



Sustainability Review 2014

THE HONGKONG AND SHANGHAI HOTELS, LIMITED



Looking to the future, we are committed to ensuring that our Company continues to adhere and prosper in a sustainable way. Corporate responsibility and 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 succeed for decades to come. As you will read in this Sustainability Review, the Sustainable Luxury Vision 2020 puts sustainability at the heart of the Company's business model and brand. With seven areas of focus covering all divisions of the business, Vision 2020 sets out a blueprint for our business and our ambition to take luxury to the next level.

The Hon. Sir Michael Kadoorie
Chairman

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We unveiled our Sustainable Luxury Vision 2020 in 2013, setting out our blueprint for sustainable growth and our ambition to achieve a new level of sustainable luxury. As the first full year of our journey towards Vision 2020, our focus in 2014 was on laying the foundations for achieving our long-term goals. This involved developing action plans and implementation guides to drive success, enhancing our reporting system to track our progress, and embedding Vision 2020 into our management decision processes.

To deliver on both luxury and sustainability is challenging. There will be successes and setbacks in our path towards Vision 2020 and 2014 was a year in which we embraced both. For example, our hotels division made good progress in improving water efficiency whereas our energy management performance fell short of the targets we had set. HSH became part of the Climate Disclosure Leadership Index for Asia (ex-Japan). We were also one of the first companies in the world to comply with the new Global Reporting Initiative (GRI) G4 reporting standards starting in 2013 and to be verified by GRI on our report's Materiality Disclosures. Our Sustainability Report contains detailed data and reports on all of our activities.

Clement K.M. Kwok
Chief Executive Officer



In this section of the Annual Report, we report on the progress and challenges we faced in delivering the HSH Sustainable Luxury Vision 2020. It also covers specific environmental and social issues that contribute to the sustainable development of HSH and are of interest to our stakeholders.

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 271 of this report.

REPORTING SCOPE¹

This section focuses on the Company's businesses in the hotels division and commercial properties division, as well as Thai Country Club, Quail Lodge & Golf Club and Tai Pan Laundry in the clubs and services division where HSH has operational control. This covers 94%² of the Group's business portfolio. 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 reporting scope for 2014 has been expanded to include The Peninsula Residences in Shanghai, and The Peninsula Paris from when it became operational on 1 August.

REPORTING STANDARDS AND ASSURANCE

We have used the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) G4 and the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide) in the development of this report. GRI and ESG references can be found on pages 258-265. The report meets GRI G4 Core Level compliance and is verified by GRI on Materiality Disclosures.

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 G4 as detailed on pages 258-265. The report from KPMG is set out on pages 266-267.

MATERIALITY AND DEFINING REPORT CONTENT³

The content reported in this section covers the calendar year of 2014. In line with G4's materiality principles, our process for defining report content is guided by the most significant and relevant sustainability issues identified by the Company's Group Corporate Responsibility Committee and through a materiality process involving both external and internal stakeholders. Details of HSH Sustainability Materiality Matrix can be found on page 60.

In the Report, disclosures of management approach for material GRI aspects and topics are mapped to the pillars within our Sustainable Luxury Vision 2020. The Sustainability Data Statements section supplements the discussion with detailed performance data. (See pages 253-257)

¹ GRI G4 Material Disclosure: G4-17

² Based on the Group's annual revenue in 2014.

³ GRI G4 Material Disclosure: G4-18, 27



SUSTAINABLE LUXURY

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The Sustainable Luxury Vision 2020

HSH aspires to deliver the highest standard of luxury in a sustainable way and continue to grow responsibly and sustainably.

Guest Experience



Employees



Community



Supply Chain



New Build & Refit



Operation



Governance & Management



Guest Experience

New in-room technology raised global standards of personalised in-room experience.

Re-launched peninsula.com to enhance online guest experience

Electric car joined The Peninsula's luxury car fleet in Tokyo. Car charging stations are available at Quail, The Repulse Bay and some Peninsula hotels.

An exclusive interactive Pokémon adventure aimed at family travellers debuted at The Peninsula Tokyo.

Tradition Well Served premiered worldwide.

The Peninsula Academy introduced guests to traditional crafts and culture.

Governance Management

Vision 2020 workshops and action review meetings were conducted with the executive committees of operations. **13**

HSH Sustainability Materiality Matrix provides a mapping of material issues for the company.

Group Risk Register and Bi-annual Safety and Security Risk Assessment to assess and monitor operational risks the Group is exposed to

A bespoke 2-year stakeholder engagement plan with Vision 2020 as the theme of engagement

Instigated an industry-wide stakeholder engagement programme with International Tourism Partnership members to map material sustainability issues for the hospitality industry

Revamped the reporting tools in various areas to provide more accurate and comprehensive understanding of our corporate responsibility and sustainability performance

Among the **1st** in the world to meet GRI G4 disclosure requirements, verified by KPMG and accredited by GRI

Scored a high **90B** for CDP 2014. Invited to join Climate Disclosure Leadership Index Asia ex-Japan

PROGRESS

TOWARDS

VISION 2020 AMBITIONS

Employees

Conducted global employee engagement survey with over **90%** response rate

Introduced global competency framework and training

New e-learning module on Vision 2020 is being developed.

Introduced e-performance modules of the global HR system to selected employee groups

Enhance emergency preparedness through more disciplined emergency drills

Conducted **16K** hours of health and safety training

Supported employee wellness with a wide range of programmes, including The Peninsula New York and The Peninsula Chicago's employee wellness day

New Build & Refit

Adopted BREEAM, a UK-based certification scheme, in the HSH Design Standards as a benchmark of sustainable building design

Achieved LEED Gold certification for the renovation of de Ricou apartments

Planning & Tracking, Sharing & Learning

All operations developing action plans to deliver Vision 2020 ambitions

New reporting tools to monitor progress

Vision 2020 Spotlight to share best practice and personal stories quarterly

Leveraging different channels to communicate Vision 2020

(e.g. CEO webcast, all-hands meeting, CRS corner on Intranet, staff notice board, workshop and games)

Supply Chain

Over **70%** of paper products are from certified sustainable sources

Conducted sustainability review on our seafood offering in Asia with the support of WWF

The Peninsula New York and The Peninsula Paris serves market fresh menu and embraces farm-to-table concept.

Coffee used by The Peninsula Tokyo and Quail are from certified ethical sources.

Caviar served at The Peninsula Shanghai is from internationally-certified sustainable caviar farm in China.

New collection of bathroom amenities are without substances potentially harmful to human health.

Sustainable procurement guidelines for different materials are being developed.

Most operations have incorporated HSH Supply Chain Code of Conduct requirements in their supplier pre-qualification process.

Introduced protocols for procurement teams to assess high-risk suppliers' compliance with HSH Supply Chain Code of Conduct

Operation

22% reduction in carbon intensity

18% reduction in water intensity by hotels division

Rolled out HSH Water Management Guide

Conducted a pilot building re-commissioning project to optimise energy use

Achieved **45%** waste diversion rate

The Peninsula Paris offers guests premium glass bottled water and works with its supplier to reuse the bottles, reducing waste.

The Peninsula hotels in Beijing, Hong Kong and Manila achieved HACCP certification.

All hotels conducted HACCP gap analysis and developed plans for achieving compliance.

The Peninsula Chicago and The Peninsula Tokyo achieved EarthCheck certification.

Community

Introduced a new strategic framework that links community engagement with core operations

Conduct regional community best practice calls quarterly

11K hours of community service in 2014 (Up 50%)

Operations are building longer term and more in-depth partnerships with selected local community organisations.

Hotels developed innovative partnerships for Peninsula in Pink and Trees of Hope.

2nd Honing Skills in Hospitality programme to support the development of underprivileged ethnic minority youths in Hong Kong

Hired over **50** employees with disabilities

Governance & Management



OUR MISSION

We meet local laws and regulations and ensure that our business is conducted in accordance with professional, ethical and moral standards, as outlined in our code on corporate governance, so as to achieve sustained, healthy and long-term growth.

We consult and share our sustainability performance with our key stakeholders and balance their interests with the Group's objectives.

OUR 2020 AMBITIONS

- Build a robust succession planning framework for senior leadership
- Introduce "Leaders for Good" Training Programme for management
- Establish a strong framework to track and manage financial, operational and environmental, social and governance risks
- Engage stakeholders on wider sustainability issues through a process that is meaningful and helps to advance the Group's sustainability commitments
- Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals
- Meet international and local sustainability disclosure requirements relevant to HSH

We unveiled our Sustainable Luxury Vision 2020 in 2013, setting out our blueprint for sustainable growth and our ambition to take our business to a new level of sustainable luxury. As the first full year of our journey towards Vision 2020, our focus in 2014 was on laying the foundations for achieving our long-term goals. This involved developing action plans and implementation guides to drive success, enhancing our reporting system to track our progress, and embedding Vision 2020 in our management decision process.

DRIVING EXCELLENCE THROUGH A ROBUST MANAGEMENT PROCESS

We believe that our journey to Vision 2020 would be made more focused by regular measurement of our progress. In 2014, we reconsidered the metrics that we should use and the data points that should be tracked in order to monitor our progress towards our 2020 ambitions. We introduced more comprehensive reporting templates on health and safety and workforce issues and rolled out a new reporting tool on sustainable sourcing during the year. We also revisited our monthly environmental reporting tool, expanding its scope to support the pursuit of our 2020 goals. The upgraded tool will be rolled out in 2015.

In addition, we have planned to provide more implementation guides to support operations in pursuing our 2020 ambitions. For example, a water management guide with a self-assessment checklist was rolled out in 2014 to facilitate operation teams in benchmarking themselves against the best water management practice within the Group and identifying room for improvement.

Creating accountability through executive oversight

The Group's Corporate Responsibility Quarterly Report captures key performance indicators for the review of the Group Corporate Responsibility Committee, enabling executive oversight on our performance towards Vision 2020 regularly throughout the year. At the end of 2014, the Company's executive team also reported back to the Board on the progress we made in this first year of implementing Vision 2020.

To strengthen how we govern the delivery of Vision 2020, the Group Management Board (GMB) issued a new requirement, whereby any proposals made to the GMB should include an analysis on the impact to the Sustainable Luxury Vision 2020 and other environmental and social implications.

Our accomplishments to date are the result of establishing rigorous governance and management processes that provide a strong foundation for our future. By continuing to evolve our governance and management practices, our aspirations for Sustainable Luxury Vision 2020 across all of its pillars would be enabled.

How We Govern and Manage at Group Level

The Company's Group Corporate Responsibility Committee (GCRC) provides a formal governance structure to address the wider aspects of our 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, objectives and plans for achieving our 2020 ambitions. The reporting structure and composition of the Committee is outlined on page 163 in the Governance Report.

Each of the seven Vision 2020 pillars is championed by a GCRC member whose role is to provide guidance and work with Group operations to deliver progress.

The Chief Executive Officer is accountable for HSH's overall corporate responsibility and sustainability performance. He is supported by the Director of 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.

Acting Locally

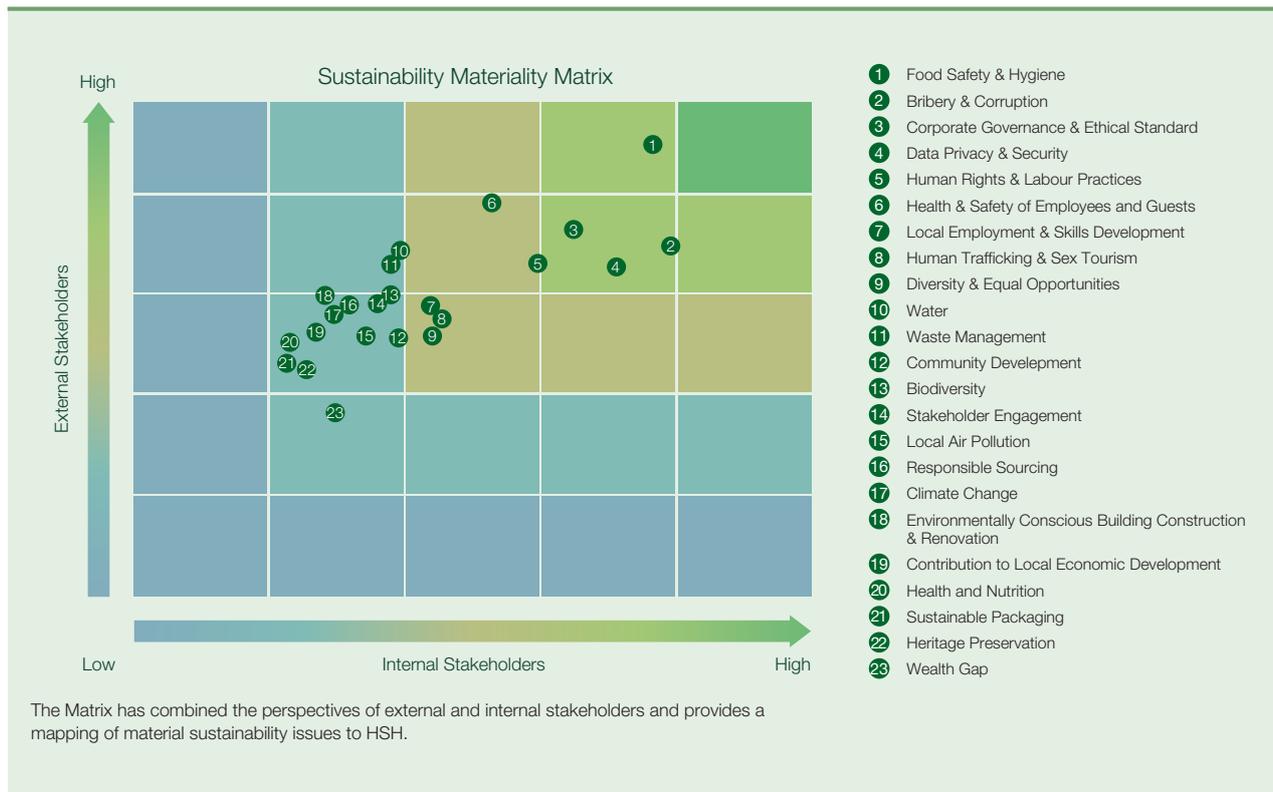
Group operations have also set up their corporate responsibility committees to coordinate actions and review progress for integrating sustainable practices in their day-to-day operations and delivering on its 2020 commitments. These committees are often supported by specific working groups on health and safety, the environment and community engagement.

FOCUSING ON WHAT MATTERS⁴

In our materiality matrix, material issues are defined as issues of the highest concern to the Company and to external stakeholders. These were defined through a process of risk assessment and stakeholder engagement involving over 100 stakeholders including the Group's management team as well as external stakeholders

from 12 major stakeholder groups in Asia, Europe and the US. For the Company, priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. The two factors were multiplied to give the overall rating of an issue. For external stakeholders, prioritisation is given to the importance of the issues to society and the relevance of HSH to these issues.

Sustainability Materiality Analysis



The materiality matrix provided the foundation for the framework of our Sustainable Luxury Vision 2020 policy. It provided important insights for us to take a more focused and proactive approach in managing issues of the highest concern to our stakeholders. We also mapped our matrix to international standards such as the Global Reporting Initiative's G4 framework to establish and prioritise our disclosure of key performance indicators.

Managing risks proactively

We have an established governance structure that supports the early identification and mitigation of key business risks. Our Group Risk Register covers key strategic and operational risks to the Company including sustainability risks, and is updated on a regular basis. For more information on how we manage risk, please refer to the Governance section on pages 170-175.

⁴ GRI G4 Material Disclosure: G4-18, 26, 27

Raising Awareness and Understanding on Climate Change Impact

In 2014, we carried out an internal survey on climate change risks and opportunities. The management teams in our corporate headquarters and our operations across the world were invited to assess a wide spectrum of potential climate risks and opportunities to the Company, with a view to raising their awareness on climate issues. The survey findings also informed our response to the climate change programme of Carbon Disclosure Project (CDP).

We conduct onsite safety and security risk assessments at all properties biannually to ensure proper precautionary measures have been taken to safeguard the safety and security of our guests and staff. (See page 88 for more information)

BRINGING OUR VISION TO LIFE THROUGH STAKEHOLDER ENGAGEMENT⁵

Stakeholder engagement is central to our Sustainable Luxury Vision 2020 with dedicated pillars focused on engagement with our guests, employees, communities, suppliers and contractors. In the Governance and Management pillar of our vision, we formalise our commitment to ongoing transparent and value-added engagement to support shared objectives between the Company and our stakeholders.

In summer 2013 when we launched Vision 2020, we also developed a two-year, three-phased stakeholder engagement plan to ensure that we inform and listen to stakeholders in our Vision 2020 journey. The plan defined a rigorous process focusing on integrated and continuous engagement with internal and external stakeholders throughout the year. Following the plan, during 2014 our focus was on raising awareness and building understanding of Vision 2020 internally while beginning to share our new vision with external stakeholders.

Aligning the commitment at the centre

It is important that the management team at our corporate headquarters are aligned in their commitment to the Group's new vision for sustainable luxury and are able to provide leadership to our operation teams in embedding sustainability considerations in the different functions of day-to-day operations.



5 GRI G4 Material Disclosure: G4-26, 27

Contributing to an Industry-wide Effort

We are actively involved with the International Tourism Partnership (ITP), which is the voice for environmental and social responsibility in the hospitality industry. In 2014, our Corporate Responsibility and Sustainability Director was on the steering committee for an ITP initiative on conducting an industry-wide stakeholder engagement programme and creating a mapping of material sustainability issues to the hospitality industry. A stakeholder forum was also organised as part of the

process to provide an opportunity for a two-way dialogue between the hotel industry and external specialists. HSH contributed by sharing our methodology and experience in our materiality process.

2-way dialogue between hotel industry and external specialists

The findings of the study identified water as the top environmental issue and labour standards as a top social issue, for which ITP will take forward as its focus areas in engaging hotel companies to share best practice and identify new solutions. The findings also validated our own materiality matrix. Although our matrix was developed two years ago, it remained relevant to stakeholders' current concerns and provided appropriate representation of the material issues to our company.

In 2014, we commissioned an independent consultancy to carry out one-on-one interviews with the senior management team and each general manager at the corporate headquarters. This engagement programme provided valuable insights into the understanding of Vision 2020 among our corporate leaders, the perceived barriers in achieving the 2020 ambitions, and ways by which the Corporate Responsibility and Sustainability team could best support our corporate leaders in integrating sustainability considerations into the different business functions.

Translating the global vision to local actions

As part of the two-year stakeholder engagement plan in building a shared commitment to Vision 2020 across the Group, workshops and action review meetings were conducted with the executive committee and key department heads at each operation. During 2014, following the workshops, each operation has been busy setting its local ambitions and sketching out its action plans over the next six years for contributing to the delivery of the Company's 2020 ambitions.

We also used various means at the Group level and at property level to engage employees on our new vision for sustainable luxury. (See page 74 for more information) We will continue to expand our effort in this area over the coming years, striving to build a wider and deeper understanding among all employees until this commitment takes roots in and reaches all areas of our business.

Communicating externally⁶

In 2014 we began to communicate our vision for sustainable luxury externally. Through various regional and local forums and conferences, we shared Vision 2020 with a broad range of stakeholders including institutional investors, non-profit organisations, sustainability professionals and academia as well as our peers in the hospitality and luxury sectors.

6 GRI G4 Material Disclosure: G4-26, 27

We continued our engagement with industry advocacy groups and organisations to keep ourselves informed of the latest developments on sustainability issues and to learn from the experience of other industry peers. We are a member of Forum for The Future (www.forumforthefuture.org) and several industry bodies, including International Tourism Partnership (www.tourismpartnership.org) and the Advisory Group of Cornell Hotel Sustainability Benchmarking Study, contributing time and input to support industry-wide initiatives and research. In Hong Kong where the Group is headquartered, we continued our engagement and collaboration with WWF Hong Kong (www.wwf.org.hk) and Hong Kong Council of Social Service (www.hkcss.org.hk).

