total number of guest nights	'000	1,110	1,090	1,082	870	1,089
People	Headcount		8,006	7,759	7,730	7,415	–
	Turnover	%	19.2%	19.5%	19.4%	11.7%	–
	Headcount by Gender	% Female	41%	41%	40%	41%	–
	Average training spend ³	HK\$	2,645	–	–	–	–
Health and Safety	Safety						
	Injury rate ⁴	reported incidents per 200k hrs	7.6	9.5	–	–	–
	Fatality	reported incidents	0	0	–	–	–
	Health and safety training	'000 hours	17	11	–	–	–
Environment	Greenhouse gas emissions	'000 tCO ₂ e	116	118	127	113	104
	Group carbon intensity	tCO ₂ e per m ²	0.197	0.200	0.216	0.218	0.201
	Total energy use	'000 GJ	823	840	856	808	873
	Energy intensity	Mj per m ²	1,398	1,428	1,455	1,512	1,684
	Energy saved through reduction initiatives	GJ	35,711	44,750 ⁵		3,540	–
	Emissions of ozone depleting substances	kg CFC-11e	71	92	146	167	–
	Direct water consumption	'000 m ³	1,804	1,820	1,854	1,539	1,921
	Water intensity						
	Hotels Division	litres per guest night	1,280	1,320	1,367	1,363	1,411
	Commercial Properties Division	litres per m ²	1,888	1,988	1,773	1,557	1,712
	Water recycled	'000 m ³	122	95	142	129	–
	Waste generated ⁶	tonnes	6,270	4,712	–	–	–
	Waste recycled ⁶	tonnes	2,350	685	–	–	–
Community	Monetary Donations						
	Company donations ⁷	HK\$ '000	1,537	4,163	617	1,689	–
	Employee/Customer donations	HK\$ '000	1,306	290	642	97	–
	Community Outreach						
	Service hours	hours	7,332	6,192	3,788	2,084	–
	Employee volunteers		591	942	2,420	1,004	–
	Internships & Retraining scheme						
	Training hours	'000 hours	392	540	305	87	–
	Participants		1,069	1,210	693	393	–

Footnotes:

- Please refer to Reporting Scope on page 61 for the scope of businesses covered in the reporting of employee, health and safety and environmental performance. The 2006-08 baseline are used for benchmarking environmental performance. Collection of health and safety data based on GRI's guidelines began in 2011.
- Inclusive of corporate income tax, property and real estate tax, and payroll tax.
- Average training spend is based on total annual training spend per full-time equivalent.
- Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. Variations in local interpretation of injury definition may affect the completeness of the data reported. Occupational disease rate is not reported here because accurate information is not available.
- 44,750 GJ represented energy saved over 2010 and 2011 through reduction initiatives implemented.
- The reporting scope of waste management data has expanded from 2011 to cover 6 more operations so as to align with the scope of other environmental areas. Result reported exclude The Peak Complex as accurate waste data are not available. Group diversion rate in 2012 was 37.5%. If we confine the scope to that of 2011, total waste generated and recycled in 2012 would be 5,888 tonnes and 2,282 tonnes and the overall diversion rate would be 38%.
- Donations reported have not included HSH's yearly contribution to the Hong Kong Heritage Project which is an archive project for preserving valuable historical records of the Kadoorie family and its businesses.

Sustainability Data Statements

2. Profile of Our Workforce

		Hotels ¹	2012 Commercial Properties, Clubs & Services ²	Total
Workforce Demographics	Total Headcount³	6,158	1,848	8,006
	by Employment Types			
	Full-time	5,612	1,557	7,169
	Part-time & Casual	546	291	837
	by Type of Contracts			
	Permanent or At Will contract ⁴	6,018	1,649	7,667
	Fixed term or temporary contracts	140	199	339
	by Geographical Locations			
	Asia	4,703	1,693	6,396
	United States of America	1,455	155	1,610
	by Gender			
Turnover	Male	58.3%	61.3%	59.0%
	Female	41.7%	38.7%	41.0%
	by Management Role			
	Management	7.5%	5.6%	7.1%
	Non-management	92.5%	94.4%	92.9%
	Employees under Collective Bargaining	13.9%	9.6%	12.9%
	Total Turnover Rate⁵	18.3%	21.1%	19.2%
	by Geographical Locations			
	Asia	20.3%	21.6%	20.6%
	United States of America	11.7%	11.5%	11.7%
	by Gender			
New Hires	Male	18.5%	18.9%	18.6%
	Female	17.8%	28.0%	19.9%
	by Age Group			
	Under 30 years old	35.6%	41.8%	36.6%
	30 to 50 years old	11.3%	18.8%	12.9%
	Over 50 years old	7.8%	15.4%	10.5%
	by Geographical Locations			
	Asia	1,026	343	1,369
	United States of America	230	117	347
	by Gender			
Parental Leave	Male	703	258	961
	Female	553	202	755
	by Age Group			
	Under 30 years old	835	174	1,009
	30 to 50 years old	397	200	597
	Over 50 years old	24	86	110
	Took Parental Leave			
	Male	61	10	71
	Female	110	13	123
	Returned to Work After Taking Parental Leave			
Training	Male	100%	100%	100%
	Female	87%	91%	88%
	Returned and Still Employed After 12 Months			
	Male	98%	86%	97%
	Female	95%	89%	95%
	Average training spend⁶	HK\$ 2,974	HK\$ 1,197	HK\$ 2,645
	Employees Receiving Regular Performance Reviews⁷	89.2%	96.9%	90.8%

