



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

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
Green Financing Framework
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1. Introduction

1.1 Business Overview

The Hongkong and Shanghai Hotels Ltd (“HSH” or together with its subsidiaries and joint ventures “the Group”) is a luxury hospitality and real estate group incorporated in 1866 in Hong Kong and listed on Hong Kong Stock Exchange (00045). The Group’s businesses are grouped under three divisions: (i) Hotels (ii) Commercial properties and (iii) Clubs & Services. HSH owns and operates some of the world’s finest hotel properties under the “Peninsula” brand in exceptional city center locations in Asia, the United States and Europe. The Group also owns strategic real estate assets and tourism assets, including The Peak Tram – one of Hong Kong’s most popular tourist attractions. In addition, HSH owns residential apartments, office towers and commercial buildings for rental purposes.

1.2 Sustainability Vision and Strategy

1.2.1 HSH’s Sustainability Strategy ¹

With more than 155 years of history and heritage, HSH remains committed to exhibiting a strong sense of responsibility and integrity and to play a role in building a sustainable future. With the belief that the highest standards of luxury can be delivered in a sustainable way, moving beyond 2020, the Group enhanced and updated their corporate responsibility and sustainability strategy, called *HSH Sustainable Luxury Vision 2030 (Vision 2030)*, placing sustainability at the heart of the company’s business model and brand.

Vision 2030 incorporates a deeper focus on the business integration and using regenerative and proactive approaches. The Group’s new strategy leverages the strengths of HSH businesses, focusing on issues requiring significant and urgent attention, scaling positive benefits from any HSH offering, while reducing the negative impacts. HSH seeks to address key challenges and issues through *Vision 2030* by focusing on three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by 10 key commitments.

Vision 2030 seeks to harness HSH’s achievements and lessons from the past decade, to build a strong foundation in which the management aspires to remain resilient and unwavering in their commitments, facing challenges as they arise.

¹ More information on our approach and progress to sustainability can be found in our sustainability reports <https://www.hshgroup.com/-/media/Files/HSH/Sustainability-Reports/EN/2021-Sustainability-Report---EN.ashx>





1.2.2 Approach to Sustainability

HSH is continually exploring ways to reduce the environmental footprint, while upholding an unwavering dedication to luxury. Since the adoption of sustainability philosophies in the business in 2007, HSH implemented a number of impactful energy and water saving initiatives across their portfolio, such as building recommissioning, oil-free chiller systems, chiller optimisation, new building automation systems, LED lighting replacements, low flow sanitary fittings and faucet applications, low temperature washing etc.

For hotels and other developments, HSH adopted Building Research Establishment Environmental Assessment Method (BREEAM), a leading standard on sustainable buildings, to serve as a practical guide on the integration of sustainability considerations at HSH properties. Recent examples include 21 Avenue Kléber which received BREEAM Excellent and The Peninsula Beijing which received a BREEAM Good rating (third BREEAM-accredited building in the city and first for newly renovated hotels). At The Repulse Bay in Hong Kong, the de Ricou apartments, are certified with the Leadership in Energy & Environmental Design (LEED) Gold. HSH will continue to adopt the principles of sustainable building design as a core approach to developing the Group's portfolio.

HSH adopted the philosophies of circular economy – redesign, reduce, reuse, recycle and recover. The Group works with local waste processors, recyclers and upcyclers to divert waste from landfills and incineration facilities where possible – finding local and tailored close-loop waste solutions where available. In 2018, HSH began implementing a holistic approach to phasing out single-use plastics aligned with the Global Tourism Plastics Initiative.

HSH's approach on protecting the biodiversity of the natural environment is to avoid procuring products which are endangered or contribute to deforestation, and striving to source food products and other key commodities (such as paper, tea, coffee, chocolate, cotton and seafood) from sustainable sources. HSH was the first international hotel company to implement a group-wide shark fin ban in 2010 as part of efforts to preserve marine biodiversity.

To help facilitate HSH's response to climate change and minimise its environmental footprint, The Group has set group-wide targets and commitments in *Vision 2030* for greenhouse gas emissions, water efficiency and actions related to the mitigation of climate change such as adopting sustainable designs, mapping out climate risks at property level and engaging relevant stakeholders. Please refer to the Group's [Corporate Responsibility and Sustainability Report](#) for more details. The Group's sustainability performance is benchmarked against industry peers through The Cornell Hotel Sustainability Benchmarking and EarthCheck Certification.