UNITING TO MEET OUR 2020 AMBITIONS

We are proud to have crafted out our new vision for sustainable luxury, putting sustainability at the heart of our business model and our brand. However, to transform our 2020 aspirations into reality, we must mobilise as an organisation. It takes the passion, the creativity and the commitment of each member of staff to make a difference in our collective journey to Vision 2020. In the coming years, we will work hard on galvanising this commitment throughout the HSH family, in an effort to inspire each of us to live and breathe the values of our new vision.

HOW WE DID IN 2014?

-  All operations developed action plans and defined the associated goals contributing to Sustainable Luxury Vision 2020.
-  Developed communication tools to support the leadership teams of all operations to cascade localised Vision 2020 plans to the wider workforce
-  Implemented the two-year stakeholder engagement plan to support the rollout of Sustainable Luxury Vision 2020
-  Continued to expand employee engagement efforts on corporate responsibility and sustainability
-  Continued to improve the robustness of the Group's sustainability reporting

 Achieved  On Plan  Behind Plan  Objective Missed

OUR 2015 COMMITMENTS

- All operations to finalise Vision 2020 site level targets and action plans
- Continue to expand employee engagement efforts on Vision 2020
- Renew the two-year stakeholder engagement plan
- Enhance the use of website to communicate with stakeholders on Vision 2020
- Continue to improve the Group's sustainability management process

Guest Experience



OUR MISSION

We strive to offer unique experiences, timeless glamour and exquisite surroundings and facilities, all designed to enrich, enhance and create everlasting memories for our guests while respecting the environment and preserving our heritage.

Our service is genuine, personalised and innovative, and we are committed to quality in everything we do.

OUR 2020 AMBITIONS

- Expand our customer base, particularly in the 30s-50s age groups, and nurture their loyalty through our authentic service culture and the use of innovative technology
- Attract family travellers by providing facilities and services that cater to their needs
- Attract senior travellers by providing facilities and services that cater to their needs
- Engage our customers in preserving our heritage for future generations
- Provide Green Meeting options to corporate clients
- Continue to create memorable guest experiences through impeccable service, applying the right technology, leveraging on the resources of the cities we operate in, and creating an environment that supports our guests' lifestyle choices, such as healthier and more sustainable lifestyles



As the world's leading small luxury hotel group, HSH has a proud heritage as Asia's oldest hotel company, which first started in Hong Kong in 1866. Building on our reputation as a purveyor of timeless luxury, we are as committed to defining the future of luxury as we have been to preserving our magnificent heritage of the past. Our Sustainable Luxury Vision 2020 focuses on refining and evolving luxury in tandem with the changing needs of our guests.

We understand that there is a perceived divide between the notion of luxury and the principles of sustainability. To bridge this divide can be challenging. However, we believe that our relentless attention to detail and persistent quest for quality will lead us to new opportunities for innovation – in delivering luxury and quality to our guests in the most sustainable ways, and enhancing standards by making sustainability part of the appeal of our luxury offering.

GOING BEYOND WHAT IS EXPECTED

Delivering luxury and quality service, exceeding the expectations of our guests and delighting them with unique and memorable experiences have always been at the heart of our ethos. We pride ourselves in providing our guests with a unique culture of warmth and genuine service. This unique culture, together with exceptional hotel products, award-winning facilities and a relentless attention to detail, has placed us where we are today.

*Watch a short interview with
The Hon. Sir Michael Kadoorie,
Chairman of The Hongkong
and Shanghai Hotels, Limited
about what defines
The Peninsula service.*



Measuring guest satisfaction

We tactfully solicit feedback from guests through our interactions with them, as well as through optional surveys available in the guest rooms. To gain a deeper understanding of the experience of our guests, we have also been engaging a mystery-shopping firm to carry out anonymous reviews of our service at each Peninsula hotel twice a year. In 2014, we decided to engage an additional partner to provide quality assurance of our service. This complements the existing programme with the opinion of another third-party and an expanded pool of luxury hotel companies for benchmarking the standards of our service delivery, while increasing the frequency of assessment throughout the year.

Both programmes provide thorough and quantifiable analyses on how well we meet our standards. The assessment covers the entire journey of guest experience

from making a reservation to departure, assessing the quality of services such as housekeeping and laundry, pools and fitness centres as well as our restaurants, lobbies, boutiques and other guest areas. The detailed analyses provide insights into how we can continuously improve. In 2014, key results from these guest satisfaction reports for our hotels did not reveal any fundamental, endemic gaps that we need to address but instead showed a range of specific, tactical improvement opportunities we could attend to at each property.

AN ENRICHED DIGITAL EXPERIENCE

In March 2014, we re-launched peninsula.com to further enhance our guests' online experience. The new website, accessible in multiple languages, is packed with in-depth content about our services, our destinations and our rich history. It aims to tell a deeper story of our brand and our unique properties. With the extensive use of videos and photography, the new website offers an immersive and dynamic digital experience that is captivating and visually impactful. It also goes behind-the-scenes to provide an insider perspective of each hotel, including the restoration process of The Peninsula Paris which opened in August 2014.

Guests can now make bookings in just two simple steps with the re-designed and simplified online reservation process. Traffic to the re-launched website has increased over 30%, and direct online bookings have also grown by 40%.

To appeal to the younger generation, social media integration has been enhanced, making it easy to share content and connect to social media networks. A new mobile version will be available in 2015.

*Watch a short film about the
unique Peninsula Moments*



SMART TECHNOLOGY DRIVES US FORWARD

The development of technology has created new opportunities for us to innovate our service: to deliver our service in more sustainable way and to make sustainability part of the appeal of our luxury offering.

Personalised in-room technology

We believe that guest-focused and intuitive technology can enrich guest experiences and help us stay relevant. Our state-of-the-art in-room technology elevates guest stays to a whole new level of experiential luxury. It also enables us to reduce the use of paper in the guest rooms as our service directories and room service menus are now available through the new customised, interactive tablets instead of print copies.

Driving down Electric Avenue

The Peninsula Hotels has been long celebrated for its exceptional collection of car fleet, ranging from customised Rolls-Royces to Minis and BMWs.

In pursuit of sustainable luxury, The Peninsula Tokyo became the first hotel in the Group and in Japan to add a customised all-electric sedan with zero tailpipe emissions to its fleet in 2014. Guests can now select a Tesla Model S for hired chauffeured service – the world's first premium, all-electric sedan in signature Peninsula green. During the



See the Feature Stories section to find out more about our exclusive in-room technology and luxurious car fleet.



year, other Peninsula hotels, Quail Lodge & Golf Club in Carmel, California and The Repulse Bay in Hong Kong also installed charging stations for electric cars for the use of their customers. These represent the first steps in making sustainability considerations part of the appeal of the luxury car service we offer our guests.

CURATING A UNIQUE GUEST EXPERIENCE

Exclusively designed to give our guests unique and unprecedented access to historical, cultural and local lifestyle experiences in each of our destinations, The Peninsula Academy offers a collection of bespoke programmes for both adults and children.

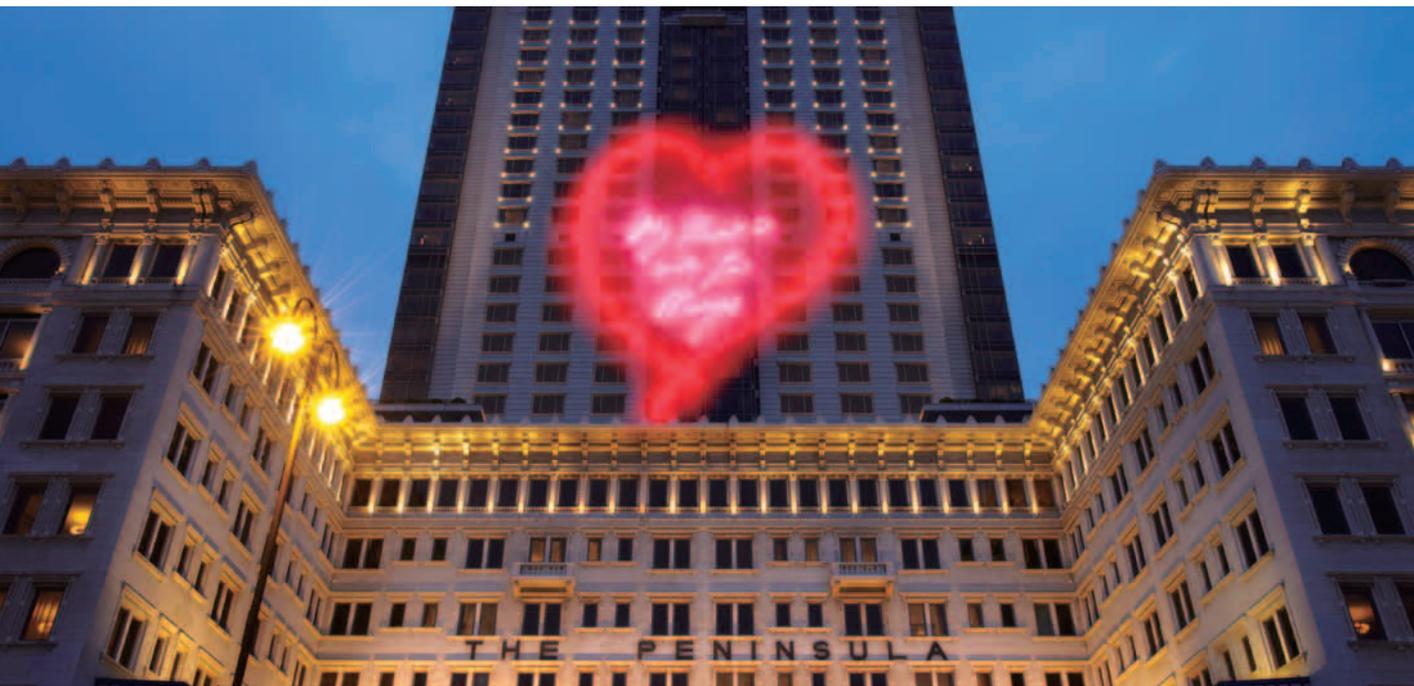
In 2014, The Peninsula Academy introduced 18 thoughtfully curated programmes, inspiring our guests with a deeper appreciation of our host cities through the lens of art, culture, fashion, cuisine and the nature. From exclusive access to a private chamber in Beijing’s Forbidden City and a coastal mangrove eco-adventure in Thailand guided by award-winning naturalists, to oyster foraging in New York or spending the day fishing with Chef Codney in Beverly Hills, these programmes embody our on-going commitment to provide unforgettable experiences for our guests, while also contributing to preserving these cities’ heritage and customs for future generations, in line with our Vision 2020 ambitions.

Adventures for Family Travellers

In October 2014, The Peninsula Tokyo debuted an interactive Pokémon adventure exclusively designed for the hotel by The Pokémon Company. Guests of all ages may don a Pikachu hat, armed with a Poké Ball, and set forth on an imaginative hotel-wide quest to seek out Pokémon characters!

This innovative and exciting adventure is part of The Peninsula Hotels’ efforts in creating unique experiences to family travellers.





The Peninsula Hong Kong's *Love Art at The Peninsula* initiative comprised a series of projects reflecting the hotel's support of contemporary artists and celebrating Hong Kong's burgeoning art scene. In the run up to the second Art Basel Hong Kong in May 2014, the hotel collaborated with international contemporary art gallery White Cube to unveil a spectacular work by Tracey Emin, one of the world's leading contemporary artists. The ground-breaking installation, *My Heart is with You Always*, was projected onto the hotel's tower, illuminating the façade of the hotel for four consecutive nights. The series of projects also included the installation of another

Celebrating Hong Kong's burgeoning art scene

stunning creation *Three Hundred Leafs* at the hotel's lobby by in-demand Chinese artist Su Xiaobai. Traditional clay roof tiles originated from abandoned Qing dynasty houses in China's Fujian province were suspended from the ceiling on wires, creating enchanting floating canopies at the lobby of the hotel.

Many Academy programmes offer a memorable time for families, but The Peninsula Kids' Academy is reserved specifically to our younger guests, providing fun insights into the tradition and culture of our cities as well as a delicious and educational time with our chefs.

ART AND SOUL

We want to share with our guests the rich culture and heritage of our cities, as well as the present-day excitement and possibilities of these cities.

The Peninsula Paris displays vibrant and contemporary artworks by French and international artists throughout the hotel. The artworks are juxtaposed with the building's historical elements, creating a dynamic interplay between the artworks and their surroundings. Contemporary artwork is displayed in other Peninsula hotels as well. The Peninsula Beijing initiated *The Peninsula Art Journey* programme, turning its public area and one of its suites into an art gallery for hosting rotating exhibitions from local contemporary artists. The programme created a dynamic visual experience for the guests of the hotel while

increasing the exposure for these budding local artists. In New York, the hotel collaborates with a private art collector showcasing selected artwork by renowned contemporary artists throughout the lobby and the newly renovated Gotham Lounge. Each artwork label features a unique QR code, which links to The Peninsula's website where more in-depth information can be found.

During the year, The Peninsula Tokyo showcased iconic works by photographer Keiichi Tahara, a former long-time resident of Paris whose many accolades include France's Order of Arts and Letters (Chevalier). Six photographs from the artist's Torse (Torso) portrait series held in the collections of The Louvre adorned the walls of the hotel's lobby throughout October. The artist donated these photographs to The Peninsula Tokyo for a silent auction to raise awareness and funds for the fight against breast cancer.

The Peninsula Academy's programmes also offer our guests the opportunity to experience the contemporary art scene of our cities – in Peninsula-style. They include a private tour of the Shanghai Museum of Contemporary Art led by the museum's deputy curator, a personalised excursion with a local art connoisseur to explore Tokyo's

vibrant art galleries, designer cafés and tea houses, and a private art lesson with artist Alexandre Renoir (the great-grandson of French Impressionist artist Pierre-Auguste Renoir) in Beverly Hills.

Our award-winning film Tradition Well Served, now available in all guest rooms, includes rare archival footage and behind-the-scenes clips showing the fascinating historical and cultural context underlying each of the Peninsula Hotels worldwide.

INNOVATING FOR SUSTAINABLE LUXURY

By looking through the prism of sustainability, we believe we can continue to enrich our guests' experience and make a positive impact on our society and the environment.

HOW WE DID IN 2014:

-  Enhanced online guest experience
-  Continued to add meaningful guest experiences that appeal to guests of all ages to the programme offering of Peninsula Academy

 Achieved  On Plan  Behind Plan  Objective Missed

OUR 2015 COMMITMENTS

- Create family-friendly programmes and facilities to offer unique experiences and further attract family travellers
- Relaunch the new room product at The Peninsula Chicago as part of the repositioning of the hotel
- Update and relaunch the Peninsula wellness concept across all hotels to provide our guests with a wider selection of options to maintain their wellbeing
- Roll out a new mobile version of Peninsula.com

Employees



OUR MISSION

We create a culture of engaged and loyal employees who are proud of our heritage and are passionate in delivering exceptional service. This is achieved in a family environment that promotes honesty and respect for each other, where we are recognised as a genuine and caring employer that continually grows and develops our own talent.

We are committed to the health and safety of our employees and endeavour to nurture them to make a positive impact on our customers, our community and the environment.

OUR 2020 AMBITIONS

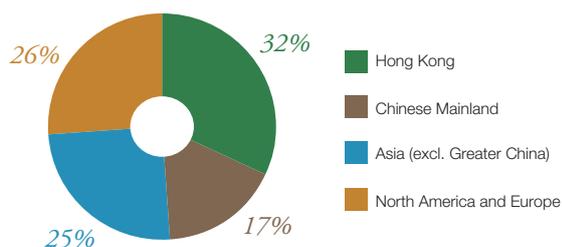
- Strengthen executive and leadership development
- Attract new talent and retain quality employees
- Implement the competency framework across the Group
- Introduce “Ambassadors for Good” Training Programme
- Empower Operations’ CRS champions through training
- Target zero work fatality or incident resulting in permanent disability
- Minimise occupational health and safety incidents by improving the processes and systems to support the management, planning and disclosure requirements on health and safety
- Achieve OHSAS 18001 for all operations
- Establish a global talent management system to support talent management, planning and disclosure needs

PEOPLE AT THE HEART OF OUR SUCCESS

Our employees are essential to our success. Caring, genuine, passionate and proud are qualities that describe the dynamic and diverse individuals who together form the HSH family. All of these qualities provide that little bit of magic that sets us apart.

We place great value and pride in the unique family culture that runs deep throughout the Group's 149-year history. We motivate, nurture and reward our employees, supporting them to realise their full potential for the growth and success of our business. We are also committed to providing an environment that promotes respect and equal opportunities for every employee.

More than 8,700 Employees Worldwide



WE FIRST SEEK TO LISTEN⁷

At the heart of our human resources strategy is our commitment to creating a culture of engaged employees across the Group, where our employees are well informed, encouraged to communicate openly and provided with respect.

In 2014, we conducted a global employee engagement survey. Almost all (92%) employees took the opportunity to respond, telling us how they feel about working for us, what they think we do well, and where we could improve.

We were delighted that the vast majority of employees felt positively about working for the Company. In all comparable categories, HSH significantly outperformed the norm of global travel and leisure companies, notably in the areas of employees' commitment to the Company, and their views on customer focus and quality. The responses also showed that employees recognised the Company as being environmentally responsible.

When compared to the findings of the 2011/12 employee survey, all comparable questions showed a marked

⁷ GRI G4 Material Disclosure: G4-26

Most Desirable Hotel Employers for Young Talent

In 2014, Young Hoteliers Summit surveyed hospitality students from 99 countries and 78 top hotel management schools worldwide to gather the views and employer preferences of young talent worldwide. We are proud to see The Peninsula Hotels being voted by international hospitality students as the second most desirable employer in the global hotel industry.

improvement, particularly in the areas of performance evaluation, communication, as well as working relationships and well-being.

While greatly encouraged by the positive feedback, we have not been complacent. Action points on areas that we could further improve have been developed across Group operations. These include two-way communications and employee development as well as helping employees understand the Company's newly launched vision for sustainable luxury.

Communication builds community

From town hall meetings and informal gatherings, to newsletters and online social networking groups, Group operations use different channels to ensure their teams are informed and heard. At the Group level, we use our intranet to share information and keep employees abreast of the happenings across the Group. The Chief Executive Officer also speaks to all employees by webcasts regularly throughout the year.

Expressing appreciation is an important part of communication. In addition to various employee awards, we use different fun and meaningful ways to thank our teams. The Peninsula New York and The Peninsula Chicago threw a weeklong celebration with fun games, tasty treats and dance parties to show their appreciation to the housekeeping team for their hard work. The Peninsula Shanghai prepared handmade thank you cards, which employees could use to express their appreciation not only to their peers, but also to family members.

A LONG-TERM COMMITMENT

We seek to attract and retain the right talent to meet our operational needs and strengthen the HSH team. We cherish 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.

PROFILING AND STRENGTHENING THE HSH CULTURE

The passion, commitment and creativity of our employees makes HSH special to our customers and leads our business to achieve our ambitions for sustainable growth. In 2013, we launched a bespoke competency framework that defines the desired behaviours at different job levels of



My Fair Ladies

On the International Women's Day, female employees at The Landmark enjoyed being pampered by their male colleagues, who held departmental competitions for creating the most beautiful flower arrangements and delicious vegetarian cuisine to treat their female colleagues.

A Lifelong Relationship

In celebration of the hotel's silver jubilee, The Peninsula Beijing proudly presented a commemorative book entitled "Our Peninsula", which captures stories told by 25 employees, some of whom have been with the hotel since its inauguration.

The Landmark also celebrated its 20th anniversary with its tenants and employees in 2014. Twenty percent of its employees have worked at The Landmark since its opening, witnessing the development of the property over the past 20 years.



The Challenge

Retention of young employees remained a challenge in 2014. The Group's overall turnover rate was 19.9%, which improved by 0.4 percentage point when compared to 2013. However, the turnover of employees under thirty years old was 33.7%, more than double the combined turnover of employees of other age groups. Although the recent employee engagement survey reflected that our employees' commitment to the Company was 25% higher than the industry norm, we will continue to enhance our effort in building a committed and engaged workforce, especially among the younger generation.

Bring out the Artist in Each and Every Employee



Behind every life-long memory our guests take away is the passion and love of service embodied by our employees. In the past two years, the Group invested in the development of a bespoke programme to refresh all of our frontline employees' commitment to delivering genuine and unique luxury experience for our guests.