Footnote:

1. Data reported under the Hotels Division covers the Group's hotel operations and head office operations in Hong Kong, Beijing, Bangkok, Shanghai and the US.
2. Data reported covers the Group's commercial properties as well as all other clubs and services operations.
3. 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, but does not include daily contingent casual labour.

Hotels	2011 Commercial Properties, Clubs & Services		Hotels	2010 Commercial Properties, Clubs & Services		Hotels	2009 Commercial Properties, Clubs & Services		Total
	Hotels	Total		Hotels	Total		Hotels	Total	
6,039	1,720	7,759	6,064	1,666	7,730	5,827	1,588	7,415	
5,475	1,547	7,022	5,444	1,511	6,955	5,334	1,499	6,833	
564	173	737	620	155	775	493	89	582	
3,062	1,453	4,515	3,043	1,429	4,472	2,956	1,389	4,345	
2,752	210	2,962	3,026	221	3,247	2,691	173	2,864	
4,575	1,543	6,118	4,633	1,493	6,126	4,481	1,451	5,932	
1,464	177	1,641	1,431	173	1,604	1,346	137	1,483	
58.4%	62.7%	59.4%	58.7%	63.6%	59.8%	58.4%	62.7%	59.4%	
41.6%	37.3%	40.6%	41.3%	36.4%	40.2%	41.6%	37.3%	40.6%	
7.4%	6.1%	7.1%	6.4%	6.1%	6.4%	11.03%	9%	10.5%	
92.6%	93.9%	92.9%	93.6%	93.9%	93.6%	88.97%	89%	89.4%	
13.0%	12.5%	12.9%	12.0%	12.4%	12.1%	10.9%	9.9%	10.7%	
17.6%	26.1%	19.5%	18.1%	24.0%	19.4%	13.0%	11.0%	11.7%	
18.73%	24.69%	20.3%	19.8%	20.4%	20.0%	11.3%	10.7%	11.0%	
13.86%	50.59%	16.1%	12.6%	81.3%	17.2%	14.9%	75.0%	15.8%	
10.14%	13.77%	10.9%	17.6%	23.8%	19.0%	n/a	n/a	n/a	
7.45%	12.35%	8.5%	18.9%	24.5%	20.0%	n/a	n/a	n/a	
10.10%	8.53%	9.76%	10.2%	8.7%	9.9%	n/a	n/a	n/a	
6.59%	13.77%	8.17%	6.6%	10.4%	7.4%	n/a	n/a	n/a	
0.89%	3.81%	1.54%	1.3%	1.4%	2.1%	n/a	n/a	n/a	
99.8%	90.5%	97.8%	99.7%	99.9%	99.8%				

4. All employees are employed "at will" at U.S. hotels, which means an employee may resign or be terminated from employment at any time for any or no reason, with or without notice. By 2011, they were grouped as part of fixed term employment, but they are now incorporated into the permanent employment.
5. Based on GRI's disclosure requirement, the turnover rate refers to full-time employees only. 2009 Turnover calculation methodology differs from subsequent data, as actual total figures were not available.
6. Average training spend is based on total annual training spend per full-time equivalent.
7. Data reflects the percentage of full-time employees receiving performance reviews. If total workforce, including part-time and casual employees, is accounted for, the percentage will be 81.3%, with 83.6% of all male and 78.1% of all female employees.