As an important step for HSH to further integrate sustainability into its overall business and financing strategy as part of *Vision 2030*, HSH signed its first sustainability-linked loan in 2021 which is directly linked to HSH's sustainability performance. The proceeds of the loan will be used to generate working capital and corporate funding including sustainability-related capital expenditure and initiatives.



1.2.3 Approach to Climate Risks

Climate change poses both risks and opportunities. Climate change and the global rise of temperatures have contributed to extreme weather events that have increased in frequency and intensity. The associated climate risks that the Group is facing in the coming decades could lead to disruption of business operations and supply chain, impact on the accessibility to and attraction of our assets, increase in operating costs and capital expenditure as well as more stringent regulations on the way it conducts business.

The potential impact of the climate crisis is clearly of concern. The Group wants to ensure we are well-positioned to weather the impacts by continuing to monitor and deepen our understanding of the inter-related and complex nature of climate risks. Currently, the Group mitigate risks related to extreme climate events by (a) maintaining comprehensive insurance coverage for their properties, (b) installing physical protections in the event of a natural disaster, (c) establishing site and company level crisis management teams with business continuity plans to facilitate emergency responses. For long-term planning, HSH will integrate climate risks in the planning and design process of all future development and investment projects. Due to the cascading effects of climate change causing multiple risks, particularly the transitional and financial risks, HSH is committed to deepening our understanding of such impacts.

Group Risk Committee and the Board will continue to receive regular updates from the CRS department to understand the evolving climate risks in order to determine effective short-term responses, and develop long-term adaptation strategies. Please refer to the Group's [Approach to Climate Risks](#) which references the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), for more details.

1.2.4 Governance on Corporate Responsibility and Sustainability

The Group Corporate Responsibility Committee (GCRC), chaired by the CEO, has been given responsibility by the Group Management Board (GMB) to manage all aspects of the implementation of the sustainability approach. GMB, also headed by the CEO and comprised of other group executives and senior management, is the principal decision-making body responsible for the management and day-to-day business of the Group. The Board oversees the management of sustainability issues through regular engagement and updates from GCRC. The Board considers sustainability to be of substantial importance warranting the regular review of the Group's sustainability approach, strategy and performance at least once a year.

To enable the integration and cross-functional implementation of sustainability into the business, the GCRC is comprised of Group Champions and supported by the Corporate Responsibility and Sustainability (CRS) department, which is set to coordinate and formalize sustainability efforts across the Group. Group Champions are the functional heads representing different aspects of the business including finance, human resources, operations, legal, corporate affairs, sales & marketing and projects.

At local level, each operation has its own committee chaired by either the General Manger or the Hotel Manager with champions comprising of division or department heads, who met regularly to develop and implement action plans and strategies pertaining to the Group's commitments.



The Head of CRS regularly reports to the Board and GMB and updates the Group Risks Committee on Environmental and Social risks related to the business. The Head of CRS also coordinates CRS-related risk mitigation actions across the Group. Group risks are then escalated to the Audit Committee and the Board for reference or action.

THE BOARD

Board of Directors

- Oversees management of CRS issues;
- Reviews and provides final approval for CRS approach, strategy and performance at least once a year



GROUP LEVEL

Group Management Board

- Principal decision making body on CRS decisions and direction

Group Corporate Responsibility Committee

- Chaired by CEO;
Supported by Head of CRS and *Vision 2030* Group Champions
- Coordinates CRS efforts across the Group;
 - Monitors progress, performance and latest trends

OPERATION LEVEL

Local CRS committee

- Chaired by General Managers or Hotel Managers;
Supported by functional or department heads
- Implements CRS programmes and action plans



2. HSH Green Financing Framework Overview

The HSH Green Financing Framework (the “Framework” or “GFF”) was developed to demonstrate how the Group could, with Green Financing Transactions (“GFTs”), fund projects that would deliver positive environmental impact and foster sustainable practices in support of the Group’s green and sustainability strategy.

GFTs will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects Categories as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with 2021 Green Bond Principles (“GBP”) by ICMA², or as they may subsequently be updated.
- With respect to loans, loans issued under this Framework will be aligned with the 2021 Green Loan Principles (“GLP”)³ and Guidance on Green Loan Principles⁴, or as they may subsequently be updated.
- Other GFTs may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

GFTs do not place restriction on the tenor and currency and can include other terms and conditions (including covenants) to reflect the financing strategy and plans of the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFTs may be issued in any jurisdiction and market reflecting the Group’s current and future business needs.