Luxury service is an art. Through interactive exercises and practical examples, the series of The Art of Peninsula Hospitality programmes discuss the importance of consistency, details and quality in luxury service and inspire us to continually innovate and personalise our service. It also explores the emotional side of luxury and the link between generosity and luxury.

the Company and the link to driving business success. We believe that this new framework will help us translate our vision and goals into expected behaviours, measure and evaluate performance more effectively, hire the right people and develop them in the right way.

A series of training sessions and tools were introduced in 2014 to support the application of the competency framework during performance evaluation, recruitment and development planning. For example, the interview guide provides managers with a structured way of assessing a candidate's competency potential, while the development guide assists them in growing the capabilities of their teams and supports individual employees in developing the skills and knowledge that will enable them to excel in the Company. In addition, posters, videos, leaflets and training sessions were rolled out across the Group to familiarise employees with the competency framework.

An important first step

During 2014, we launched an e-performance appraisal module of the global talent management system that we are committed to developing. This new module enables employees to assess their own performance against the core competencies, which feeds into their training and development plans. It also helps managers evaluate their teams' performance more effectively against well-defined competencies and business goals. A pilot group of 600+

Extend the HSH Family Culture to Paris

To support the opening of The Peninsula Paris, a 53-strong pre-opening team was formed, drawing on the talent from across the Group. The pre-opening team was instrumental in infusing the newly hired local team with our unique service standards and the values of integrity, heritage and tradition of the HSH family.

A group of high potential individuals were selected to take part in the Peninsula Ambassador programme, undergoing an intensive training programme at the Group's flagship hotel The Peninsula Hong Kong before they re-joined the pre-opening team of The Peninsula Paris.

*Watch a video about
The Peninsula Ambassadors*



employees' reviews were conducted through this newly launched e-performance review platform. Overall, about 90% of employees had their performance review during the year.

Over time, we will be able to create a single platform that provides a complete picture of an employee's training history, development needs and performance record. It will provide a valuable profile and insight into our workforce, supporting us in succession planning, identifying skill gaps that need to be filled through recruitment, and meeting the increasing disclosure requirements more efficiently.

Empower the enablers

In 2014, we developed a dedicated online portal to bring together our human resources teams around the world. The portal provides a platform to collaborate, encourage and learn from each other, and to share best practice ideas and materials for building a stronger and more engaged workforce.

ENGAGING EMPLOYEES TO EMBRACE VISION 2020

Since the Group introduced the Sustainable Luxury Vision 2020 in 2013, we have been leveraging on different means to introduce this new vision to our employees as the commitment of our employees is fundamental to the success of Vision 2020.

At the Group level, we enriched the intranet with information and resources about Vision 2020. We also introduced a

quarterly e-newsletter Vision 2020 Spotlight for sharing best practice on delivering the 2020 ambitions. These platforms facilitate our teams to learn from the experience of each other within the HSH family and be encouraged by each other's successes as we move the company towards our vision for sustainable luxury. A new e-learning module to educate and engage employees on Vision 2020 is currently being developed and will be rolled out across the Group in 2015.

Group operations have also used all-hands meetings, notice boards, newsletters and workshops to introduce Vision 2020 to their employees and incorporated it into the induction of new recruits. The employee engagement survey showed that, in this first year of its launch, about 60% of our employees worldwide were aware of the Company's new vision for sustainable luxury. However, we still have much to do to ensure each employee can live and breathe the values of our new vision, and become a true ambassador for Vision 2020, both in the workplace and in their wider communities.

Matching training with community needs

In line with our focus on integrating Vision 2020 ambitions into our everyday activities, we have begun to link our training and development needs with our community programmes. This strengthens collaboration between employees across different functions, while connecting them with the community and reinforcing the spirit and joy of serving.

A Creative Pursuit to Vision 2020

The Peninsula Tokyo created beautiful wall displays at the back-of-house of the hotel introducing the seven pillars of Vision 2020 and using cherry blossom as a motif to reflect on its corporate responsibility and sustainability journey to date.

The Peninsula Bangkok publishes a colourful bilingual internal newsletter in Thai and English every quarter to share its progress and activities under each Vision 2020 pillar. It also organised workshops and field trip to engage employees on environmental conservation.



In Search of Mushrooms Deep in a Southern China Forest



There is no greater contrast to working in the concrete jungle of Wangfujing in Beijing than roaming around a forest in Southern China spotting wild mushrooms.

The Peninsula Beijing sent a team of five employees on a five-day expedition deep in to a forest in Southern China. They worked alongside climate scientists conducting field research while learning more about the impact of climate change on China's forest ecosystem. This was an award trip for The Peninsula Beijing team who won the Grand Prize of the HSH Corporate Responsibility and Sustainability Video-Making Contest.



Watch The Peninsula Beijing's award winning video

It was an adventurous and inspiring expedition. Led by a scientist and a field worker from Earthwatch Institute, the group participated in an on-going research project to monitor the structural and phenological (plant life cycle) changes of the mushroom population as a means to evaluate the impact of climate change on forest ecosystem.

Building Teams through Serving Our Community

*40%
employees
served the
underprivileged
elderly*

In 2014, The Peninsula Hong Kong incorporated community service in its property-wide team-building programme. The objective is to enable colleagues from different departments to build a sense of camaraderie while contributing to the wider community.

The hotel's 900 employees could choose between two modules of a team-building programme, one of which involved the challenge of rope climbing while the other one gave them the opportunity to serve the underprivileged elderly. About 40% of employees chose this option, visiting 10 elderly centres serving 250 elderly people.

Each team first took part in an orienteering exercise that allowed them to earn tools and gifts for use in the elderly visit. From Cantonese opera performance and talent shows, to exercises promoting health, each team also created their own programmes to engage the elderly. Many participants found it both an enjoyable and humbling experience, which also reminded them of the importance of caring for those close to them.



REINFORCING AN ETHICAL AND INCLUSIVE CULTURE

Maintaining high standards of ethics and corporate governance is among the highest priorities of HSH and our stakeholders. It is essential to the sustainability of our business that we continue to embed the qualities of integrity, respect and diversity into our culture.

Our Code of Conduct and Equal Opportunities sets out expected standards of behaviour of our employees on a range of ethical issues, including anti-bribery, fair competition, equal opportunities and protection of customer privacy. It broadly acknowledges 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, as well as recognising the right of workers to form and join trade unions to protect their interests⁸.

All employees starting work with HSH are required to complete two modules of Code of Conduct training programme⁹, covering anti-corruption and bribery and equal opportunities. The latter is an important aspect of the human rights issues relevant to our operations. All employees who handle customer information are also required to undertake a further module on customer data privacy¹⁰. Out of the Group's workforce of over 8,700 employees, 13 grievances of discrimination were lodged, investigated and dealt with in accordance with the Group's policy, and there were three reported incidents of breaching anti-corruption practices whereby appropriate actions were taken in respect of each case including dismissal and involving local authorities. To reinforce our commitment to high standards of ethics, refresher training on anti-corruption and bribery and equal opportunities were rolled out to all HSH employees in 2014.

Celebrating diversity

Diversity at HSH is more than an obligation; it is a business strength that we celebrate. It enhances our business by enabling us to better connect with our customers from around the world.

We are proud of our gender-balanced workforce¹¹ and are committed to providing an inclusive, non-discriminatory workplace: one that provides development opportunities to all employees as well as fair consideration to all applicants regardless of gender, age, nationality, religion, sexual orientation or disability. Across the Group we now employ over 50 employees with disabilities in a variety of positions that can effectively draw on their talents and abilities. The majority of these employees have hearing or speech impairments while some are mildly mentally handicapped. They are fully-fledged members of the HSH family, making valued contributions across a range of functions from catering and cleaning, to IT and front-of-house services. The Peninsula Residences in Shanghai will unfortunately be required to pay a total of HK\$45,741 to its local government for not meeting the required legislative quota for employing people with disabilities in 2014. It will rectify the issue by identifying the right duties and candidates in 2015.

SAFETY IS A PRIORITY

Making sure our hotels and properties are safe for our customers and our employees is of paramount importance to HSH and our stakeholders. Our group-wide operation risk manual provides guidance on crisis management, security and occupational health and safety standards.



Refer to Operation section on how we ensure we are always prepared for emergency situations.

We seek to take a preventive approach to health and safety issues. All operations have health and safety committees which meet on a monthly basis to review performance and devise the appropriate improvement plans. In addition, regional directors of security and operational risks host weekly calls with each operation's security team to provide further support. In 2014, we introduced a more comprehensive health and safety reporting tool to track our progress towards related Vision 2020 ambitions. This is already enabling our operations to look into root causes

⁸ In 2014, 18.6% of our employees were covered by collective bargaining agreements.

⁹ By the end of 2014, 56.8% of the total workforce undertook anti-corruption refresher training, 53.7% undertook equal opportunities refresher training. These represented a total of 2,479.5 hours of training on anti-corruption and 2,345 hours on equal opportunities.

¹⁰ The customer data privacy module of the Code of Conduct training is designed to be undertaken by all management as well as general employees who handle guest information in functions such as guest services, food & beverage, front-office, sales and marketing. These included 2,009 employees. 76.7% employees completed the training in previous years. 17.9% completed the training in 2014, representing 180 training hours on protection of customer data privacy in 2014.

¹¹ The gender split of our workforce: In our overall workforce, we employ 42% females and 58% males. In our management team, 41% were females and 59% males. Our full time workforce is 41% female and 59% male and our part time workforce is 59% female and 41% male. Permanent employees are 42% female and 58% male, while fixed term/ temporary contract employees are 53% female and 47% male. In Asia, we employ 42% females and 58% males. Outside of Asia, we employ 42% females and 58% males.

of incidents and to manage risks and training needs more proactively. Our lost day rate showed a small year-on-year improvement to 75.6 lost days per 100 workers, which were mainly accounted for by a small number of incidents with prolonged lost days. Most incidents during the year were minor injuries, such as bruises or cuts.

A total of 16,220 hours of health and safety training were delivered across the Group. This was 16% less than 2013 because The Peninsula Hong Kong and The Peninsula Manila conducted intensive food safety and hygiene training in preparation for HACCP certification in 2013, and were only required to conduct refresher trainings in 2014. Fire safety as well as first aid and life support were the key training topics during the year, followed by training in other areas such as food safety and hygiene.



Refer to the Sustainability Data Statements section

Promoting health and wellbeing

We care about our employees' health and wellbeing, and believe that healthy and happy employees contribute to a healthy company and happy customers. Our operations have become more conscientious in providing healthy and balanced meals at staff restaurants. We worked on promoting wellness and a healthy lifestyle by setting up staff fitness centres on premises or partnering with local health clubs to offer discounted memberships to our employees. Dragon boat and cycling teams in Shanghai, runners' clubs in Manila, an employee sports day at Thai Country Club and a wellness day in New York were a few examples of the sports and wellness programmes organised by our operations to help their employees adopt a healthy lifestyle.

Across our Hong Kong operations, a series of employee benefits, such as annual comprehensive medical examination benefits for all permanent employees, three-day paternity leave, four-week adoption leave as well as full remuneration for maternity leave were introduced to support the work-life balance of our employees.

HOW WE DID IN 2014?

-  Rolled out refreshment programmes for the Code of Conduct training
-  Developed HR tools to support HSH competency framework
-  Conducted global employee engagement survey
-  Developed new employee e-learning module on Vision 2020
-  Implemented a new health and safety reporting template to support the monitoring of health and safety performance across the Group
-  All operations developed action plans for achieving HACCP certification.
-  Enhanced injury and illness prevention programme through more robust post-incident investigations

 Achieved  On Plan  Behind Plan  Objective Missed

OUR 2015 COMMITMENTS

- Improve our succession planning by incorporating the Group's competency framework in the process
- Align our people-development tools to the Group's competency framework
- Expand the reach of the new e-performance appraisal system to more employees as part of a global talent management system that we are building
- Roll out the Sustainable Luxury Vision 2020 e-learning module across all operations
- Conduct a gap analysis of our compliance with OHSAS 18001
- Further enhance the injury and illness prevention programme through more robust post-incident investigations
- Establish a global IT platform to support operations with on-site crisis management

Operation



OUR MISSION

We strive to deliver high standards in the most sustainable and cost-effective way.

We commit to implementing robust sustainability management and practices, and to delivering continuous improvement through discipline, creativity and applying the right technology.

OUR 2020 AMBITIONS

- Using the 2006-08 average as baseline
 - Achieve 10% absolute carbon emission reduction
 - Achieve 30% carbon intensity reduction
 - Achieve 25% energy intensity reduction
 - Achieve 25% water intensity reduction
- Achieve 25% reduction on waste intensity from 2012 baseline
- Achieve 60% waste diversion rate through recycle, reuse and donation
- Achieve excellent rating in IAQ assessment for all operations
- Provide self-bottled water for guestrooms and meetings to reduce plastic waste
- Achieve HACCP certification for all hotel operations
- Operations located in water stressed regions to be “water neutral” by efficient use of water and replenishing sources near our locations

2014 was a year of successes and setbacks. For example, our hotels division made good progress in improving water efficiency. On the other hand, our energy management performance fell short of the targets we set for ourselves. Our business operation generated more waste than we did in the previous year; however, we continued to improve our

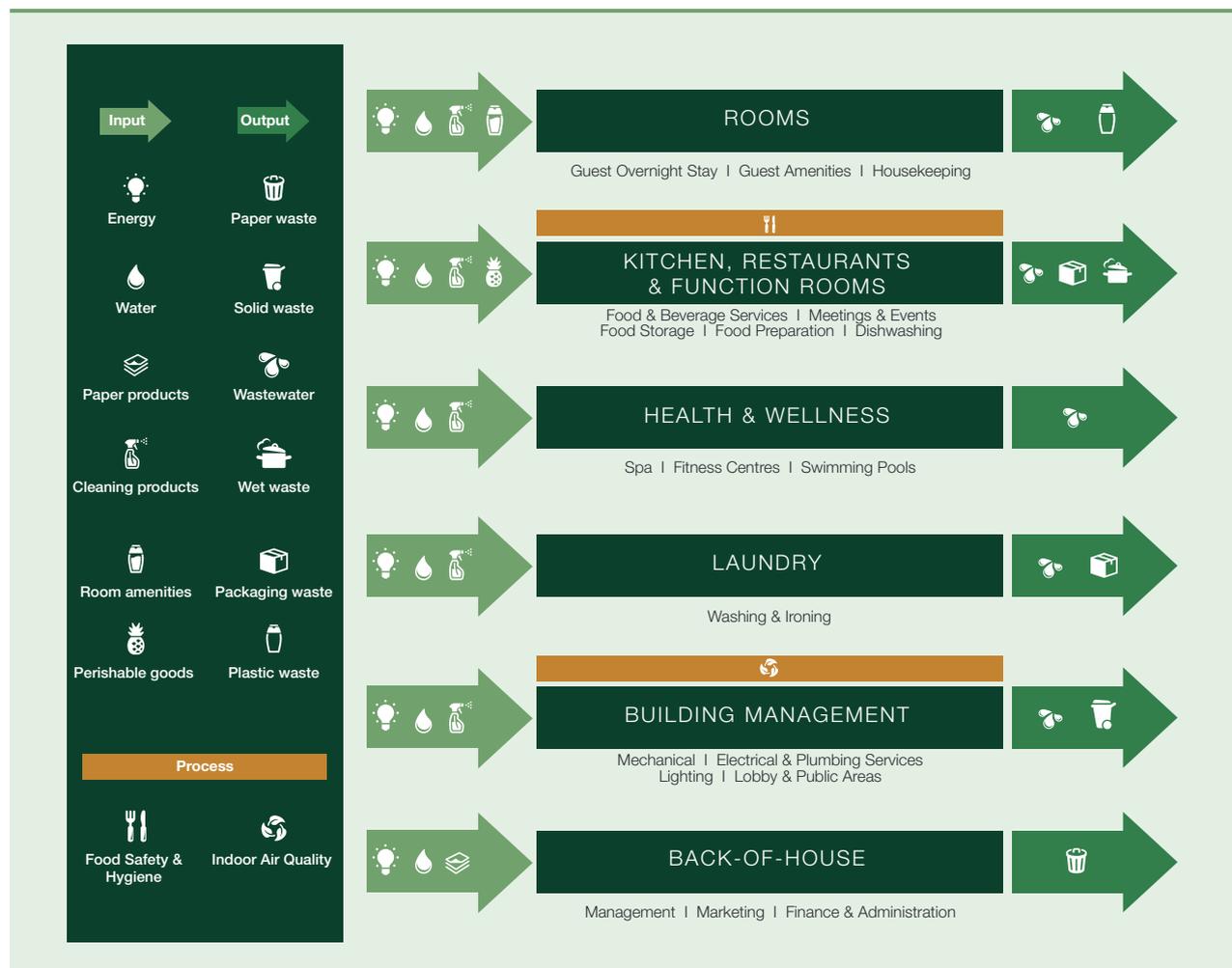
waste diversion effort, thus reducing the adverse impact our operation might have on the local environment.

Our aim is to report successes and setbacks with equal honesty. We remain committed to achieving our long-term goals and will continue to focus relentlessly on driving down our energy use and waste generated in order to meet our Vision 2020 ambitions.

What HSH Means to The Environment

We are conscious that buildings account for about 40% of global energy and 25% of global water use¹², with significant impact on the world's carbon footprint as well as energy and water demands. Buildings are also a prime origin of municipal solid waste which is expected to double in volume over the next 10 years, presenting grave environmental and social challenges. Given that HSH's core business is developing, owning and managing prestigious hotels and premium properties, it makes energy, water and waste management a clear priority in our operations. These are also issues of keen interest to our stakeholders.

Our Sustainability Footprint



Deep Pride and Great Encouragement

HSH was part of 2014 Climate Disclosure Leadership Index for Asia ex-Japan. This annual index run by Carbon Disclosure Project (CDP) recognises companies which display a strong approach to the disclosure of climate strategy and measurement and is reserved for the top 10% of CDP reporting companies in Asia.



Following The Peninsula Chicago, The Peninsula Tokyo achieved its EarthCheck Silver Certified status in 2014 in recognition of its robust environmental management process and its commitment to continuous improvement. Both hotels were the first in their respective cities to achieve EarthCheck certification. EarthCheck is a leading international sustainability benchmarking and certification programme for the hospitality sector, which benchmarks hotel companies against their peers in the sector. It currently covers over 1,300 hotel companies in 70 countries.

Meanwhile, The Peninsula Bangkok was awarded a Clean & Green Certificate by the Bangkok Metropolitan Administration, recognising its excellent performance in environmental attentiveness and hygiene and safety performance.

As we strive to make progress towards our 2020 ambitions, it is gratifying to receive these recognitions which provide a great source of encouragement for us to continue our effort in embedding sustainability principles and practices in our day-to-day operation.

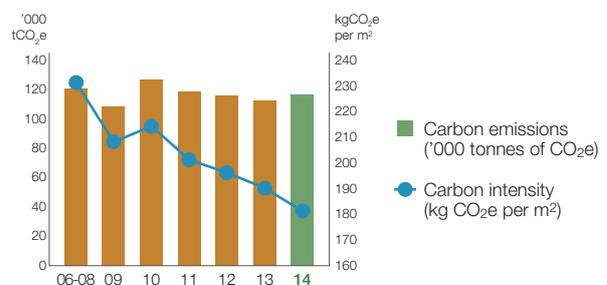
MANAGING OUR FOOTPRINT RESPONSIBLY

In 2014, our energy consumption generated a total of 115,642 tonnes of CO₂ equivalent. Our Group carbon intensity was 181 kg of CO₂ equivalent per floor area which was 22% lower than our 2006-08 baseline. The average carbon intensity of our hotels division was 111.5 kgCO₂e per occupied room per day¹³, a 2% reduction from 2013.

The year 2014 was reported by scientists as one of the warmest years across global land and ocean surfaces since records began in 1880¹⁴. The increasing impact of climate change is evident in the cities where we operate,

where more extreme weather and extreme weather events increased the risk of disruption to our business operation and supply chain. The Sustainable Luxury Vision 2020 contains our strategy for managing climate risks and making our business more resilient to climate impact.