Sustainability Data Statements

3. Our Environmental and Community Performance

			2012 Commercial Properties, Clubs & Services ¹			2011 Commercial Properties, Clubs & Services		
			Hotels		Total	Hotels		Total
Environment	Greenhouse gas emissions²	'000 tCO ₂ e	96	20	116	95	22	118
	Scope 1 emission	'000 tCO ₂ e	16	6	22	13	6	19
	Scope 2 emission	'000 tCO ₂ e	80	14	94	82	16	98
	Carbon intensity	tCO ₂ e per m ²	0.214	0.142	0.197	0.213	0.160	0.200
	Total energy use	'000 GJ	682	141	823	692	148	840
	Direct energy use	'000 GJ	182	73	255	183	69	251
	Indirect energy use	'000 GJ	500	69	568	510	79	589
	Energy intensity	MJ per m ²	1,524	1,000	1,398	1,547	1,048	1,428
	Direct water consumption	'000 m ³	1,420	384	1,804	1,438	382	1,820
	Water intensity (Hotels Division)	litres per guest night	1,280	–	–	1,320	–	–
	Water intensity³ (Commercial Properties Division)	litres per m ²	–	1,888	–	–	1,988	–
	Water recycled	'000 m ³	122	–	122	95	–	95
	Waste generated⁴	tonnes	5,888	382	6,270	4,597	115	4,712
	Waste recycled⁴	tonnes	2,279	70	2,350	681	4	685
	Emission of ozone depleters	kg CFC-11e	55.5	15.5	71.0	68.3	23.7	92.0
Community	Monetary donations	HK\$ '000	2,514	329	2,843	4,355	98	4,453
	Company donations ⁵	HK\$ '000	1,493	44	1,537	4,065	98	4,163
	Donations by employees and customers	HK\$ '000	1,021	285	1,306	290	0	290
	Community outreach							
	Service hours	hours	6,248	1,084	7,332	6,192	0	6,192
	Employee volunteers		508	83	591	942	0	942
	Number of beneficiaries		977	2,868	3,845	–	–	–
	Internship and retraining scheme							
	Training hours	'000 hours	382	10	392	540	0	540
	Number of participants		504	565	1,069	1,210	0	1,210

Footnotes:

1. Inclusive of The Repulse Bay Complex, The Peak Complex, St. John's Building, The Landmark, Thai Country Club, Quail Lodge & Golf Club and Tai Pan Laundry.
2. Carbon emission generated from Hong Kong Towngas includes both scope 1 (combustion) and scope 2 (generation and transportation) as required under Hong Kong Carbon Accounting guidelines. For other countries, the extraction, generation and transportation process are considered as scope 3 under GHG Protocol and other international standards, and are therefore excluded.
3. Water intensity of Tai Pan Laundry (8.37 litres per kilogram washed in 2012, down from 14.8 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.

2010 Commercial Properties, Clubs & Services			2009 Commercial Properties, Clubs & Services			2006-2008 Commercial Properties, Clubs & Services		
Hotels		Total	Hotels		Total	Hotels		Total
104	23	127	91	22	113	84	21	104
16	6	22	14	6	20	12	5	16
88	17	104	76	16	92	71	16	87
0.232	0.164	0.216	0.241	0.157	0.218	0.220	0.147	0.201
714	142	856	662	146	808	720	153	873
189	61	251	189	67	256	217	69	287
524	81	605	473	79	552	502	84	586
1,623	1,064	1,455	1,684	1,047	1,512	1,899	1,097	1,684
1,479	375	1,854	1,186	354	1,539	1,537	385	1,921
1,367	–	–	1,363	–	–	1,411	–	–
–	1,773	–	–	1,557	–	–	1,712	–
142	–	142	129	–	129	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
115.9	30.1	145.9	151.8	15.6	167.4	–	–	–
1,004	255	1,259	1,635	151	1,786			
389	228	617	1,538	151	1,689			
615	27	642	97	0	97			
3,608	180	3,788	1,548	536	2,084			
2,307	113	2,420	937	67	1,004			
–	–	–	–	–	–			
290	15	305	85	2	87			
679	14	693	389	4	393			

- The reporting scope of waste management data has expanded from 2011 to cover 6 more operations so as to align with the scope of other environmental areas. Result reported exclude The Peak Complex as accurate waste data are not available. Group diversion rate in 2012 was 37.5%. If we confine the scope to that of 2011, total waste generated and recycled in 2012 would be 5,888 tonnes and 2,282 tonnes and the overall diversion rate would be 38%.
- Donations reported have not included HSH's yearly contribution to the Hong Kong Heritage Project which is an archive project for preserving valuable historical records of the Kadoorie family and its businesses.

Sustainability Data Statements

GRI Index

To facilitate stakeholders in understanding and bench-marking our corporate responsibility performance, our reporting follows the Global Reporting Initiative G3.1 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.