For each GFT, the Group’s management asserts that it will adopt the following core components of the GBP and GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

The Framework also includes the appointment of an external review provider to confirm the alignment of the GFF to the above core components.

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks>

³ <https://www.lsta.org/content/green-loan-principles/?wpdmdl=679&refresh=606dc1af337291617805743>

⁴ <https://www.lsta.org/content/guidance-on-green-loan-principles-glp/?wpdmdl=13924&refresh=606dc064cef171617805412>



The Framework will be in force as long as there is active GFTs. The Group may update the Framework from time to time and commits that any updated version will maintain or seek to improve the current level of transparency and reporting. The Group commits to communicate changes with investors/lenders via HSH’s official website (<https://www.hshgroup.com/>).

2.1 Use of Proceeds

The net proceeds of the Green Bonds and Loans will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the below categories of eligibility as recognized in the 2021 GBP and GLP (“**Eligible Projects**”):

2.1.1 Eligible Project Categories

Eligible Project categories may include projects taken on by the Group during the 3 years prior to the issuance or signing date of the respective GFTs and during the life of the GFTs.

Project Category	Eligible Projects for the Group
<p>Green Building</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> • New construction and/or renovation/refurbishment of existing buildings achieved or going to achieve, any one of the following certifications: <ul style="list-style-type: none"> ○ Building Research Establishment Environmental Assessment Method (BREEAM) – minimum certification level of Excellent; or ○ U.S. Leadership in Energy and Environmental Design (LEED) minimum certification of Gold; or ○ Any other internationally recognised green building standard equivalent to the aforementioned standards.
<p>Energy Efficiency</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> • Projects involving the upgrading of facilities/equipment (e.g. cooling and chiller system, lift system, lighting system, fresh air supply system) of existing developments that shall result in 15-20% or more improvement against the development’s original energy consumption based on performance prior to project commencement. • Projects with adoption of smart technologies and/or systems for tracking, monitoring, managing and optimising energy usage in new and existing buildings to ensure achieving certain energy saving targets. Such projects shall result in 15-20% or more improvement in energy efficiency when compared to performance prior to project commencement. Examples of smart technologies include smart HVAC systems.



<p>Renewable Energy</p> <p>7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> • Design, construction, installation and operation of renewable energy (primarily solar and wind). • Projects involving replacement or upgrading facilities/equipment to expand the use and generation of renewable energy.
<p>Clean Transportation</p> <p>7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> • Investments associated with replacing traditional fuel vehicles by electric or hydrogen vehicles, and/or infrastructure including charging stations for electric vehicles.
<p>Sustainable Water Management</p> <p>6 CLEAN WATER AND SANITATION</p> 	<ul style="list-style-type: none"> • Water saving/ efficiency projects to reduce domestic and commercial water consumption (e.g. rainwater harvesting system, cooling water recycler, irrigation system with water-saving features, no-water urinals and carwash, drought resistance landscaping and turf green, replacing leakage/obsolete water systems), that shall result in 5-10% or more improvement against the development’s original water consumption based on performance prior to project commencement.
<p>Waste Management</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> • Projects involving the adoption of plastic-alternative products to reduce the use of single-use plastic. • Projects related to collection, delivery and/or recycling of general waste. • Projects involving collection and/or delivery of food/organic waste to resources recovery. • Innovations or pilot projects adopting principles of circularity
<p>Climate Change Adaptation</p> <p>13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> • Projects that support climate change adaptation through building/landscape design and asset-level enhancements. Examples include facility upgrades such as drainage system upgrade and flood gate installation to reduce flood risk, curtain wall/ window replacement projects to adapt to extreme weather like stronger wind and rainfall and increase in temperature due to climate change, potential contribution to community-wide initiatives led by governments and other local authorities to combat rising sea levels.



2.2 Process for Project Evaluation and Selection

CRS and Group Corporate Finance team identify and select projects that meet the aforementioned criteria, shortlisted projects are presented to GCRC for formal approval as Eligible Projects. This process is supported by other relevant departments with appropriate technical skills and experience, to ensure alignment to the Group's *Vision 2030* and timely execution of the approved projects.