Group Carbon Footprint



¹³ 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 and <http://www.wttc.org>).

¹⁴ Reference made from www.ncdc.noaa.gov/sotc/global

Ready for Carbon Trading in Beijing

The Beijing government introduced a carbon-trading scheme that applies to all businesses with annual emissions above 10,000 tonnes. The Peninsula Beijing is one of the many companies that must now comply with an annual carbon emission quota. The 2014 emission limit was set at 97% of a company's 2009-2012 average.

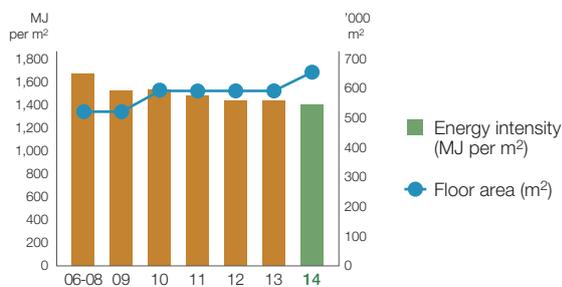
The Peninsula Beijing welcomes this new scheme as a collaborative effort by the city to combat climate change. With its discipline in monitoring its environmental impact and driving continuous improvement over the years, the hotel is very well prepared to comply with this new regulatory requirement. Its carbon footprint in 2014 was 11% lower than the 2009-2012 benchmark, substantially outperforming the 3% reduction target set by the government.

The Peninsula Beijing, having achieved 25% reduction in total energy use and 21% reduction in its carbon footprint when compared to the 2006-08 baseline, is also a forerunner in this area within the Group.

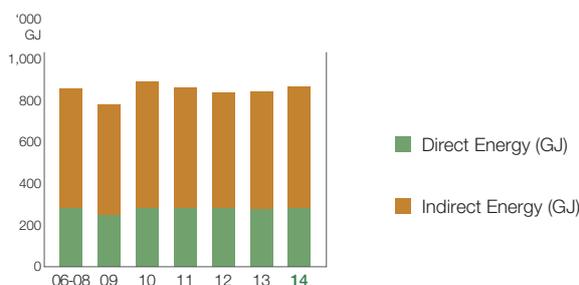
USING ENERGY WISELY

In 2014, we completed a variety of energy saving initiatives which generated an energy and carbon emissions reduction of 6,235 GJ and 861 tonnes of CO₂ equivalent respectively. It also brought a saving of HK\$2.4 million to our operational cost for the year.

Group Energy Intensity¹⁶



Group Energy Use¹⁷



Cooking Up Fewer Carbon Emissions

The Peninsula Paris is already playing its part in driving down energy use, with its state-of-the-art computerised kitchen hood. Demand-controlled so that the motor only runs when necessary, it uses a third less energy than a conventional exhaust hood, and contains a device to monitor carbon emission in real-time. It could help the hotel reduce its annual carbon footprint by 21 tonnes of CO₂ equivalent and energy use by 295 GJ, which is equivalent to the average annual electricity consumption of more than 16 households in France¹⁵.

¹⁵ Based on World Energy Council 2011, average electricity consumed annually per household in France is 4,977 kilowatt hours (17.91 GJ).

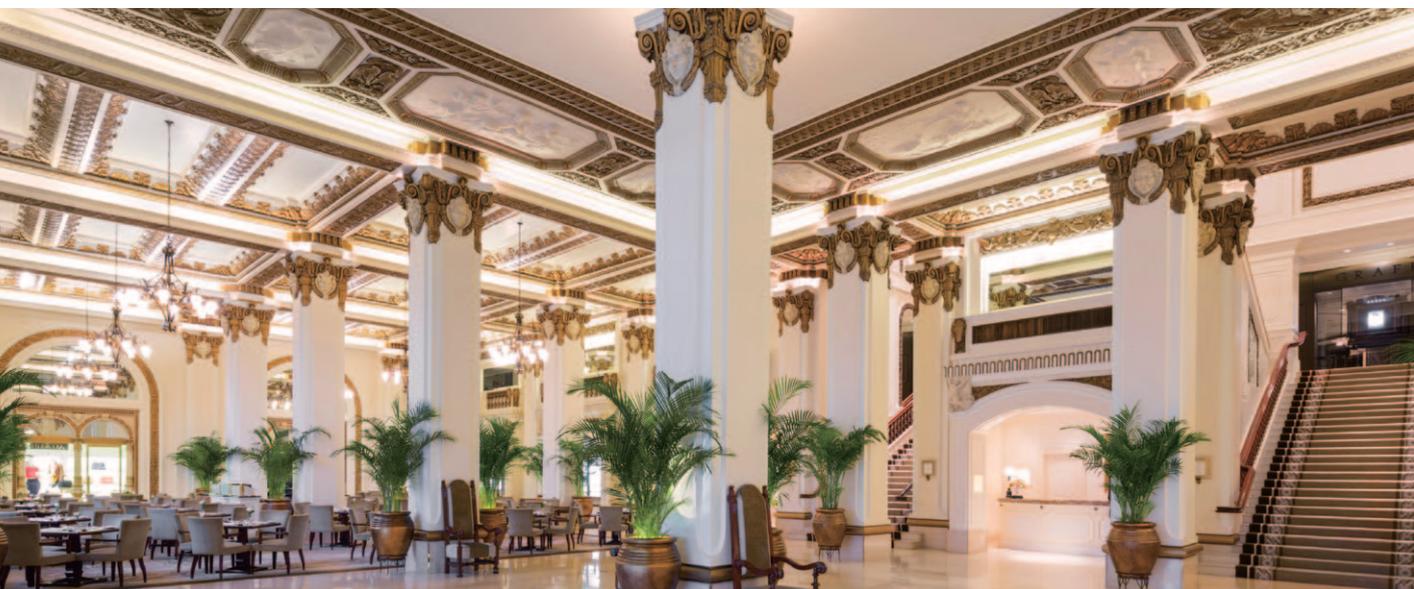
¹⁶ The increase in energy use and floor space in 2014 was mainly due to the opening of The Peninsula Paris.

¹⁷ Direct energy used in our operations include gas for heating. Indirect energy is energy consumed to provide the energy we use, such as the fuel burned in power stations to generate electricity. In 2014, the split of our direct energy consumption by sources were: 61.8% gas, 30.1% diesel oil and vehicle fuel 8.1%, whilst our indirect energy consumption were from electricity (89.7%), steam (9.1%) and chilled water (1.2%).

Spotlight on LED replacements

The majority of our hotels and properties implemented further LED lamp replacements during the year. For example, The Peninsula Beverly Hills and The Peninsula Chicago retrofitted some of the lights in the hotels' public areas and guestrooms, generating an annual energy saving of 968 GJ which is equivalent to the annual energy use of 17 US households¹⁸. As part of its ongoing LED re-lamping programme, The Peninsula Tokyo replaced another 5,600 halogen lamps in the guestrooms with LED lights in 2014,

yielding an estimated annual saving of JPY12 million (HK\$871,000) in electricity cost and 2,365 GJ of energy. It also meant a reduction of 327 tonnes of carbon emissions, enough gas to fill more than 82 hot air balloons. Although LED replacement projects can be an effective measure for cost and energy reduction, it has been an area that we tread with great caution. Lighting is a core component for creating a luxurious environment for our guests and enhancing the character of our hotels. Extensive trials were conducted before introducing these LED lights into guest areas.



Re-commissioning The Peninsula Hong Kong

Like tuning up a car engine to run at its best, the building re-commissioning¹⁹ project at The Peninsula Hong Kong has helped us get the best out of our existing mechanical, ventilation and air-conditioning (MVAC) system, while saving energy and money.

*2,300 GJ and
HK\$605,000
saved annually*

The project, which aims to reduce energy use and emissions through optimising the performance of machinery and equipment, was completed in October 2014. Even in the two months before the end of the year, we saw great results and expect the full year saving to be about 2,300 GJ, enough energy to power more than 90 homes in Hong Kong for a year²⁰. It will also help the hotel reduce its annual energy spend by HK\$605,000, recouping the project cost in less than two years.

As a result of the all-round success of this pilot, we will assess the viability of introducing this project to other operations in the coming year.

¹⁸ Reference made from www.epa.gov/cleanenergy/energy-resources/calculator.html#results

¹⁹ Re-commissioning is a re-optimisation process for existing buildings that improves a building's overall performance by optimising energy efficient design features and directly addressing equipment performance and system integration issues.

²⁰ According to Energy Efficiency Office, Electrical & Mechanical Services Department, HKSAR Government 60,888 TJ energy was used in residential sector in 2012 (http://www.emsd.gov.hk/emsd/e_download/pee/HKEEUD2014.pdf). Census and Statistics Department, HKSAR Government recorded 2,389,000 households (<http://www.censtatd.gov.hk/hkstat/sub/sp150.jsp?tableID=005&ID=0&productType=8>).

Luxury at a Lower Price for The Planet



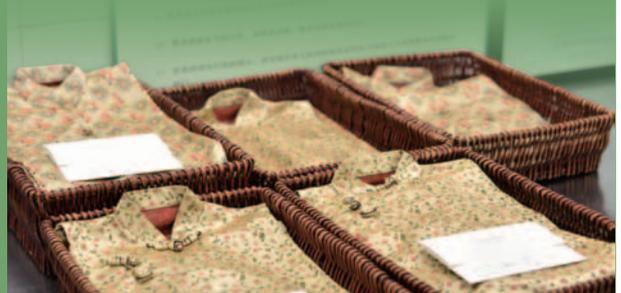
The Peninsula Beijing's switch to low-temperature washing in its laundry perfectly illustrates the concept of sustainable luxury. Energy savings, water savings and the use of biodegradable chemicals: all without compromising the clean, fresh look and the soft touch we want for our guests' sheets and towels.

Always aiming for improvement in late 2013 our team in Beijing began to work with its supplier Ecolab in experimenting with a new laundry programme with a shorter wash cycle at a lower temperature. The

team kept a close eye on the results throughout the year, recalibrating the chemical dosage and fine-tuning the washing cycle to ensure the colour and softness of the towels and linens were up to our high standards.

The new washing process reduced the water use in our laundry by 12% and energy use by 42%, saving over 4,500 cubic meters of water and lowering the hotel's carbon footprint by 100 tonnes of CO₂ equivalent. Biodegradable chemicals are used in this new laundry programme. The increased chemical costs have been offset by the financial savings from using less energy and water.

We are encouraged by the success of this pilot. It demonstrates that innovation combined with our attention to detail and persistent quest for quality could lead us to new opportunities to deliver luxury at a lower price for the planet.



Cool investment

The heating and cooling systems consume the most energy in a building. During the year, to improve energy efficiency and optimise guest comfort, The Peninsula Beverly Hills recalibrated its chilled water temperature while The Peninsula Tokyo conducted an overhaul of its heat exchanger for its free-cooling system. The Peninsula Manila also replaced its 20-year-old chiller.

Older chillers in the air-conditioning systems of our hotels and properties are also the main sources of our ozone-depleting substances (ODS) emissions. ODS have a detrimental effect on the ozone layer, damaging the earth's protection against excessive levels of solar radiation. In the past five years, we upgraded more than 20 chillers across our operations. Our ODS emissions in 2014 were 71.5 kg CFC-11 equivalent, a 57% reduction from 167.4 kg in 2009 when we introduced an internal policy to phase out all ozone-depleting refrigerants by the end of 2015. These upgrades were mostly planned capital investment for replacing fully depreciated equipment. They provided great opportunities to integrate environmental considerations in the investment decision-making, creating on-going cost and environmental saving.

*Watch how The Peninsula
Tokyo saved energy in the hot
summer months*



BETTER REPORTING DRIVES BETTER PERFORMANCE

During the year, we enhanced our monthly environmental reporting tool to support the pursuit of our 2020 goals. The improved tool, which will be implemented in 2015, makes it easier to track our performance and compliance requirements, and provides a more comprehensive picture of our environmental impact. In revamping the tool, we also took the opportunity to review and incorporate carbon equivalent emissions from refrigerants in our baseline years, which we had not previously accounted for.

REMAIN COMMITTED

Our 2020 ambitions include a number of stretching carbon and energy reduction targets, and we aim to make progress against these each year. Despite the initiatives implemented during the year, regrettably, we were not able to meet our 2014 target of 18.5% reduction in energy intensity compared with our 2006-08 baseline. Our current energy intensity of 1,394 MJ per floor area was 2.5% shy of the 18.5% reduction target we set for 2014.

Our energy use was higher than expected, due in part to an increase in business activities and to unusually cold winter in the US in the first quarter of the year which resulted in a sharp rise in energy use at our US operations. The increasing application of technology has on one hand enhanced the efficiency of our operation and enriched the experiential luxury that we offer to our guests; but on the other hand it has also increased the energy demand of our day-to-day operation.

The Challenge

To deliver on luxury and sustainability can be challenging. The impact of external climatic factors also add to the complexity. There will be successes and setbacks in our path towards Vision 2020. 2014 was a year that we encountered both. We are confident that, as we increasingly look at our operation through a sustainability lens, it will open up new opportunities for driving innovation and efficiency while further enhancing the standard of our services and products.

This setback will not deter us. We are committed to achieving our 2020 ambitions and will work harder to identify new opportunities for improvement in the coming years. In 2015, we will set up a best practice sharing platform among our engineering team to support their effort towards Vision 2020. In addition, we aim to expand our internal engagement programme to inspire more employees to take individual action in making a positive difference to the environment.

AN ONGOING FOCUS ON WATER

In 15 years, nearly half of the world's population will be living in water-stressed areas²¹, including some of the communities in which we operate. Vastly undervalued, water is vital for life, crucial to our operations, and essential for food and energy production. We are committed to making on-going improvements to our water use. Our main focus in 2014 was on developing a bespoke water management guide tailored to our operations for sharing guidance and best practice on water stewardship.

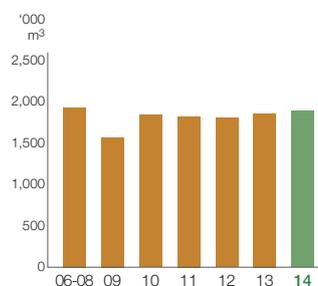


Refer to the Sustainability
Data Statements section

Across the Group, we used 1.9 million m³ of water. Despite the addition of The Peninsula Paris to the Group's portfolio during the year, our overall water consumption was 2% lower than our 2006-08 baseline. Since we began our environmental programme in 2008, our water savings initiatives have conserved 189,764 m³ of water (equivalent to 948,820 bathtubs²²).

950,000
bathtubs saved

Group Water Consumption



²¹ *Managing Water for All: An OECD Perspective on Pricing and Financing – Key Messages for Policy Makers* © OECD 2009, www.oecd.org/env/42350563.pdf

²² Reference made from www.chinawaterrisk.org

The water intensity of our hotels division in 2014 was 1,132 litres per guest night which was 18% lower than the 2006-2008 baseline, achieving the reduction target we set for 2014. The water intensity of commercial properties, clubs and services division was 3% higher than the baseline; however, the division managed to reduce its water intensity by 12% from the previous year, exceeding the 7% year-on-year reduction target we set for the year. In pursuit of our 2020 ambitions, our 2015 target is for the hotels division to achieve a 18.5% water intensity reduction and for our properties, clubs and services division to reduce water intensity by 5% when compared with the 2006-08 baseline.

Guidance and awareness makes the difference

In 2013 the Group Corporate Responsibility Committee reviewed and endorsed a variety of best practices on water conservation across the Group and committed to conduct a group-wide water management assessment to identify further reduction opportunities. To meet this commitment, we developed a bespoke water management guide during the year to provide guidance and best practice examples for responsible water management across all our business functions, so that operations can reference, identify and conduct self-assessment against these recommended best practices. Above all, the guide aims to support the leadership team at each HSH operation to move towards our 2020 ambitions of achieving 25% reduction in water intensity and for operations located in water stressed regions to become water neutral by 2020.

Water Intensity



Pushing Further on Water Stewardship

The Peninsula Bangkok leads the way in water recycling efforts within the Group. The hotel recycled over 100,000 m³ of water each year for the use of its cooling tower as well as floor cleaning, watering plants and replenishing the ponds in its gardens. During the year, the hotel's engineering team pushed the envelope by modifying its greywater pipe system to fill another two outdoor ponds in its beautiful garden. In 2014, The Peninsula Bangkok recycled over 65% of its greywater, enough to fill 42 olympic-size swimming pools.



All operations completed a self-assessment in the fourth quarter of 2014 and are required to conduct the assessment every two years. The assessment results would be incorporated into the property audit conducted by our Group Chief Engineer every six months so as to monitor and support individual operations on the improvement areas.

The guide also provides a big picture of the water risk in communities where we operate and encourages every employee to play their part in better water stewardship. During the year, many operations also ran employee awareness campaigns on the importance of water conservation by putting up posters at staff canteens or tags in bathrooms and kitchens with a hotline to report leaks.

Every Drop Counts

Quail Lodge & Golf Club began its golf course modernisation project in late 2014. The team has also planned to use this opportunity to install more water-efficient irrigation system and replace non-indigenous plants with native species and plants that are more tolerant to drought in order to minimise on-going water demand in the years to come. During the year, the property upgraded its dishwashing machines to more water efficient options, which could save about 25,137 litres of water each year. California has long been battling with drought. 2014 was recorded as one of the driest years for California²³ in the last 1,200 years. We want to ensure that we contribute where we can.

What about HSH operations in water-stressed regions?

Beijing, Shanghai and California, where our properties are located, are among the world’s most water-stressed places. Compared to the 2006-08 baseline, The Peninsula Beijing and The Peninsula Shanghai saw a 19% and 22% reduction in their water intensity in 2014 while The Peninsula Beverly Hills and Quail Lodge & Golf Club also lowered theirs by 20% and 19% respectively. We strive to do our best to conserve water in order to reduce the financial and operational risks we are exposed to, while contributing to the sustainability of these communities.

STAMPING OUT WASTEFULNESS

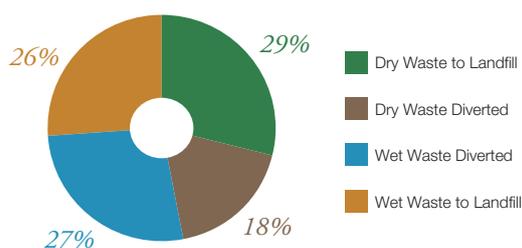
We recognise that if waste is not properly managed, it can lead to a host of environmental, social and health issues in the community. Vision 2020 sets out our ambitions to reduce our waste intensity by 25% from the 2012 baseline and to achieve 60% waste diversion rate.

Waste Intensity	2014	change	2012
Dry Waste (kg per sq.m.)	5.75	+8.8%	5.29
Wet Waste (kg per food cover)	0.91	-2.2%	0.93

All Group operations report their waste management performance on a quarterly basis. In 2014, our operations generated a total of 7,501 tonnes of waste, which was 10.2% higher than our 2012 baseline. The increase was due in part to a few operations disposing old furniture and unwanted items in preparation of renovation.

On a positive note, we further improved our waste diversion rate from last year by 5 percentage points to 44.5%, mainly through raising employee awareness and providing more recycling bins at convenient locations. This means 3,338 tonnes of waste was diverted from landfill for reuse or recycling – the weight of more than 740 elephants²⁴! Waste disposal methods vary across our operations, largely due to available solutions and infrastructure in the communities where we operate. Some of our operations send their waste to contractors designated by the municipal government for single stream waste segregation and recycling. Others work with a range of waste management vendors and charities to manage their waste.

What happened to our waste in 2014²⁵?



The Peninsula Beverly Hills and The Peninsula Tokyo continued to lead in waste diversion efforts within the Group, recycling respectively 88.5% and 84.8% of the waste produced.

²³ Griffin, D., and K. J. Anchukaitis (2014), *How unusual is the 2012–2014 California drought?*, *Geophysical Research Letters*, 41, DOI: 10.1002/2014GL062433

²⁴ 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.

²⁵ 38% of dry waste was recycled; while 51% of wet waste was recycled.