● Fully reported ● Partially reported

Index according to GRI (G3.1 Core Indicators)		Reported	Page(s)
1. Vision and Strategy			
1.1	Statement from the CEO or Chairman	●	7, 20
1.2	Description of key impacts, risks, and opportunities	●	20, 64, 66-67, 125-130
2. Organisational Profile			
2.1-2.6	Name, HQ location, ownership, legal form, structure, countries of operation, primary brands and services	●	2-3, 143-145
2.7	Markets	●	2-3
2.8	Scale of the company	●	2-3
2.9	Significant changes during report period	●	9-10, 14, 18, 61
2.10	Awards received in the report period	●	28-29
3. Reporting Parameters			
3.1-3.5	Reporting period, reporting cycle, contact point, content selection process	●	61, 66-67, 124, 227
3.6-3.8	Boundary of the report, any specific limitations	●	61
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	No significant divergence from GRI Protocols. For additional information see the footnotes in the data tables.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	Occupational disease rate has not been reported in 2012 because accurate information is not available; in addition, the 2012 safety disclosure does not cover lost time injuries.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied	●	All employees are employed "at will" at U.S. hotels. By 2011 they were grouped as part of fixed term employment, but they are now incorporated into the permanent employment data. Waste and Community data have been expanded to cover the complete reporting scope of this report. For additional information, please see footnotes in the data tables on pages 215-219 and the Reporting Scope on page 61.
3.12	Table identifying the location of Standard Disclosures	●	220-221
3.13	Policy and current practice with regard to seeking external assurance for the report	●	61, 222
4. Management, Obligations and Commitment		The policies and procedural manuals for each sustainability areas and the overall governance framework are outlined on page 63. More detailed discussions can also be found at the beginning of each respective section and in the 2011 Sustainability Report.	
4.1	Governance Structure.	●	104, 119
4.2	Independence of the Supervisory Board Chairman	●	107
4.3	Governance body and/or independent members of management	●	106-108, 117-118, 139
4.4	Mechanisms to provide recommendations to highest governance body.	●	66-67, 72, 104, 119
4.5	Linking compensation of senior governance body/managers with sustainability performance.	●	134-137 We currently do not link compensation of senior managers specifically to sustainability performance. Compensation is linked with a senior manager's overall performance which includes sustainability performance along with other aspects such as operational and management performances.
4.6, 4.7	Processes to avoid conflicts of interest and for determining composition, qualifications, diversity and expertise of the highest governance body and its committees.	●	111, 115, 117-118, 133, 139
4.8, 4.12	Internal statements of sustainability mission, values, codes of conduct, and principles and the status of their implementation. External charters, principles, or other initiatives to which the organisation subscribes.	●	61, 63, 69, 87-88

Index according to GRI (G3.1 Core Indicators)	Reported	Page(s)
4.9 Procedures of the highest governance body for overseeing the identification and management of sustainability performance, including relevant risks, and compliance with international standards/codes.	●	63-67, 119
4.10 Processes for evaluating the highest governance body's own sustainability performance.	●	63, 119
4.11 Explanation of whether/how the precautionary approach or principle is addressed.	●	63, 66-67, 74, 82-86
4.13 Memberships of strategic nature with associations or advocacy bodies	●	63, 87, 90
4.14-4.17 Selection of stakeholders, stakeholders engaged, approaches to stakeholder dialogue (type/frequency), statements on key concerns raised by stakeholders	●	66-67
5. Performance Indicators		
5.1 Economics		
EC1 Economic value generated and distributed	●	32-59, 215
EC3 Defined benefit plan coverage	●	183-185
EC4 Significant financial assistance received from government	●	No significant financial assistance received from government
5.2 Environment		
EN3 Direct energy consumption by primary energy source	●	75
EN4 Indirect energy consumption by primary source	●	75
EN5 Energy saved due to energy efficiency improvements	●	75, 215
EN6 Energy efficiency initiatives/renewable energy based products, and resulting energy reductions achieved	●	75-77, 81
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	●	75-77
EN10 Percentage/total volume of water recycled & reused	●	77-78
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	●	215, 218-219
EN16 Total direct/indirect GhGs emissions by weight	●	75, 215, 218-219
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	●	75-76, 87
EN19 Emissions to ozone-depleting substances by weight	●	77, 215, 218-219
EN22 Total weight of waste by type and disposal method	●	79-81, 215, 218-219
EN23 Total number and volume of significant spills.	●	No significant spills recorded in 2012
EN26 Initiatives to mitigate environmental impacts of products and services	●	74-81, 87-89
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	No fines or non-monetary sanctions for non-compliance with environmental laws and regulations recorded in 2012.
5.3 Social and Wider Society Performance		
LA1 Workforce by employment type and region	●	68, 216-217
LA2 Total number and rate of new employee hires and turnover by age group, gender, and region.	●	70-71, 216-217
LA4 Percentage of employees covered by collective bargaining agreements	●	69, 216-217
LA7 Injuries, absentee rates and work-related fatalities	●	83, 215
LA12 Percentage of employees receiving regular performance and career development reviews	●	70, 216-217
LA15 Return to work and retention rates after parental leave, by gender	●	71, 216-217
HR3 Employee training on aspects of human rights	●	69
HR4 Incidents of discrimination and actions taken	●	69
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	●	No incidents of violations involving rights of indigenous people were recorded
SO3 Percentage of employees trained in corruption prevention	●	69
SO4 Actions taken in response to incidents of corruption	●	69
SO8 Monetary value of fines and number of non-monetary sanctions for non-compliance with laws and regulations	●	Except as stated on page 71, there was no non-compliance with laws that resulted in significant fines or sanctions identified.
PR4 Total number of incidents of non-compliance with regulations/voluntary codes on product and service information and labelling, by type of outcomes.	●	No incidents of non-compliance recorded.
PR8 Total number of substantiated complaints on breaches of customer privacy and losses of customer data.	●	No incidents of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Independent Assurance Report