CRS and Group Corporate Finance team are responsible to monitor the implementation of the Eligible Projects until full allocation and ensure compliance with the Use of Proceeds section in this Framework as well as with the environmental guidelines under the GBP and GLP, as applicable within the Group. Key updates will be provided to GCRC on a regular basis, and in case of any controversies or non-compliance, investigation will be conducted to identify the issues, determine rectifying actions, and communicated to lender(s) and key stakeholders, depending on the severity of the issues.

In addition, CRS and Group Corporate Finance team are responsible for managing any future updates of the Framework (including any expansion of requirements of use of proceeds), endorsed by the Group's GCRC. Eligible Projects may include new projects, projects under construction or projects in the Group's existing portfolio, with a disbursement date no older than 2 years upon completion of project.

2.3 Management of Proceeds

The net proceeds from each GFT issued will be managed by the Group's Corporate Finance team and the proceeds of each GFT will be deposited in the general funding accounts. All of the net proceeds from each GFT will be earmarked for allocation to Eligible Projects, in accordance with the GFF.

The Group will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information, including:

2.3.1 Type of Funding Transaction

Key information including the issuer/borrower entity, transaction date, principal amount, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number (in the case of bond transaction/s).

2.3.2 Allocation of Use of Proceeds

- Name and description of Eligible Projects to which the net proceeds of the GFTs have been allocated to in accordance with the Framework
- Allocation of the net proceeds of GFTs to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds



The Group is committed to allocating all net proceeds from the GFTs to Eligible Projects exclusively on a best effort basis within one year of the GFT issuance in accordance with the evaluation and selection process set out above.

Pending allocation, the net proceeds from the GFTs issued may be invested in cash or cash equivalents, or used to repay existing borrowings of the Group. During the life of the GFT issued, if the designated project(s) ceases to fulfil the criteria necessary for it to be deemed an Eligible Project, the net proceeds will be re-allocated to an alternative Eligible Project(s) that comply with the green financing eligibility criteria outlined above, as soon as reasonably practicable.

2.4 Reporting

The Group will provide information on the allocation of the net proceeds and impacts of its GFTs via HSH's Corporate Responsibility and Sustainability Reports, Annual Reports, or corporate website. Such information will be provided on an annual basis until full allocation, and to be verified by third party along with our Annual CRS Reporting. The information will contain at least the following details:

2.4.1 Allocation Reporting

The Group will provide the following information for the net proceeds of the relevant GFTs during the period:

- The aggregate amount allocated to active Eligible Projects (with brief project description of each)
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Share of financing vs. refinancing

2.4.2 Impact Reporting

Where possible, the Group will report on the environmental impacts associated with the Eligible Projects funded with the net proceeds of the GFT(s).



Subject to the nature of Eligible Projects and availability of information, the Group will report on the most appropriate Impact Indicators, see below for the commonly used indicators⁵:

Eligible Categories	Impact Indicators ⁶
Green Buildings	<ul style="list-style-type: none"> • Type of scheme and level of certification by property • Energy efficiency gains in MJ or % vs. baseline • Annual GHG emissions reduced/avoided (tCO₂e) • Annual energy savings intensity (MJ per sq.meter) • Annual reduction in water consumption (m³)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided (tCO₂e)
Renewable energy	<ul style="list-style-type: none"> • Annual Renewable energy produced (MWh pa) • Renewable energy capacity (MW) • Number of solar lights and panels installed • Annual GHG emissions reduced/avoided (tCO₂e)
Clean Transportation	<ul style="list-style-type: none"> • Number of charging stations for electric vehicles • Number of clean vehicles deployed
Sustainable Water Management	<ul style="list-style-type: none"> • Amount of water recycled (m³) • Amount of water reused (m³)
Waste Management	<ul style="list-style-type: none"> • Waste diverted from landfill or incineration (kg)
Climate Change Adaptation	<ul style="list-style-type: none"> • Number and type of mitigation and adaptation measures installed

3. External Review

The Group has engaged Moody's to provide a Second Party Opinion ("SPO") on its Green Financing Framework.

⁵ This is not an exhaustive list of indicators that will be used. The Group will report on indicator(s) that can best represent the impact of the Eligible Projects.

⁶ *Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Handbook – Harmonised Framework for Impact Reporting <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>