In 2014, we also recorded the disposal of 11,798 kg of hazardous waste, which included fluorescent tubes, paints, solvents and dry cleaning chemicals. The disposal of our hazardous waste is regulated by local authorities and handled by specialist contractors.

Turning waste into resources

Our hotels in the US have long been working with Clean The World, donating partially used soap bars and bottled amenities for distribution to impoverished countries, helping these deprived communities in combatting hygiene-related illnesses. The Peninsula Hong Kong also began its partnership with Clean The World as the charity extended its operation to Hong Kong in 2014. Meanwhile, other Peninsula hotels worked with local partners they identified to distribute partially used soap for good causes. In 2014, the Group's hotels donated about 6,870 kg of partially used soap and bottled amenities.

All Group operations recycle glass, wastepaper, plastic bottles and aluminium cans and work with their local partners in recycling used cooking oil into bio-fuel. Some

operations participated in local food assistance programme, donating surplus food to charity organisations for preparing meals to the underprivileged. Some also recycled their food waste through composting. In places with more limited opportunities for composting, such as Hong Kong, we invested in food bio-digesters to turn food waste into waste water in order to reduce the pressure on landfill capacity.

Thoughtful, not wasteful

At HSH, we believe that luxury is not about drowning our guests with wasteful overabundance, but about pampering our guests with the finest, being thoughtful to their needs and delighting them with unique experiences that last for a lifetime.

Attention to detail is a hallmark of our approach to everything we do, and we will endeavour to apply this approach to improving our waste management practice. In the coming year, we will take a closer look at our day-to-day operations and identify opportunities to cut down wastage and manage our resources more wisely, to make progress towards our 2020 goal.

Dual Benefits

The Peninsula Manila and The Landmark Vietnam established special employee welfare funds with money collected through the sales of recyclable waste. Employees determine how the funds are used; often helping to provide emergency financial assistance to colleagues in need.

This motivates employees to enhance their recycling efforts as they know for every can and plastic bottle recycled, they are helping both the environment and their fellow colleagues.



Cutting Down Plastic Waste

Instead of providing plastic bottled water in the guestrooms, The Peninsula Paris offers premium glass bottled water to its guests and works with its supplier to collect and reuse these bottles. The Peninsula Beverly Hills worked with its local supplier and introduced bottled water made of 100% recycled plastic. Production of these bottles takes only 32% of the energy used for producing a new plastic bottle.

SAFETY COMES FIRST

Making sure our operation is safe for our guests and employees is of utmost importance to HSH and its stakeholders. From the food we serve and the indoor air quality of our premises, to being prepared for emergency situations, we remain committed to safeguarding the well-being of our guests and employees.

Healthy indoor air quality

It is essential that we ensure the indoor air quality at all our locations is safe and healthy. To meet this commitment, we carefully manage our indoor environments through cautious control of ventilation and water systems, well-timed maintenance work, and by using less hazardous paints and cleaning products.

Since 2012, all operations have been required to undertake indoor air quality assessment on an annual basis in accordance with our Group Indoor Air Quality (IAQ) Policy. IAQ assessment is not a regulatory requirement in most of the locations where we operate, but this practice ensures we remain focused on this important issue and make improvements where necessary. From guestrooms and offices to restaurants and spas, the assessments cover all corners of our properties. In 2014, the air quality at all operations was recorded as satisfactory with the majority achieving either excellent or good ratings.

Our 2020 target is to achieve an excellent air quality rating at all our properties. While easy to attain in some locations where the outdoor air quality is good, this is particularly challenging in cities such as Beijing and Shanghai which have high air pollution levels. It makes safeguarding our indoor air quality an important undertaking.

Safeguarding food safety and hygiene

Our food and beverage operation is an important aspect of how we plan to deliver sustainable luxury, which begins with our steadfast commitment to food safety and hygiene. This was confirmed by our stakeholders as the most important corporate responsibility issue for our company in the materiality study that we conducted in 2012. Our operations strictly adhere to local food safety standards. To further raise the bar on safeguarding food safety and hygiene, our ambition is to have all our food and beverage

operations go beyond their local regulatory requirements to achieve Hazard Analysis and Critical Control Points (HACCP)²⁶ certification by 2020.

Our hotels in Hong Kong, Beijing and Manila have already become HACCP certified while all other hotels in the Group have conducted HACCP gap analysis and developed their plans for achieving compliance. Our focus areas for 2015 are to begin implementing the plans for closing the gaps identified. Some operations – including our newest hotel, The Peninsula Paris – have hired a hygiene manager and set up a food safety taskforce to coordinate the process. Others are using external consultants. Our properties and clubs division also plans to develop a shared food safety management platform to support its teams in moving towards HACCP.

Ensuring we are prepared at all times

We have implemented biannual safety and security risk assessments of all properties since 2013. The assessments facilitated regular reviews of possible threats and risks as well as operations' crisis and safety management practices, reinforcing our efforts in taking precautionary measures to ensure the security of our staff and guests. To bolster emergency preparedness, all operations were asked to put special focus on emergency drills and trainings in 2014.

The Peninsula Tokyo, for example, enhanced its earthquake preparedness by carrying out a simulation which was evaluated by the local fire services department as a success. Some operations conducted both announced and unannounced fire and evacuation drills in order to measure the alertness of their teams and the reliability of their communication systems. Most operations improved the breadth of their trainings during the year.

In Hong Kong, the Peak Tram, which enjoys an exemplary safety record, conducts two emergency simulations a year. Employees take on roles as passengers in scenarios designed to test the rescue team's ability to respond if the tram should have to stop between stations for emergency situations. All our Hong Kong operations also put their procedures to the test satisfactorily at the time of pro-democracy protests in our home city of Hong Kong.

²⁶ Hazard Analysis & Critical Control Points (HACCP) is an internationally recognised food safety and hygiene standard for commercial kitchens. A highly regarded accreditation in the hotel and food industry, 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.



HOW WE DID IN 2014:

- ✘ Achieved an overall 18.5% energy intensity reduction against the 2006-08 baseline
- ✔ Achieved a 16% water intensity reduction against the 2006-08 baseline for hotels division and 7% reduction for commercial properties, clubs and services division
- ✔ Carried out water management assessment across the Group
- ➔ All operations carried out employee awareness programme on environmental conservation
- ✔ Conducted a pilot Building Re-commissioning project
- ➔ Continued to seek opportunities to improve waste diversion
- ➔ Established more vigorous discipline of conducting emergency drills to enhance our emergency preparedness

✔ Achieved
 ➔ On Plan
 ⊖ Behind Plan
 ✘ Objective Missed

OUR 2015 COMMITMENTS

- Maintain an overall 18.5% energy intensity reduction against the 2006-08 baseline
- Achieve 18.5% water intensity reduction against the 2006-08 baseline for the hotels division and 5% reduction for the commercial properties, clubs and services division
- Establish a best practice sharing platform among the engineering team to support the delivery of Vision 2020 Operation ambitions
- Develop additional guidance to help operations improve waste management practices
- Develop a shared food safety management platform to support the properties and clubs division in moving towards HACCP compliance

New Build & Refit



OUR MISSION

We strive to design and deliver our hotels and properties to meet the highest sustainability criteria whilst providing an exceptional level of comfort. These high design standards support superior service delivery in the future and provide the foundation for efficient energy, water, waste and safety management.

OUR 2020 AMBITIONS

- In countries where qualified contractors are available, all main contractors appointed are ISO 14001 certified.
- In countries where qualified contractors are available, all main contractors appointed are OHSAS 18001 certified.
- All new build and major refits meet international green building standards.
- All paints used for indoor environment are free of VOCs.

*Watch a video of
the Making of
The Peninsula Paris*



*“A very important aspect of the restoration work
of The Peninsula Paris was the respect we paid
to the history and heritage of the building”*

Mr Clement K.M. Kwok
Chief Executive Officer



The Group's portfolio of prestigious hotels and properties is designed to deliver an exceptional level of experiential luxury to our guests and tenants. Our design is thoughtful, timeless and relentless in attention to detail. We use the finest materials and craftsmanship in our construction process. The Company also embraces innovation and is keen to make our properties sustainable while preserving their historical characteristics. The Peninsula Paris, our newest hotel and our first in Europe, which opened in August 2014 is a testimony to this philosophy.

RECREATING A LEGEND

The building, which is now home to The Peninsula Paris, has enjoyed a long and distinguished history since its original completion in 1908, having functioned as one of Paris' most luxurious "grands hotels" and as government offices. The original building took two years to build but has taken us over four years of construction and restoration work to restore it to its former glory. Our dedication to preserving its heritage for future generations to enjoy is exemplified in this journey.

The restoration work involved historic monument specialists and teams of French master craftsmen, utilising traditional techniques and skills now only possessed by a handful of small family companies. The building's façade, for example, had deteriorated through the years. As many as forty skilled stonemasons were employed to restore the elaborate 10,000 sq.m. exterior façade alone. Repairs were carried out where possible, carving missing portions by hand using stone dust paste, while some severely damaged sections were re-constructed from scratch. The work also included the rehabilitation of the interior courtyards. Inside, marble,

stucco, mosaics, roof and wall tiles, gold leaf and carvings were painstakingly restored in an effort to retain the soul and spirit of the original building.

Combining past & present, heritage & technology

While the aim of the restoration was to preserve the beauty and the soul of the building, we also ensured that, beneath its historical façade, The Peninsula Paris is a modern, state-of-the art 21st century hotel, equipped with the latest personalised in-room technology which is a hallmark of The Peninsula Hotels.

All the guest rooms of The Peninsula Paris include fully-customised interactive digital bedside and desk tablets, pre-set in one of 11 languages to suit guest preference. All information of interest to our guests and full control of all in-room functions, from streaming terrestrial TV, lighting control to valet call and privacy option, are accessible with merely one touch on the tablet.





The retractable awnings in signature Peninsula green not only add to the character of the hotel, but also reduce direct solar heat gain through the windows, lowering the energy demand for air-conditioning in the guest rooms.

Sustainable, by choice

The lead contractor appointed for the project is both ISO 14001 and OHSAS 18001 certified for its responsible environmental and health and safety management practices. During the construction phase of the project, we ensured that we embed sustainability principles in the use of materials. A good selection of solid wood and plywood used for some furniture in both guest rooms and public areas were certified²⁷ to be from sustainable sources, and applied with low emission adhesives. In the hotel's lobby and bar area, 1,000 individual pieces of wood were removed from the original building to undergo restoration and re-installation by local wood restoration experts Atelier Fancelli, a small family company stretching back three generations and with just 12 employees. LED lights were carefully applied in most of the guestroom corridors and some of the public areas of the hotel to help conserve energy use.

The guest room windows are double-glazed to improve heat insulation and sound proofing. When the windows are opened, the water supply to the fan-coil unit is automatically cut off to reduce energy wastage in accordance with local

regulations. The beautiful carpet in the guest room is Green Label Plus²⁸ certified, meeting rigorous standards for low emissions of volatile organic compounds (VOCs) and thus improving the quality of the air in the guest room.

Some of the suites that The Peninsula Paris offers to its guests have private outdoor rooftop gardens, with spectacular view of the city of lights. A herb garden was also planted on the hotel's rooftop to provide fresh herbs to its chefs, while serving as a green roof for insulation, reducing energy use year round.

APPLYING SUSTAINABLE DESIGN THINKING

The HSH Sustainable Building Design Standards were renewed in 2013 to adopt Building Research Establishment Environmental Assessment Method (BREEAM) as a benchmark. BREEAM is one of the world's leading measures of a building's environmental performance. It encourages designers and project owners to consider the environmental implications of their decisions and emphasizes the importance of establishing proper control systems to monitor responsible usage of resources.

²⁷ Certified by either FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes)

²⁸ Green Label Plus identifies carpet, adhesives and cushion that have low chemical emissions, improving the quality of the air in which the products are used.

In 2015 we will be refurbishing The Peninsula Beijing as well as The Peninsula Chicago. In readiness for both projects, we incorporated BREEAM principles in the design of their model rooms during the year. For example, we used low emission paints, glues and wood stains, and that the wood used for some furniture was FSC certified. We also procured

Green Label Plus certified carpet and applied LED lamps in some of the architectural lighting.

Looking ahead, as we undergo exciting new developments in London and Yangon, we will challenge ourselves to deliver these projects to the highest standards of quality and sustainability criteria.

A New Look

The Gotham Lounge at The Peninsula New York unveiled a newly designed space in 2014. Elegant and intimate, the newly renovated Gotham Lounge sourced 60% of the furnishing materials within North America.



The Challenge

We are keenly aware that the design decisions we make – both in new build and renovation projects – have significant effects on the long-term performance of our properties. It may affect ongoing energy and water efficiency, waste and safety management as well as operating costs.

Our challenge is to marry our ambitions for lower impact operation with the exceptional level of quality and luxury standards we aim to provide for our guests, while also respecting the history and heritage of the building. Our Sustainable Luxury Vision 2020 sets out our ambition to take on this challenge.

We are hopeful that as the construction and design industries as well as the suppliers we work with continue to innovate and embrace sustainability thinking, we will see more solutions that can support us in meeting both our quality standards and our Vision 2020 ambitions.

HOW WE DID IN 2014:

- ➔ Began to implement the renewed Sustainable Design Standards for new build and major refit projects

✔ Achieved
 ➔ On Plan
 ⊖ Behind Plan
 ✘ Objective Missed

OUR 2015 COMMITMENTS

- Incorporate BREEAM environmental principles in the design of the renovation of The Peninsula Beijing and The Peninsula Chicago
- Seek to use sustainable materials in the renovation of The Peninsula Beijing and The Peninsula Chicago

Supply Chain



OUR MISSION

We seek opportunities to delight customers whilst controlling cost. We will address the sustainability risks in our supply chains, with the goal of minimising the negative environmental and social impacts of our procurement decisions.

Whilst meeting our financial and quality requirements, we will make preference to source locally and from sustainable sources in order to support the local communities and environment and, in the process, reduce our carbon and water footprints.

OUR 2020 AMBITIONS

- All operations continue to enforce the group-wide ban on shark fin.
- Paper products will be from certified sustainable sources by 2017.
- Critically endangered species are removed from our food and beverages offerings.
- Strive to source 50% perishable produce locally
- Guestroom amenities are made of sustainable materials.
- More than 50% cleaning products used in operations will be chemical-free or biodegradable.
- Tea, coffee and chocolate we sell are from certified ethical sources.
- Our luxurious furnishings meet uncompromising quality and sustainability criteria.
- Strive to have all procurement contracts in compliance with HSH Supplier Code of Conduct and verified by sample audit
- Rejuvenate “Naturally Peninsula” as the choice for sustainable, organic, and healthy options

Central to our Sustainable Luxury Vision 2020 is the commitment to making thoughtful choices. As a business with a global supply chain, we are aware that the choices we make as a buyer have a direct impact on the environment and the communities where our products originate. We aim to uphold our luxury standards while looking to source ethically, sustainably and locally. We understand that we cannot achieve this aspiration alone, but through close partnership with suppliers that share the same value and the same commitment to quality and standards with us.

TRACKING OUR PROGRESS

In 2014, we rolled out a new reporting tool to all our operations in order to instil the discipline of measuring our performance on responsible sourcing on a regular basis. Designing a framework for collecting robust and meaningful procurement data on a diverse range of products and raw materials across our operations around the world was a challenge, but one which we were determined to undertake. We are pleased to report that, after two years of collaborative effort by our procurement teams, we now have a global framework to track our progress towards the 2020 ambitions we set for ourselves in the areas of responsible and sustainable sourcing. This will help us gain a better understanding of the sustainability impact of our purchasing decisions and maintain our focus on delivering improvement. During the year, we also began to develop a guide with recommended principles and alternatives for a range of raw materials to support us in making more considered choices. This new sustainable procurement guide will be rolled out across the Group in 2015.

NOT AN OPTION²⁹

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. The HSH Supply Chain Code of Conduct articulates our expectations of suppliers and contractors on sustainable and responsible business practices. The Code is part of the compliance requirements mandated by the Group's Purchasing and Tendering Procedures. Group operations have also progressively incorporated the Code as a standard requirement in all procurement contracts

over time, in a bid to ensure that the suppliers we work with follow responsible and sustainable business practices. In 2014, we also developed guidance and checklists to support our procurement team in assessing their suppliers' compliance to the Code in supplier visits.

MANAGE OUR ECOLOGICAL FOOTPRINT RESPONSIBLY

We endeavour to source 50% of our perishable produce locally as a means to support the local community by contributing to local employment and economic development while reducing the environmental impact arising from the transportation to goods.

Across the Group, it was estimated that the proportion of perishable produce sourced locally ranged from 15% at The Peninsula Hong Kong, to 80% at The Peninsula Chicago and The Peninsula Paris, and to 100% at Quail Lodge & Golf Club. This wide variation was in part due to the available resources at different locations, but it also highlighted the opportunity for us to share best practice and learn from each other within the HSH family.

In 2014, we continued to focus on lowering our ecological footprint by sourcing our paper products and food items from more sustainable sources.

A paper trail to sustainable forestry

12 to 15 million hectares of forest are lost each year – the equivalent of 36 football fields every 60 seconds³⁰. Around 40% of the world's commercially harvested timber is used for



²⁹ GRI G4 Material Disclosure: G4-26

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

paper production. HSH's day-to-day business operations involve the use of a wide range of paper products. To ensure we work with suppliers who share our commitment to conserve the world's forests and forest biodiversity, we introduced a policy in 2012, mandating all Group companies to purchase paper products only from certified sustainable sources such as the Forest Stewardship Council (FSC)³¹ by 2017.

We have been making steady progress towards this goal. By the end of 2014, from printed matter and collaterals to toilet paper in the guest room of our hotels, more than 70% of our paper purchases across the Group were from certified sustainable sources. It represented an improvement of 17 percentage points from the previous year.

Almost There

The Peninsula Merchandising – our single largest user of paper products – now purchases over 99% of its paper supplies from FSC-certified sources.



The Challenge

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 sustainable. Our intention is genuine, but we acknowledge that delivering on it is not an easy undertaking, especially in our Asia operations, where certain seafood items are highly tied to local culture and customs. Despite the challenges, with the support of conservation organisations, such as WWF and Monterey Bay Aquarium as well as our seafood suppliers, we remain dedicated and optimistic on realising our ambitions of removing critically endangered species from our seafood offering.

Contribute to a healthy ocean

An important decision we made in 2011 was to take a definitive stand on removing shark fin from all of our owned food outlets, in an effort to contribute to preserving the marine ecosystem for the world's future generations. The decision was well received by our guests and other stakeholders around the world. To further support shark conservation, we also became a signatory of WWF's No Shark Fin Corporate Pledge.

In 2013, we began our collaboration with WWF in assessing the sustainability of our seafood offering at the Group's flagship hotel, The Peninsula Hong Kong. The assessment covered the full range of seafood items offered by the hotel and provided recommendations, where possible, on alternative options in the market. Our partnership with WWF has since been extended to other locations in Asia. In 2014, led by WWF Hong Kong, the WWF teams and our hotels teams in Tokyo, Manila and Bangkok worked together to conduct similar assessment of our seafood offering in these three locations. The study provided useful insights for developing our broader sustainable seafood strategy.

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

Sustainable Caviar, Twelve Years in The Making

The Peninsula Shanghai partnered with Kaluga Queen to offer our guests an exquisite taste of sustainable luxury – the finest sustainable caviar experience, including the first harvest of sustainable Beluga caviar produced in China.

Located at the picturesque Qiandaohu (Thousand-Island Lake) in Zhejiang province and occupying 200,000 square metres, Kaluga Queen operates the only internationally certified caviar farm in China and the first sustainable sturgeon aquaculture farm in Asia. It took 12 years for the first sturgeon to become mature enough for harvest in 2014. The sturgeon were processed in a plant operating to the highest international food hygiene and safety standards.



Ethically, sustainably and locally

Our chefs are always on the look-out for quality produce from local, ethical and sustainable sources. In addition to perishable produce, we also started to make sustainability considerations part of the choices of beverages that we offer to our guests. For example, The Peninsula Tokyo introduced new coffee blends to all its restaurants in late 2013. The new blends not only enhanced the quality of coffee, for which the hotel received many compliments from its guests, but also helped to support sustainable farming practices as all the coffee is Rainforest Alliance³² certified. At Quail Lodge & Golf Club, from coffee to tea, from chocolate to sugar, all are from farms that follow fair trade and sustainable farming practices.