Independent Assurance Report to The Hongkong and Shanghai Hotels, Limited

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited to provide assurance on the Sustainability Review and Data Statements 2012 (further referred to as "The Report") for the year ended 31 December 2012.

Responsibilities of the Directors of The Hongkong and Shanghai Hotels, Limited

The Directors of The Hongkong and Shanghai Hotels, Limited ("HSH") are responsible for the preparation of The Report for the year ended 31 December 2012, for determining the content and statements contained therein, and for establishing sustainability reporting guidelines and maintaining appropriate records from which the reported sustainability information is derived.

Responsibilities of the independent assurance provider

Our responsibility is to express our conclusions to HSH on the findings of our work referred to below and to examine the presentation of the sustainability information for consistency with our findings. Our independent limited assurance report is made solely to HSH in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of HSH those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than HSH for our work, for this independent limited assurance report, or for the conclusions we have reached.

Scope of work

Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report is in all material respects fairly stated in accordance with the reporting criteria described below. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Basis of our work

We conducted our work in accordance with ISAE 3000¹, with a team of specialists in auditing sustainability information and with experience in similar engagements. This standard requires that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain limited assurance about whether the information presented is free from material misstatement.

HSH uses the Sustainability Reporting Guidelines of the Global Reporting Initiative (G3.1), as detailed in the Reporting Standards and Assurance of the Sustainability Review. It is important to view the performance data in the context of this explanatory information.

Work performed

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to provide sufficient evidence for us to give limited assurance over the scope of work outlined above.

Our work included the following procedures using a range of evidence-gathering activities which are further explained below:

- An evaluation of the results of HSH's stakeholder consultation processes and their methodology for determining the material issues for key stakeholder groups;
- Media analysis and an internet search for references to HSH during the reporting period;
- Conducting interviews across the business concerning sustainability strategy and policies for materials issues and their implementation;
- Conducting interviews with management and other personnel at HSH to obtain an understanding of the information collection process;
- Examining and testing of the systems and processes in place to generate, aggregate and report the sustainability performance information. We also tested the reliability of underlying sustainability information at the local operations selected for a site visit;
- Visits to a risk-based selection of two local operations;
- Checking the GRI Index on pages 220 to 221 to ensure consistency with the GRI application level of B+; and
- Reading the information presented in The Report to determine whether it is in line with our overall knowledge of the sustainability performance of HSH.

Conclusion

Based on the work performed described above, nothing has come to our attention that causes us to believe that The Report of HSH for the year ended 31 December 2012, is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (G3.1) as described on pages 220 to 221 of the Report.



KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

13 March 2013

1. International Standard on Assurance Engagements 3000: Assurance engagements other than audits or reviews of historical information, issued by the International Auditing and Assurance Standards Board.

GRI Accreditation Statement



Statement GRI Application Level Check

GRI hereby states that **The Hongkong and Shanghai Hotels, Limited** has presented its report "Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 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 G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 20 February 2013

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 19 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

This Sustainability Review and Data Statements constitute
part of our Annual Report 2012. For the full report, please visit
www.hshgroup.com.



The Hongkong and Shanghai Hotels, Limited