Redefine Luxury Dining

Having our produce come from local and sustainable sources is increasingly part of the exquisite gastronomic experience that we offer to our guests. See pages 131-135 on how our chefs around the world passionately pursue the concept of farm-to-table, adding a wholesome perspective to fine dining experience.

³² Rainforest Alliance (www.rainforest-alliance.org) is an international nonprofit organisation that helps farmers and forest managers realise greater economic benefits by ensuring ecosystems within and around their operations are protected, and that their workers are well-trained and enjoy safe conditions, proper sanitation, health care and housing.

Tea-ming Up for good



*The best partnerships
are often founded on
shared values*

The best partnerships are often founded on shared values: a commitment to doing things with the same principles, with the same aspirations. That is what makes our business relationship with our major tea provider, the Teesta Valley Tea Company, so special. Just like us, they aim to provide the highest quality product with superb service to match; and like us, Teesta Valley also places great store in its people.

Established in 1841, the Teesta Valley Tea Company has been in the tea business for more than three generations, and for the last 14 years has supplied tea for some of the restaurants and guest rooms of all Peninsula hotels. Their estates in Darjeeling, Assam and the Doars enjoy some of the best tea-growing slopes in the world while their expert tea-tasters and master-blenders create some of the finest tea one can find. Just the kind of quality, care and craftsmanship we love to share with our guests.

It is not only what they make but also how they make it that demonstrates why they make such a valuable partner for The Peninsula. Teesta Valley provides free housing to all permanent employees

within its estates in Darjeeling and Assam, as well as schooling for workers' children. It runs its own hospitals at each estate, with workers benefitting from free medicines and treatment, and the company bears the cost of treatment required at government hospitals for more serious illnesses. Teesta Valley also subsidises a high school in Kolkata, where its head office is located, as well as a welfare centre that provides food and warm clothing to vulnerable people. In 2014, Teesta Valley was certified by Fairtrade in recognition of its ethical practices.

This outstanding level of care and support for its people sets Teesta Valley apart and we are proud to have had them as a business partner for more than a decade. We are pleased to have a partner who is making a difference in its community while supporting us in offering our guests a high-quality, lovingly made tea. We are also grateful to know that our sourcing relationship has contributed to the growth of our partner, and in turn touched the life of its people and local communities in a small way. It is a fine partnership and long may it continue.



How We Did in 2014:

-  Implemented a new reporting template for the Group to measure our performance on responsible sourcing practices
-  Developed protocols to incorporate HSH Supply Chain Code of Conduct compliance assessment as part of supplier visits
-  Introduced supplier pre-qualification process which incorporates HSH Supply Chain Code of Conduct requirements
-  Conducted sustainability review on the seafood offering across operations
-  Developed sustainable procurement guidelines

 Achieved
  On Plan
  Behind Plan
  Objective Missed

Our 2015 Commitments

- Expand the sustainability review on our seafood offerings
- Seek to use more environmentally friendly cleaning products
- Leverage technology further to reduce paper use
- Roll out the sustainable procurement guidelines across all operations

Community



OUR MISSION

Respectful to our environment and our community, we will engage with our communities to respond to their needs in a strategic, relevant and focused way.

We also seek to integrate our aspirations for supporting the development of our communities with our core operations.

OUR 2020 AMBITIONS

- Contribute 100,000 hours of community service by 2020
- Engage 10% of employees in community service
- Develop Group “Impact” programmes on global and regional levels
- All hotel operations have at least one “Impact” programme.
- All hotel and property operations annually organise at least one cause marketing campaign to engage their customers in contributing to communities where we operate.
- Empower disadvantaged youth and marginalised groups in communities where we operate with the skills and opportunities for livelihoods while building the pipeline for our future workforce needs
- The Peninsula Academy provides opportunities for guests to appreciate and care for the local community and environment.

Caring for the community is a core value of ours that stretches back 149 years when HSH was founded in 1866. Our Sustainable Luxury Vision 2020 cements this commitment firmly for the future. The success of our business is rooted in the success of the communities in which we operate. They provide the resources, infrastructure and markets that support our businesses. In return, we feel we have a responsibility to make a positive and an enduring contribution to these communities that we are proud to call home.

BRINGING A LASTING BENEFIT



Our 2020 ambitions set out our commitment to the communities. Our Community Development Wheel³³ outlines the strategic framework of how we plan to achieve our goals. We strive to integrate our aspirations to support the development of our communities with our core operations. It may be through employment opportunities, through the sales of our products, through our sourcing practices, or acting as an ambassador for our communities. Our priorities are to align our support to the community with our core business activities. It is through this alignment that we believe we can bring a lasting and sustainable benefit to these communities.

Planning for impact

In 2014, all Group operations set their local ambitions and sketched out action plans for contributing to the Company's 2020 community goals. In the coming year, we will refine these plans and continue to grow our effort.

The Group also began to host quarterly regional calls on the topic of community engagement with all operation teams

during the year. The purpose of the quarterly call is to provide an opportunity for the teams to share past successes, review common challenges, and discuss strategies for delivering the Vision 2020 community ambitions. It could also facilitate more opportunities of synergy among different operations within the Group. Progress would be reported to the Group Corporate Responsibility Committee. We believe that the discipline of a quarterly update would ensure we remain focused on driving progress and that our strategies would lead to the successful delivery of Vision 2020.

UNITING FOR GOOD CAUSES³⁴

In 2014, Group operations continued to work with their local partners to support the needs in their local communities, specifically on our priority areas of education, healthcare and livelihood programmes for children and youth, the elderly and marginalised groups in our communities. We have also chosen some causes in line with our focus areas to support at Group level, so that all operations, regardless of where they are, can unite for a common purpose.

33 GRI G4 Material Disclosure: G4-26

34 GRI G4 Material Disclosure: G4-26

Engaging the community to think Pink



The Peninsula Hotels around the world came together for the fourth year to show support for Breast Cancer Awareness Month with the Peninsula in Pink

campaign throughout the month of October. All our hotels rose to the occasion by hosting a month-long campaign of pink-themed dining, room and spa promotions as well as fundraising parties and events, with part of the proceeds donated to local breast cancer charities. Staff members were also involved in pink runs, triathlon des roses and other activities to help raise awareness and funds.

In celebration of the opening of The Peninsula Paris, the campaign took on the theme of *Peninsula en Rose*, adding a Parisian twist to the Peninsula Afternoon Tea and other culinary offers. It also included an organic-inspired *Naturally Peninsula in Pink* menu in each hotel's lobby to promote healthy eating, with recipes available online. At The Peninsula Chicago, a special remembrance tree was put up



in the lobby, whereby guests may donate US\$5 for a pink card and write a message to someone who has suffered from breast cancer and hang it on the tree.

In 2014, we also reached out to our network, rallying our partners to join the cause in serving the communities together. In Tokyo and Beijing, we engaged local artists to donate their beautiful artworks for charity auctions. In Manila, the hotel in partnership with The Estée Lauder Companies raised almost PHP6 million (HK\$1 million) over the course of three years. The funds were donated to the Philippine Foundation for Breast Care to expand and upgrade the breast care centre at East Avenue Medical Centre. The Peninsula Bangkok brought together over 30 of Bangkok's most outstanding restaurants, pastry shops and bars in organising a *Eat-Drink-Pink* gourmet party at the hotel to raise funds and awareness. The 2014 campaign was our most creative and impactful one yet.

Coming together to inspire hope

In December, our hotels once again lit up the Trees of Hope to raise spirits and funds for local chapters of Make-A-Wish Foundation and other children's charities. The Foundation grants wishes that bring happiness and a brief respite for children diagnosed with life-threatening medical conditions.



Featuring our holiday ambassador SnowPage as its theme, two exclusive holiday mementos – a specially created SnowPage glass tree ornament and a plush SnowPage soft toy – were available for guests to purchase, with part of the proceeds being donated.

In 2014, the fundraising fun was also extended to the online community through social media. Individuals were invited to snap a photo of the SnowPage and post it on social media, whereby we would make a donation to Make-A-Wish. In addition, some of our hotels were involved in granting the special wishes of Make-A-Wish children. This winter The Peninsula Beijing assisted with the wish of a six-year-old girl who wanted to see snow. The hotel prepared her family's suite in her favourite shades of pink and filled the room with Christmas presents and snowflakes! This unforgettable trip to Beijing gave the little girl, who suffered from brainstem anaplastic astrocytoma, many happy moments and the strength to return home to Hong Kong to continue her treatment.

Finding a great fit for marginalised groups



In Hong Kong where the Group is headquartered, we continued to build on the Honing Skills in Hospitality programme. Organised in partnership

with Delia Memorial School (Broadway) and Hong Kong Council of Social Service (HKCSS), the programme involved three modules, from introduction to HSH's operations, service trainings, to internship and mentorship – all aimed to support the development of ethnic minority youth. In 2014, five operations in Hong Kong – The Peninsula Hong Kong, The Repulse Bay, The Peak Complex as well as Cathay Pacific Lounges and Butterfield's under Peninsula Clubs and Consultancy Services – provided 10 underprivileged ethnic minority students, who studied Tourism and Hospitality at school, an opportunity to experience the inner workings of the hospitality industry. Additionally, the programme could help build the pipeline for our future workforce.

Ethnic minority youths in Hong Kong face many barriers in the society. HKCSS carried out a community impact assessment of the programme. The findings showed that the programme was able to help these students enhance their self-esteem and build their aspirations for a career in hospitality and tourism industry. It also facilitated cross-cultural understanding, contributing to the long term process of racial inclusion in Hong Kong.



Continue to Grow Hope for The Philippines

In 2013, the devastating Super Typhoon Haiyan took over 6,000 lives and left hundreds of thousands injured and homeless in the Eastern Visayas region of the Philippines. All Peninsula hotels jumped to aid of the typhoon victims through the Hope for the Philippines campaign.

More than HK\$7 million was raised. In cooperation with the Philippine-based charity Gawad Kalinga Community Development Foundation, we identified a site located near Tacloban, and aimed to use the funds for building a village with 75 homes for families from the coastal town of San Roque who were displaced by Super Typhoon Haiyan. Gawad Kalinga has been a long-term charity partner of The Peninsula Manila which is driving the project on the Group's behalf. Construction began in early September and we are eager to have these new homes ready before the end of 2015, providing shelter and a new beginning for the typhoon victims.

*Watch a video about
Hope for The Philippines*



Great Oaks from Little Acorns Grow

In 2014, HSH supported more than 600 non-profit organisations worldwide, and contributed HK\$4.2 million monetary donations as well as a variety of in-kind sponsorships such as hotel stays, meal coupons, spa treatments and event venues to our charity partners. In addition, our employees devoted over 11,000 hours in serving the local communities.

Getting ready for a new school year

HSH partnered with **St. James' Settlement** to help underprivileged children prepare for the new school year. More than 100 staff members from our Hong Kong operations took part in the Back to School Drive community programme, donating over 150 backpacks to disadvantaged children. Peninsula Merchandising matched each backpack with a lovely Peninsula Pagebear Suitcase.

Staff members not only filled the backpacks with school supplies, toys and other goodies, but also brightened the lives of these children by fulfilling many of their wishes. The wishes of the children ranged from a pencil case or a pair of shoes, to something more exotic such as a lizard or a younger sister!

Together with St. James' Settlement, we have planned to engage other local companies in the effort to delight more underprivileged children in 2015.



Partnering for a better life for children

The Peninsula Bangkok further developed its partnership with the **Foundation of Better Life for Children**, which provides underprivileged children with shelter, education and vocational training.

The team organised a series of staff activities throughout the year to raise funds for building a library for the children. They managed to collect close to THB600,000 (HK\$136,000) to make the children's dream come true, and opened a new library at the Foundation's shelter home in November.

The Peninsula Bangkok's partnership with the Foundation began in 2013 when the Group's management team visited the children shelter during the General Managers' Conference, and planted some fruit-bearing trees as a source of sustainable income for the Foundation.



The Landmark lights up local orphanage

The Landmark Vietnam has developed a rewarding and multifaceted partnership with the local **Dieu Phap Orphanage** since 2012. The orphanage cares for over 150 children, some suffering from physical and mental disabilities.

In 2014, the Landmark team donated a variety of supplies and paid quarterly visits to the orphans. From planting trees and assisting with cleaning and repair work, to cutting hair and throwing a surprise party for the children, staff members contributed skills and time and, more importantly, their compassion to these unfortunate children.



Sharing moments of kindness

The Peninsula Chicago team went out into the streets and the lanes in Chicago neighbourhoods in the evening to reach out to homeless youth.

Supported by the **Night Ministry**, staff volunteers prepared sandwiches and meals for these homeless youths, listening to their stories and learning about their needs. The team conducted four outreach services in 2014 and aimed to do more in the coming year.

Onigiri Love

The Peninsula Tokyo and its charity partner Hands On Tokyo began to collaborate on the Onigiri Project in December 2009. Twice a month, staff volunteers would gather to make onigiri rice balls for donation to local orphanage homes and domestic violence shelters. More than 20,000 onigiri rice balls were made over the past five years and the effort is still continuing.



An admirable devotion

The Peninsula Beijing began its partnership with Li Zhi Rehabilitation Centre in 2014. Li Zhi provides shelter and skill training to people with mental disabilities, assisting them to achieve their full potential.

A small team of devoted staff volunteers paid visits to the centre every month throughout the year. They helped with repair work and held birthday parties for the trainees, but more importantly they provided these trainees with much needed attention, love and care.



Not to forget the elderly

The Peninsula Hong Kong continued to work with its long-term community partner St. James' Settlement in serving the elderly with different programmes every two months. In 2014, the team treated the elderly guests with the hotel's iconic afternoon tea and took them on an outing to Lantau Island. In partnership with a cosmetic company, the team also arranged a special make-up session and took some beautiful photos of 10 elderly couples. Staff volunteers also hand-knitted 30 scarves as presents for keeping the elderly warm in the cold winter.



HOW WE DID IN 2014:

- ➔ Implemented the renewed HSH Group community investment and engagement strategy and framework
- ➔ Introduced the Group community impact programme Honing Skills in Hospitality across all operations

✓ Achieved ➔ On Plan ⚙ Behind Plan ✗ Objective Missed

OUR 2015 COMMITMENTS

- Expand the Group community impact programme to a regional level
- All operations begin to implement their action plans for delivering the Vision 2020 Community ambitions.

PILLARS	 <i>Guest Experience</i>	 <i>Employees</i>	 <i>Community</i>
2020 AMBITIONS	<ul style="list-style-type: none"> Expand our customer base, particularly the 30s-50s age groups, and nurture their loyalty through our authentic service culture and the use of innovative technology Attract family travellers by providing facilities and services that cater for their needs Attract senior travellers by providing facilities and services that cater for their needs Engage our customers in preserving our heritage for future generations Provide Green Meeting options to corporate clients Continue to create memorable guest experiences through impeccable service, applying the right technology, leveraging on the resources of the cities we operate in, and creating an environment that supports our guests' lifestyle choices, such as healthier and more sustainable lifestyles 	<ul style="list-style-type: none"> Strengthen executive and leadership development Attract new talent and retain quality employees Implement the competency framework across the Group Introduce "Ambassadors for Good" Training Programme Empower Operations' CRS champions through training Target zero work fatality or incident resulting in permanent disability Minimise occupational health and safety incidents by improving the processes and system to support the management, planning and disclosure requirements on health and safety Achieve OHSAS 18001 for all operations Establish a global talent management system to support talent management, planning and disclosure needs 	<ul style="list-style-type: none"> Contribute 100,000 hours of community service by 2020 Engage 10% of employees in community service Develop Group "Impact" programmes on global and regional levels All hotel operations have at least one "Impact" programme. All hotel and property operations annually organise at least one cause marketing campaign to engage their customers in contributing to communities where we operate. Empower disadvantaged youth and marginalised groups in communities where we operate with the skills and opportunities for livelihoods while building the pipeline for our future workforce needs The Peninsula Academy provides opportunities for guests to appreciate and care for the local community and environment.
2015 COMMITMENTS	<ul style="list-style-type: none"> Create family-friendly programmes and facilities to offer unique experiences and further attract family travellers Relaunch the new room product at The Peninsula Chicago as part of the repositioning of the hotel Update and relaunch the Peninsula wellness concept across all hotels to provide our guests with a wider selection of options to maintain their wellbeing Roll out a new mobile version of Peninsula.com 	<ul style="list-style-type: none"> Improve our succession planning by incorporating the Group's competency framework in the process Align our people-development tools to the Group's competency framework Expand the reach of the new e-performance appraisal system to more employees as part of a global talent management system that we are building Roll out the Sustainable Luxury Vision 2020 e-learning module across all operations Conduct a gap analysis of our compliance with OHSAS 18001 Further enhance the injury and illness prevention programme through more robust post-incident investigations Establish a global IT platform to support operations with on-site crisis management 	<ul style="list-style-type: none"> All operations begin to implement their action plans for delivering the Vision 2020 Community ambitions. Expand the Group community impact programme to a regional level
PROGRESS AGAINST 2014 TARGETS	<ul style="list-style-type: none"> ✔ Enhanced online guest experience ✔ Continued to add meaningful guest experiences that appeal to guests of all ages to the programme offering of Peninsula Academy 	<ul style="list-style-type: none"> ✔ Rolled out refreshment programmes for the Code of Conduct training 🟡 Developed HR tools to support HSH competency framework ✔ Conducted global employee engagement survey 🟡 Developed new employee e-learning module on Vision 2020 ✔ Implemented a new health and safety reporting template to support the monitoring of health and safety performance across the Group 🟡 All operations developed action plans for achieving HACCP certification. 🟡 Enhanced injury and illness prevention programme through more robust post-incident investigations 	<ul style="list-style-type: none"> 🟡 Implemented the renewed HSH Group community investment and engagement strategy and framework 🟡 Introduced the Group community impact programme Honing Skills in Hospitality across all operations

✔ Achieved 🟡 On Plan 🟡 Behind Plan 🟡 Objective Missed

Supply Chain



- All operations continue to enforce the group-wide ban on shark fin.
- Paper products will be from certified sustainable sources by 2017.
- Critically endangered species are removed from our food and beverages offerings.
- Strive to source 50% perishable produce locally
- Guestroom amenities are made of sustainable materials.
- More than 50% cleaning products used in operations will be chemical-free or biodegradable.
- Tea, coffee, and chocolate we sell are from certified ethical sources.
- Our luxurious furnishings meet uncompromising quality and sustainability criteria.
- Strive to have all procurement contracts in compliance with HSH Supplier Code of Conduct and verified by sample audit
- Rejuvenate "Naturally Peninsula" as the choice for sustainable, organic and healthy options

- Expand the sustainability review on our seafood offerings
- Seek to use more environmentally friendly cleaning products
- Leverage technology further to reduce paper use
- Roll out the sustainable procurement guidelines across all operations

- ✔ Implemented a new reporting template for the Group to measure our performance on responsible sourcing practices
- ✔ Developed protocols to incorporate HSH Supply Chain Code of Conduct compliance assessment as part of supplier visits
- ➔ Introduced supplier pre-qualification process which incorporates HSH Supply Chain Code of Conduct requirements
- ➔ Conducted sustainability review on the seafood offering across operations
- 🔄 Developed sustainable procurement guidelines

New Build & Refit



- In countries where qualified contractors are available, all main contractors appointed are ISO14001 certified.
- In countries where qualified contractors are available, all main contractors appointed are OHSAS 18001 certified.
- All new built and major refit meet international green building standards.
- All paints used for indoor environment are free of VOCs.

- Incorporate BREEAM environmental principles in the design of the renovation of The Peninsula Beijing and The Peninsula Chicago
- Seek to use sustainable materials in the renovation of The Peninsula Beijing and The Peninsula Chicago

- ➔ Began to implement the renewed Sustainable Design Standards for new build and major refit projects

Operation



- Using the 2006-08 average as baseline:
- Achieve 10% absolute carbon emission reduction
 - Achieve 30% carbon intensity reduction
 - Achieve 25% energy intensity reduction
 - Achieve 25% water intensity reduction
 - Achieve 25% reduction on waste intensity from 2012 baseline.
 - Achieve 60% waste diversion rate through recycle, reuse and donation
 - Achieve excellent rating in IAQ assessment for all operations
 - Provide self-bottled water for guestrooms and meetings to reduce plastic waste
 - Achieve HACCP certification for all hotel operations
 - Operations located in water stressed regions to be "water neutral" by efficient use of water and replenishing sources near our locations

- Maintain an overall 18.5% energy intensity reduction against the 2006-08 baseline
- Achieve 18.5% water intensity reduction against the 2006-08 baseline for the hotels division and 5% reduction for the commercial properties, clubs and services division
- Establish a best practice sharing platform among the engineering team to support the delivery of Vision 2020 Operation ambitions
- Develop additional guidance to help operations improve waste management practices
- Develop a shared food safety management platform to support the properties and clubs division in moving towards HACCP compliance

- ➔ Achieved an overall 18.5% energy intensity reduction against the 2006-08 baseline
- ✔ Achieved a 16% water intensity reduction against the 2006-08 baseline for hotels division and 7% reduction for commercial properties, clubs and services division
- ✔ Carried out water management assessment across the Group
- ➔ All operations carried out employee awareness programme on environmental conservation
- ✔ Conducted a pilot Building Re-commissioning project
- ➔ Continued to seek opportunities to improve waste diversion
- ➔ Established more vigorous discipline of conducting emergency drills to enhance our emergency preparedness

Governance & Management



- Build a robust succession planning framework for senior leadership
- Introduce "Leaders for Good" Training Programme for management
- Establish a strong framework to track and manage financial, operational and environmental, social and governance risks
- Engage stakeholders on wider sustainability issues through a process that is meaningful and helps to advance the Group's sustainability commitments
- Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals
- Meet international and local sustainability disclosure requirements relevant to HSH

- All operations to finalise Vision 2020 site level targets and action plans
- Continue to expand employee engagement efforts on Vision 2020
- Renew the two-year stakeholder engagement plan
- Enhance the use of website to communicate with stakeholders on Vision 2020
- Continue to improve the Group's sustainability management process

- 🔄 All operations developed action plans and defined the associated goals contributing to Sustainable Luxury Vision 2020.
- ➔ Developed communication tools to support the leadership teams of all operations to cascade localised Vision 2020 plans to the wider workforce
- ➔ Implemented the two-year stakeholder engagement plan to support the rollout of Sustainable Luxury Vision 2020
- ➔ Continued to expand employee engagement efforts on corporate responsibility and sustainability
- ➔ Continued to improve the robustness of the Group's sustainability reporting



SUSTAINABLE
LUXURY
— 2 0 2 0 —



*We will mobilise as an organisation
to transform our 2020 aspirations into reality.*



Sustainability Data Statements

This section provides statistical information on the Group's sustainability performance. To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows Global Reporting Initiative's (GRI) disclosure framework, which is an internationally recognised set of indicators for economic, environmental and social aspects of business performance.

PERFORMANCE HIGHLIGHTS ⁽¹⁾

			2014	2013	2012	2011	2010	2009	2006-08 baseline
ECONOMIC	Revenue (incl. interest income)	HK\$m	5,903	5,554	5,234	5,058	4,731	4,233	–
	Operating costs	HK\$m	2,168	2,164	2,051	1,986	1,847	1,698	–
	Employee wage and benefits	HK\$m	2,052	1,951	1,842	1,728	1,639	1,512	–
	Capital expenditure	HK\$m	354	3,183	985	335	261	281	–
	Payments to providers of capital	HK\$m	211	372	227	195	171	192	–
	Tax payments to governments ⁽²⁾	HK\$m	458	362	437	422	376	396	–
	Total floor area	'000 m ²	651	588	588	588	588	518	518
	Total number of guest nights	'000	1,277	1,211	1,122	1,090	1,082	870	1,089
PEOPLE	Headcount		8,728	8,216	8,006	7,759	7,730	7,415	–
	Turnover	%	19.9%	20.3%	19.2%	19.5%	19.4%	11.7%	–
	Headcount by Gender	% of Female	42%	41%	41%	41%	40%	41%	–
	Average training spend ⁽³⁾	HK\$	2,322	2,602	2,645	–	–	–	–
HEALTH AND SAFETY	Training								
	Health and safety training	'000 hours	16	19	17	11	–	–	–
	Safety								
	Injury rate ⁽⁴⁾	reported incidents per 200,000 hours	7.4	7.2	7.6	9.5	–	–	–
	Lost day rate ⁽⁴⁾	reported days per 200,000 hours	75.6	77.1	52.5	55.4	–	–	–
	Absentee rate	reported days/total days worked	1.9%	1.8%	–	–	–	–	–
ENVIRONMENT	Greenhouse gas emissions ⁽⁵⁾	'000 tCO ₂ e	116	112	115	118	126	108	120
	Group carbon intensity	kg CO ₂ e per m ²	181	190	196	201	214	208	231
	Total energy use ⁽⁶⁾	'000 GJ	870	842	842	865	894	784	860
	Energy intensity	MJ per m ²	1,394	1,431	1,430	1,471	1,520	1,512	1,659
	Energy saved through reduction initiatives	GJ	6,517	10,383	35,711	44,750 ⁽⁶⁾	3,540	–	–
	Direct water consumption	'000 m ³	1,879	1,846	1,795	1,813	1,831	1,558	1,921
	Water intensity								
	Hotels Division	litres per guest night	1,132	1,181	1,257	1,313	1,346	1,389	1,375
	Commercial Properties, Clubs & Services Division	litres per m ²	1,765	2,012	1,888	1,988	1,773	1,557	1,712
	Water recycled	'000 m ³	124	126	122	93	142	129	–
Waste generated ⁽⁷⁾	tonnes	7,501	6,926	6,807	–	–	–	–	
Waste recycled ⁽⁷⁾	tonnes	3,338	2,719	2,350	–	–	–	–	
COMMUNITY	Monetary Donations ⁽⁸⁾	HK\$ '000	4,197	8,900	2,843	4,453	1,259	1,786	–
	Community Outreach								
	Service hours	hours	11,667	7,350	7,332	6,192	3,788	2,084	–
	Employee volunteers		949	835	591	942	2,420	1,004	–
	Internships & Retraining scheme								
Training hours	'000 hours	296	404	392	540	305	87	–	
Participants		614	1,130	1,069	1,210	693	393	–	

(1) Please refer to Reporting Scope on page 57 for the scope of businesses covered in the reporting of employee, health and safety, community and environmental performance.

(2) Inclusive of corporate income tax, property and real estate tax, payroll tax and other corporate taxes.

(3) Average training spend is based on total annual training spend per full-time equivalent.

(4) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2014. Lost days drop in 2014 despite injury rates increase due to the rise in minor injury with no or shorter lost day. 2011 and 2012 injury and lost day data did not include Quail Lodge & Golf Club.

(5) The comparative information has been restated to conform with the current year's presentation. Changes were less than 1% difference from information previously disclosed. The greenhouse gas emissions baseline has been adjusted by 7% to more accurately report the average emissions in the baseline period. (GRI G4 Material Disclosure: G4-22)

(6) 44,750 GJ represented energy saved over 2010 and 2011. Energy saved was calculated based on vendor estimates and assumptions according to expected efficiency gains.

(7) Group waste diversion rate in 2014 was 44.5%. To conform with current year's reporting scope, total waste figures for 2013 and 2012 were restated to include dry waste disposed to landfill by The Peak Tower and St. John's Building, which resulted in 5% increase in the information previously disclosed. (GRI G4 Material Disclosure: G4-22)

(8) 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.

WORKFORCE PROFILE AND SAFETY PERFORMANCE

	2014			2013			
	Hotels ⁽¹⁾	Commercial Properties, Clubs & Services ⁽²⁾	Total	Hotels	Commercial Properties, Clubs & Services	Total	
WORKFORCE DEMOGRAPHICS	Total Headcount⁽³⁾	6,668	2,060	8,728	6,202	2,014	8,216
	by Employment Types						
	Full-time	6,300	1,632	7,932	5,877	1,634	7,511
	Part-time & Casual	368	428	796	325	380	705
	by Type of Contracts						
	Permanent or At Will contract ⁽⁴⁾	6,570	1,702	8,272	6,151	1,760	7,911
	Fixed term or temporary contracts	98	358	456	51	254	305
	by Geographical Locations						
	Asia	4,573	1,863	6,436	4,724	1,832	6,556
	Non-Asia ⁽⁵⁾	2,095	197	2,292	1,478	182	1,660
	by Gender						
	Male	58.3%	55.9%	57.7%	58.5%	58.5%	58.5%
	Female	41.7%	44.1%	42.3%	41.5%	41.5%	41.5%
by Management Role							
Management	6.1%	5.0%	5.8%	6.0%	5.1%	5.8%	
Non-management	93.9%	95.0%	94.2%	94.0%	94.9%	94.2%	
Management Hired from Local Community (%)	69.8%	86.3%	73.1%	69.2%	89.2%	73.5%	
Employees Receiving Regular Performance Reviews (%)⁽⁶⁾	91.3%	83.9%	89.8%	93.3%	98.3%	94.4%	
Employees under Collective Bargaining	21.2%	10.3%	18.6%	13.9%	10.0%	12.9%	
TURNOVER	Total Turnover Rate⁽⁷⁾	18.0%	27.5%	19.9%	18.3%	26.0%	20.3%
	by Geographical Locations						
	Asia	18.5%	28.0%	20.9%	19.3%	24.9%	20.8%
	Non-Asia	16.8%	21.5%	17.1%	15.2%	43.8%	17.2%
	by Gender						
	Male	16.9%	27.8%	19.2%	16.9%	25.2%	18.9%
	Female	19.4%	27.1%	21.0%	19.7%	29.3%	21.7%
	by Age Group						
Under 30 years old	31.8%	44.8%	33.7%	28.7%	44.0%	31.1%	
30 to 50 years old	13.7%	23.8%	15.7%	14.8%	23.1%	16.6%	
Over 50 years old	8.4%	22.6%	12.8%	9.7%	21.7%	13.9%	
NEW HIRES	Total New Hires	1,629	498	2,127	1,245	520	1,765
	by Geographical Locations						
	Asia	705	443	1,148	1,008	435	1,443
	Non-Asia	924	55	979	237	85	322
	by Gender						
	Male	946	243	1,189	658	272	930
	Female	683	255	938	587	248	835
by Age Group							
Under 30 years old	914	206	1,120	692	193	885	
30 to 50 years old	642	186	828	490	239	729	
Over 50 years old	73	106	179	63	88	151	
PARENTAL LEAVE	Entitled to Parental Leave						
	Male	2,798	760	3,558	2,483	573	3,056
	Female	2,360	706	3,066	2,194	636	2,830
	Took Parental Leave						
	Male	67	18	85	52	6	58
	Female	100	13	113	83	7	90
	Returned to Work After Taking Parental Leave						
	Male	100%	100%	100%	100%	100%	100%
Female	59%	70%	60%	69%	86%	70%	
Returned and Still Employed After 12 Months							
Male	92%	100%	93%	89%	100%	91%	
Female	80%	60%	79%	78%	88%	79%	
TRAINING	Average training spend⁽⁸⁾	HK\$2,662	HK\$1,042	HK\$2,322	HK\$3,222	HK\$690	HK\$2,602
	Employee training ('000 hours)⁽⁹⁾	90	15	105	-	-	-
	Health and Safety Training ('000 hours)	9	7	16	12	7	19
HEALTH & SAFETY	Total Injury Rate⁽¹⁰⁾	8.2	4.8	7.4	7.7	5.4	7.2
	by Geographical Locations						
	Asia	5.0	3.9	4.7	5.1	4.4	5.0
	Non-Asia	19.0	19.9	19.1	18.3	25.0	18.7
	by Gender						
	Male	7.7	4.8	6.8	-	-	-
	Female	9.3	5.8	8.1	-	-	-
	Total Lost Day Rate⁽¹⁰⁾	64.2	109.4	75.6	67.5	116.1	77.1
	by Geographical Locations						
	Asia	49.6	113.8	68.3	54.3	120.6	69.2
	Non-Asia	113.4	39.1	107.4	122.8	27.8	117.3
	by Gender						
	Male	45.5	85.7	55.7	-	-	-
Female	91.8	145.9	105.1	-	-	-	
Total Absentee Rate	1.9%	2.1%	1.9%	1.8%	1.9%	1.8%	
by Geographical Locations							
Asia	1.9%	1.9%	1.9%	1.8%	1.9%	1.8%	
Non-Asia	1.8%	5.1%	2.1%	1.8%	1.2%	1.7%	
by Gender							
Male	1.5%	1.8%	1.6%	-	-	-	
Female	2.4%	2.7%	2.4%	-	-	-	

(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 cover the entire workforce including full-time and part-time employees working on permanent, fixed term and at will contracts, and non-contracted employees, but do not include daily contingent casual labour.

(4) All employees are employed "at will" at US hotels, which means an employee may resign or be terminated from employment at any time for any or no reason, with or without notice. By 2011, they were grouped as part of fixed term employment, but they are now incorporated into the permanent employment.

(5) Non-Asia operations include the Group's operations in the US and in France.

2012 Commercial Properties, Clubs & Services			2011 Commercial Properties, Clubs & Services			2010 Commercial Properties, Clubs & Services			2009 Commercial Properties, Clubs & Services		
Hotels		Total	Hotels		Total	Hotels		Total	Hotels		Total
6,158	1,848	8,006	6,039	1,720	7,759	6,064	1,666	7,730	5,827	1,588	7,415
5,612	1,557	7,169	5,475	1,547	7,022	5,444	1,511	6,955	5,334	1,499	6,833
546	291	837	564	173	737	620	155	775	493	89	582
6,018	1,649	7,667	3,062	1,453	4,515	3,043	1,429	4,472	2,956	1,389	4,345
140	199	339	2,752	210	2,962	3,026	221	3,247	2,691	173	2,864
4,703	1,693	6,396	4,575	1,543	6,118	4,633	1,493	6,126	4,481	1,451	5,932
1,455	155	1,610	1,464	177	1,641	1,431	173	1,604	1,346	137	1,483
58.3%	61.3%	59.0%	58.4%	62.7%	59.4%	58.7%	63.6%	59.8%	58.4%	62.7%	59.4%
41.7%	38.7%	41.0%	41.6%	37.3%	40.6%	41.3%	36.4%	40.2%	41.6%	37.3%	40.6%
7.5%	5.6%	7.1%	7.4%	6.1%	7.1%	6.4%	6.1%	6.4%	11.03%	9%	10.5%
92.5%	94.4%	92.9%	92.6%	93.9%	92.9%	93.6%	93.9%	93.6%	88.97%	89%	89.4%
59.5%	78.1%	62.9%	52.8%	83.3%	60.5%	50.8%	75.0%	55.6%	44.7%	80.0%	51.1%
89.2%	96.9%	90.8%	99.8%	90.5%	97.8%	99.7%	99.9%	99.8%	-	-	-
13.9%	9.6%	12.9%	13.0%	12.5%	12.9%	12.0%	12.4%	12.1%	10.9%	9.9%	10.7%
18.3%	21.1%	19.2%	17.6%	26.1%	19.5%	18.1%	24.0%	19.4%	13.0%	11.0%	11.7%
20.3%	21.6%	20.6%	18.73%	24.69%	20.3%	19.8%	20.4%	20.0%	11.3%	10.7%	11.0%
11.7%	11.5%	11.7%	13.86%	50.59%	16.1%	12.6%	81.3%	17.2%	14.9%	75.0%	15.8%
18.5%	18.9%	18.6%	10.14%	13.77%	10.9%	17.6%	23.8%	19.0%			
17.8%	28.0%	19.9%	7.45%	12.35%	8.5%	18.9%	24.5%	20.0%			
35.6%	41.8%	36.6%	10.10%	8.53%	9.76%	10.2%	8.7%	9.9%			
11.3%	18.8%	12.9%	6.59%	13.77%	8.17%	6.6%	10.4%	7.4%			
7.8%	15.4%	10.5%	0.89%	3.81%	1.54%	1.3%	1.4%	2.1%			
1,256	460	1,716									
1,026	343	1,369									
230	117	347									
703	258	961									
553	202	755									
835	174	1,009									
397	200	597									
24	86	110									
2,014	336	2,350									
2,125	552	2,677									
61	10	71									
110	13	123									
100%	100%	100%									
87%	91%	88%									
98%	86%	97%									
95%	89%	95%									
HK\$2,974	HK\$1,197	HK\$2,645									
-	-	-									
11	6	17	10	1	11						
8.6	4.6	7.6	11.0	4.3	9.5						
6.3	4.6	5.8	9.1	4.3	7.8						
17.6	-	17.6	18.1	-	18.1						
-	-	-	-	-	-						
-	-	-	-	-	-						
41.4	85.7	52.5	49.9	74.5	55.4						
28.3	85.7	45.3	36.6	74.5	46.8						
93.0	-	93.0	100.9	-	100.9						
-	-	-	-	-	-						
-	-	-	-	-	-						

- (6) 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 of workforce receiving performance review will be 81.6%, with 82.6% of all male and 80.1% of all female employees.
- (7) Based on GRI's disclosure requirement, turnover rate refers to full-time employees only. The calculation methodology of the breakdown of turnover rate in 2009-2011 differs from subsequent years.
- (8) Average training spend is based on total annual training spend per full-time equivalent.
- (9) Trainings include all types of vocational training, paid educational leave, training or education pursued externally which is paid for (in part or in whole) by the company, and training on specific issues such as communication skills, leadership, presentation etc. It excludes Code of Conduct and Health & Safety trainings. It covers on employees with Indefinite or Permanent Contract, or At Will Employment.
- (10) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2014. 2011 and 2012 injury and lost day data did not include Quail Lodge & Golf Club.

ENVIRONMENTAL AND COMMUNITY PERFORMANCE

		2014			2013			2012			
		Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	
ENVIRONMENT	Greenhouse gas emissions⁽²⁾⁽⁴⁾	'000 tCO ₂ e	94	21	116	92	20	112	95	20	115
	Scope 1 emission	'000 tCO ₂ e	16	7	23	15	7	22	18	6	25
	Scope 2 emission	'000 tCO ₂ e	79	14	93	77	13	90	77	14	91
	Carbon intensity	kg CO ₂ e per m ²	198	129	181	206	139	190	213	141	196
	Total energy use⁽³⁾⁽⁴⁾	'000 GJ	704	166	870	689	153	842	701	141	842
	Direct energy use	'000 GJ	199	88	287	197	83	280	212	73	284
	Indirect energy use	'000 GJ	505	78	583	492	70	562	489	69	557
	Energy intensity	MJ per m ²	1,525	1,008	1,394	1,539	1,087	1,431	1,566	1,000	1,430
	Direct water consumption⁽⁵⁾	'000 m ³	1,445	434	1,879	1,430	416	1,846	1,411	384	1,795
	Water intensity (Hotels Division)	litres per guest night	1,132	–	–	1,181	–	–	1,257	–	–
	Water intensity⁽⁶⁾ (Commercial Properties, Clubs & Services Division)	litres per m ²	–	1,765	–	–	2,012	–	–	1,888	–
	Water recycled	'000 m ³	122	2	124	121	6	126	122	–	122
	Waste generated⁽⁷⁾	tonnes	6,390	1,111	7,501	5,842	1,084	6,926	5,888	919	6,807
	Waste recycled⁽⁷⁾	tonnes	3,181	158	3,338	2,565	154	2,719	2,279	70	2,350
Emission of ozone depleters	kg CFC-11e	65.6	5.9	71.5	50.0	18.4	68.3	57.1	15.5	72.6	
COMMUNITY	Monetary donations	HK\$'000	3,408	789	4,197	8,659	241	8,900	2,514	329	2,843
	Company donations ⁽⁸⁾	HK\$'000	1,225	285	1,510	7,725	87	7,812	1,493	44	1,537
	Donations by employees and customers	HK\$'000	2,183	504	2,687	934	155	1,088	1,021	285	1,306
	Community outreach										
	Service hours	hours	9,672	1,995	11,667	6,421	929	7,350	6,248	1,084	7,332
	Employee volunteers		794	155	949	750	85	835	508	83	591
	Internship and retraining scheme										
Training hours	'000 hours	287	9	296	387	17	404	382	10	392	
Number of participants		590	24	614	637	493	1,130	504	565	1,069	

(1) Inclusive of The Repulse Bay Complex, The Peak Tram Complex, St. John's Building, The Landmark, Thai Country Club, Quail Lodge & Golf Club, and Tai Pan Laundry. As part of our effort to continue to enhance the completeness of our reporting work, The Peninsula Residences in Shanghai with 39 residential apartments has been added to the reporting scope in 2014.

(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.

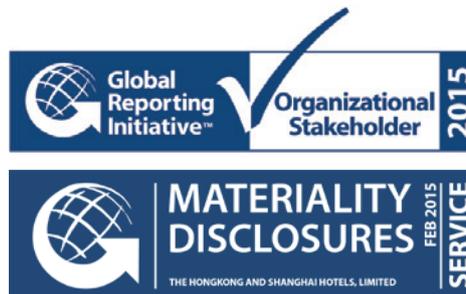
(3) The energy use generated from renewable sources is not significant. None of our properties produce renewable energy on-site; renewable energy is limited to the fuel mix used for electricity and steam generation as well as district cooling system in each location of operation.

2011			2010			2009			2006-2008		
Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total
96	22	118	103	23	126	86	22	108	95	25	120
16	6	22	18	6	23	15	6	22	20	8	27
80	16	96	86	17	103	70	16	86	75	17	92
214	159	201	231	160	214	226	159	208	251	177	231
721	144	865	752	142	894	638	146	784	707	153	860
217	69	285	222	61	283	185	67	251	216	69	285
504	76	580	530	81	611	453	79	533	491	84	575
1,612	1,023	1,471	1,680	1,010	1,520	1,684	1,047	1,512	1,867	1,097	1,659
1,431	382	1,813	1,456	375	1,831	1,204	354	1,558	1,536	385	1,921
1,313	–	–	1,346	–	–	1,389	–	–	1,375	–	–
–	1,988	–	–	1,773	–	–	1,557	–	–	1,712	–
93	–	93	142	–	142	129	–	129	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
68.8	23.7	92.5	115.7	31.6	147.3	151.8	15.6	167.4	157.0	141.3	298.3
4,355	98	4,453	1,004	255	1,259	1,635	151	1,786			
4,065	98	4,163	389	228	617	1,538	151	1,689			
290	0	290	615	27	642	97	0	97			
6,192	0	6,192	3,608	180	3,788	1,548	536	2,084			
942	0	942	2,307	113	2,420	937	67	1,004			
540	0	540	290	15	305	85	2	87			
1,210	0	1,210	679	14	693	389	4	393			

- (4) The comparative information has been restated to conform with the current year's presentation. Changes were less than 1% difference from information previously disclosed. The greenhouse gas emissions baseline has been adjusted by 7% to more accurately report the average emission in the baseline period. (GRI G4 Material Disclosure: G4-22)
- (5) All water consumed is obtained from municipal sources; none is withdrawn or captured directly.
- (6) Water intensity of Tai Pan Laundry (16.23 litres per kilogram washed in 2014, slightly increased from 16.05 in 2013) is excluded as its intensity is measured on different metrics from that of properties and clubs.
- (7) Group waste diversion rate in 2014 was 44.5%. To conform with current year's reporting scope, total waste figures for 2013 and 2012 were restated to include dry waste disposed to landfill by The Peak Tower and St. John's Building, which resulted in 5% increase in the information previously disclosed. (GRI G4 Material Disclosure: G4-22)
- (8) 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.

GLOBAL REPORTING INITIATIVE CONTENT INDEX AND ACCREDITATION

To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Global Reporting Initiative G4 disclosure framework, which is an internationally recognised set of indicators for economic, environmental and social aspects of business performance. GRI guidelines help companies select material content and key performance indicators. For more on GRI, please see www.globalreporting.org.



Our GRI Content Index also includes references to Key Performance Indicators of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide (ESG Guide)¹.

KPMG was 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 G4. Please refer to the report from KPMG on pages 266-267 for the scope of assurance and detail of the work performed.

MATERIAL ASPECTS AND BOUNDARIES

Material Aspects (G4-19)	ESG Guide	Material to HSH's operation (G4-20)	Material to HSH's value chain (G4-21)	Remarks (The following information support the disclosure requirements of G4-18 and G4-21)	References on DMA
1. Economic					
Economic Performance	-	●	●	Our economic performance is relevant to our investors and communities.	pp. 21
Market Presence	-	●	●	Our market presence is relevant to our communities.	pp. 101-103
Procurement Practices	-	●	●	Our procurement practices are relevant to our communities and suppliers.	pp. 92-99
2. Environmental					
Energy	B2, B3 B3.1	●	●	Our energy consumption is relevant to all stakeholders including the communities where we operate.	pp. 79-84
Water	B2, B3 B3.1	●	●	Our water stewardship is relevant to all stakeholders including the communities where we operate.	pp.79, 84-86
Emissions	B1, B3 B3.1	●	●	Our emissions from operations are relevant to all stakeholders including the communities where we operate.	pp.79-84
Effluents and Waste	B1, B3 B1.6 B3.1	●	●	Our handling of effluents and waste is relevant to all stakeholders including the communities where we operate.	pp.86-87
Compliance	-	●		Environmental compliance is relevant to all stakeholders including the communities where we operate and our investors.	pp.59, 84

¹ Key Performance Indicator A3.2 of the ESG Guide is partially covered in the current disclosure. Breakdown of average training hours by employee category was not available.

Material Aspects (G4-19)	ESG Guide	Material to HSH's operation (G4-20)	Material to HSH's value chain (G4-21)	Remarks (The following information support the disclosure requirements of G4-18 and G4-21)	References on DMA
3. Labour Practices and Decent Work					
Employment	A1, A4	●		Our employment practices are relevant to our investors and communities.	pp. 70-77
Labour and Management Relations	–	●		With 18.6% of our workforce covered by collective bargaining agreements, labour and management relations are relevant to our investors and communities.	pp. 70-77
Occupational Health and Safety	A2, A2.3	●		Occupational health and safety is relevant to our investors and communities.	pp. 76-77
Training and Education	A3	●		Training and education is relevant to our investors and communities.	pp. 70, 72-77
Diversity and Equal Opportunity	A1	●		Diversity and equal opportunity is relevant to our investors and communities.	pp. 76
4. Human Rights					
Investment	–	●	●	Our investment in human rights is relevant to our employees, suppliers, guests, communities, investors and prospective business partners.	pp. 76, 95, 99
Non-discrimination	–	●		Non-discrimination practices are relevant to our guests, investors and communities.	pp. 76
Freedom of Association and Collective Bargaining	–	●	●	The protection of freedom of association and right to collective bargaining is relevant to our suppliers, guests, investors and communities.	pp. 76, 95, 99
5. Society					
Local Communities	D1, D1.1	●	●	Local community impacts are relevant to all stakeholders, particularly the communities where we operate.	pp. 100-105
Anti-corruption	C3	●	●	Anti-corruption is relevant to our communities, investors and guests.	pp. 76
Compliance	–	●	●	Compliance with local laws and regulations is relevant to our communities, guests and investors.	pp. 59
6. Product Responsibility					
Customer Health and Safety	C2	●	●	Customer health and safety, particularly food safety and indoor air quality, is relevant to all stakeholders, most notably our guests. In our materiality assessment, food safety was the topic of highest stakeholder concern.	pp. 88-89, 94-97, 134
Customer Privacy	C2.5	●	●	The protection of customer data privacy is relevant to guests and investors.	pp. 76, 151, 173
Compliance	C2	●	●	Compliance with laws and regulations concerning the provision and use of products and services within our hotels and commercial properties, clubs and services divisions is relevant to our guests and investors.	pp. 59

GENERAL STANDARD DISCLOSURES AND PERFORMANCE INDICATORS

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
I. General Standard Disclosures					
Strategy and Analysis	G4.1	–	Statement from the most senior decision-maker about the relevance of sustainability and organisation's strategy	pp. 14, 21	✓
Organisational Profile	G4-3	–	Name of the organisation	pp. 2	✓
	G4-4	–	Primary brands, products, and services	pp. 2-3	✓
	G4-5	–	Location of the organisation's headquarters	pp. 271	✓
	G4-6	–	Number of countries where the organisation operates	pp. 2-5	✓
	G4-7	–	Nature of ownership and legal form	pp. 2-5	✓
	G4-8	–	Markets served, and types of customers and beneficiaries	pp. 2-5	✓
	G4-9	–	Scale of the organisation	pp. 2-5	✓
	G4-10	A1.1	Total number of employees by employment contract, gender and region	pp. 254-255	✓
	G4-11	–	Percentage of total employees covered by collective bargaining agreements	pp. 254-255	✓
	G4-12	–	Description of supply chain	As an owner, developer and manager of hotels, commercial and residential properties as well as a provider of transport, club management and other services, HSH's supply chain is comprised of thousands of suppliers of products and services. Significant procurement categories include those related to building materials; furniture and fittings; restaurant, spa and guest amenities; transportation fleet and information technology systems.	✓
	G4-13	–	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	The reporting scope expanded to include The Peninsula Residences in Shanghai and The Peninsula Paris since it became operational on 1 August 2014.	✓
	G4-14	–	Whether and how the precautionary approach or principle is addressed by the organisation	pp. 60-61	✓
	G4-15	–	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	pp. 96	✓
	G4-16	–	Memberships in associations and national/international advocacy organisations	pp. 63	✓

² Refer to the external limited assurance statement on pages 266-267 for the assurance scope and the detail of the work performed.

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
Material Aspects and Boundaries	G4-17	–	All entities included in the organisation's consolidated financial statements or equivalent documents	pp. 3, 5, 57	✓
	G4-18	–	Process for defining the report content and the Aspect Boundaries; and how the organisation has implemented the Reporting Principles for Defining Report Content	pp. 57, 60, 258-259	✓
	G4-19	–	All the material aspects identified in the process for defining report content	pp. 258-259	✓
	G4-20	–	The aspect boundary for each material aspect within the organisation and whether the aspect is material for all entities within the organisation	pp. 258-259	✓
	G4-21	–	Whether the aspect boundary for each material aspect outside the organisation	pp. 258-259	✓
	G4-22	–	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	The comparative environmental information on energy, carbon emissions and waste has been restated to conform with the current year's presentation. For details, please see footnotes 5 and 7 on page 253.	✓
	G4-23	–	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	The reporting scope expanded to include The Peninsula Residences in Shanghai and The Peninsula Paris since it became operational on 1 August 2014.	✓
	Stakeholder Engagement	G4-24	–	List of stakeholder groups engaged by the organisation	Stakeholder groups include guests and tenants, investors, employees, communities, suppliers and contractors and industry associations.
G4-25		–	Basis for identification and selection of stakeholders with whom to engage	We identify and engage with stakeholders at the Group and local levels in consideration of shared social, environmental and economic impacts, concerns and opportunities.	✓
G4-26		C1, C1.2	Organisation's approach to stakeholder engagement	Engagement with guests, tenants, employees, supplier and contractors typically occurs on a daily basis. Investor, community, and industry engagement occurs regularly. Additional information on engagement can be found in the Sustainability Review (pp. 60-62, 71, 95, 101) and Governance Report (pp. 164, 166). In 2012, HSH also engaged with stakeholders to conduct a materiality assessment that informed the development of the 2014 Sustainability Review and the Group's Sustainable Luxury Vision 2020.	✓
G4-27		–	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	pp. 57, 60-62 Additional information can also be found throughout the Sustainability Review.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
Report Profile	G4-28	–	Reporting period for information provided	Calendar year 2014	✓
	G4-29	–	Date of most recent previous report	2013 Annual Report, which included the Sustainability Review and Data Statements, covered calendar year 2013.	✓
	G4-30	–	Reporting cycle	Annual	✓
	G4-31	–	Contact point for questions regarding the report or its contents	pp. 271	✓
	G4-32	–	GRI Index with “in accordance” option chosen and references to External Assurance Reports	pp. 258-267	✓
	G4-33	–	Organisation’s policy and current practice with regard to seeking external assurance for the report	pp. 266-267	✓
Governance	G4-34	–	Governance structure of the organisation, including committees of the highest governance body and those responsible for decision-making on economic, environmental and social impacts	pp. 59, 150, 155-156, 163	✓
Ethics and Integrity	G4-56	–	Describe the organisation’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	pp. 76, 95	✓
	–	C3.2	Whistle-blowing procedures, how they are implemented and monitored	pp. 167	✓
	–	A4.1, 4.2	Measures to avoid child and forced labour in employment practices	pp. 76	✓
II. Performance Indicators					
1. Economic					
Economic Performance	G4-EC1	D1.2	Direct economic value generated and distributed	pp.253, 256, 257	✓
	G4-EC3	–	Coverage of the organisation’s defined benefit plan obligations	pp. 223-226	✓
Market Presence	G4-EC6	–	Proportion of senior management hired from the local community at significant locations of operation	pp. 254-255 Senior management includes management level staff at corporate office and operations, as well as department heads of hotel operations.	✓
Procurement Practices	G4-EC9	–	Proportion of spending on local suppliers at significant locations of operation	Local suppliers are estimated to account for over 70% of the overall procurement spend of the Group. More details in local sourcing practice can be found in pages 95, 97.	✓
	–	C1.1	Number of suppliers by geographical region	Asia-Pacific: 5,512; Americas: 2,292; Europe: 1,000; Others: 63	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
2. Environmental					
Energy	G4-EN3	B2.1	Energy consumption within the organisation	pp. 80-84, 256-257	✓
	G4-EN5	B2.1	Energy intensity	pp. 81, 84, 256-257	✓
	G4-EN6	B2.3	Reduction of energy consumption	pp. 81-83 Energy reduced was mainly due to anticipated reduction in electricity requirements. Calculations were based on vendor estimates and assumptions according to expected efficiency gains.	✓
Water	G4-EN8	B2.2	Total water withdrawal by source	pp. 256-257	✓
	–	B2.4	Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	This is not a material issue to HSH operations given the location where we operate. Details on water management can be found on pp. 84-86.	✓
Emissions	G4-EN15	B1.1	Direct greenhouse gas (GHG) emissions (Scope 1)	pp.256-257 Greenhouse gases included in the emissions calculation included CO ₂ , CH ₄ and N ₂ O as a result of the consumption of fuel oil, diesel, petrol, natural gas, town gas and Tokyo gas. Fugitive emissions in CFCs and HCFCs from the consumption of refrigerants were also included in the calculations. All greenhouse gases are reported in CO ₂ equivalents.	✓
	G4-EN16	B1.1	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 256-257	✓
	G4-EN18	B1.2	Greenhouse gas (GHG) emissions intensity	pp. 256-257	✓
	G4-EN19	B1.5	Reduction of greenhouse gas (GHG) emissions	pp. 80-83, 253 Greenhouse gas reduction was mainly due to anticipated reduction in Scope 2 purchased electricity requirements. Calculations were done by applying an emissions factor used for each property during the reporting period to the estimated energy saving of each energy reduction project.	✓
	G4-EN20	B1.1	Emissions of ozone-depleting substances (ODS)	pp. 256-257	✓
	Effluents and Waste	G4-EN23	B1.3-1.4	Total weight of waste by type and disposal method	pp. 86-87, 256-257
Compliance	G4-EN29	B1	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 recorded in 2014.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
3. Labour Practices and Decent Work					
Employment	G4-LA1	A1.2	Total number and rates of new employee hires and employee turnover by age group, gender, and region	pp. 254-255	✓
	G4-LA3	–	Return to work and retention rates after parental leave, by gender	pp. 254-255	✓
Labour and Management Relations	G4-LA4	–	Minimum notice periods regarding operational changes	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. This is also specified in collective agreements where they apply.	✓
Occupational Health and Safety	G4-LA6	A2.1-2.2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	pp. 254-255 No fatalities or occupational diseases recorded during the reporting period.	✓
Training and Education	G4-LA11	–	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	pp. 254-255	✓
	–	A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.)	17.9% management and 99.4% non-management employees received training during the year.	✓
	–	A3.2	The average training hours completed per employee by employee category	Average training hours completed per employee was 12 hours. Breakdown into employee category was not yet reported. Data collection mechanism is being considered.	✓
Diversity and Equal Opportunity	G4-LA12	A1.1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	pp. 159, 254-255 Data not reported per employee category or according to minority group membership because they are not material to the nature of our business.	✓
4. Human Rights					
Investment	G4-HR2	–	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	pp. 76	✓
Non-discrimination	G4-HR3	–	Total number of incidents of discrimination and corrective actions taken	pp. 76	✓
Freedom of Association and Collective Bargaining	G4-HR4	–	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No known significant risks identified within our operations. We strive to mitigate all potential supply chain risks within our sphere of influence through HSH Supply Chain Code of Conduct.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance ²
5. Society					
Local Communities	G4-SO1	–	Percentage of operations with implemented local community engagement, impact assessments, and development programs	All operations had local community engagement programmes during the reporting period.	✓
Anti-Corruption	G4-SO5	C3.1	Confirmed incidents of corruption and actions taken	pp. 76	✓
Compliance	G4-SO8	–	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Except as stated on page 76, no non-compliance with law that resulted in significant fines or sanctions identified during the reporting period	✓
6. Product Responsibility					
Customer Health and Safety	G4-PR1	–	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Health and safety impacts are assessed for improvement for all significant products and services.	✓
	G4-PR4	C2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No incident of non-compliance in the reporting year. We, however, discovered an incident with a supplier which altered some ingredients used in one of our chocolate products without informing us. Although it did not cause any adverse health and safety implications, we took immediate action to remove from the shelves all concerned products with wrong labelling. These concerned products accounted for 6.7% of the total product.	✓
	–	C2.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped were subject to recalls for safety and health reasons.	✓
Customer Privacy	G4-PR8	C2.2, 2.5	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No substantiated complaints regarding breaches of customer privacy recorded during the reporting period.	✓
Compliance	G4-PR9	C2.2	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No significant fines during the reporting period.	✓
	–	C2.3	Practices relating to observing and protecting intellectual property rights	Our Code of Conduct outlines our commitment to IPR protection.	✓
	–	B2.5	Total packaging material used for finished products	230 tonnes of paper were used by the Group's merchandising business for packaging finished products.	✓
	–	C2.4	Description of quality assurance process and recall procedures	Once potentially unsafe products are identified, product recall procedure would kick-start to stop the distribution and sale of the product from marketplace. The cause, extent and result of the recall would be recorded and reported.	✓

Independent Assurance Report

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited (“HSH”) to undertake a limited assurance engagement on the Sustainability Review and Data Statements 2014 of HSH (further referred to as “The Report”) for the year ended 31 December 2014.

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

The Directors of HSH are responsible for the preparation and presentation of The Report for the year ended 31 December 2014 in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index of The Report, for determining the content and statements contained therein, and for establishing sustainability reporting guidelines and maintaining appropriate records and internal control systems from which the reported sustainability information is derived.

Responsibilities of the independent assurance provider

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

Scope of work

Our engagement was designed to provide the Directors of HSH with a conclusion on whether the information in The Report is in all material respects fairly stated in accordance with Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index of The Report.

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 3000*, with a team of specialists in assurance on sustainability information and with experience in similar engagements. ISAE 3000 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 (G4) of the Global Reporting Initiative, as detailed in the Reporting Standards and Assurance section on page 57 of the Sustainability Review. It is important to view the performance data in the context of this explanatory information.

Work performed

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- 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;

* 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.

- 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;
- Checking the GRI Content Index on pages 258 to 265 for consistency with G4 reporting guidelines in meeting Core disclosure level and The Environmental, Social and Governance Reporting Guide (ESG Guide) Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- 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 our limited assurance procedures as described above, nothing has come to our attention that causes us to believe that Sustainability Review and Data Statements 2014 of HSH for the year ended 31 December 2014, is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index on pages 258 to 265.



KPMG

8th Floor, Prince's Building
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20 March 2015



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

This Sustainability Review and Data Statements constitute part of
our Annual Report 2014. For the full report, please visit

www.hshgroup.com