



## SUSTAINABILITY REPORT 2008

**THE HONGKONG AND SHANGHAI HOTELS, LIMITED**

# *Sustainability Report*

## **BACKGROUND**

HSH has a long history of conducting our business operations in a responsible way and contributing to the communities in which we operate. The Group's Corporate Social Responsibility Committee (CSRC) was established in late 2007 to provide a more structured and measurable approach to its ongoing corporate social responsibility (CSR) and sustainability activities. The Committee, chaired by the Chief Executive Officer and represented by senior staff across various operations, met regularly throughout the year.

The CSRC commissioned an external consultancy, Green Building Services Limited (GBS) to assist in scoping, reviewing, and advising the Group on its overall sustainability performance. This involved examining how our businesses impact on, and contribute to, the economies and environments in which we operate, as well as the social impacts and benefits that result from our engagement with staff and other key stakeholders such as investors, guests, customers, business partners and broader communities.

Through the CSRC's work with GBS, HSH has identified key sustainability issues and objectives focused on six major areas, which are set out below in the Sustainability Vision and Policy Statement endorsed by our Board:

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## **HSH SUSTAINABILITY VISION AND POLICY STATEMENT**

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### **SUSTAINABILITY VISION**

HSH aspires to manage its businesses and operations to high ethical and social responsibility standards as a leading hotel and property group. We are committed to integrating sustainable practices and principles across our operations in a balanced way whilst providing an exceptional level of service to our customers.

### **POLICY STATEMENT**

To achieve its Sustainability Vision, HSH supports good corporate governance practices and ethics and strives to deliver world class services and products in an environmentally and socially responsible manner, while ensuring a respectful, safe and healthy environment for our staff that supports their professional and personal development. We will consult with our key stakeholders and share information with them about our sustainability performance, achievements and challenges while seeking to balance their needs and goals with the Company's objectives.

HSH focuses on six sustainability themes:

1

**CORPORATE GOVERNANCE  
AND ETHICS**

As a responsible, publicly listed company and to achieve our vision for sustained and healthy, long term growth, we ensure that our business is conducted in accordance with rigorous professional ethical and moral standards, as outlined in our code on corporate governance practices. Adherence to high standards of professionalism, transparency and accountability is reinforced through the oversight of our Board and the CSRC.

2

**EMPLOYEES**

Supporting, empowering and nurturing our employees are at the heart of HSH's tradition of service excellence. We establish and implement policies that promote a fair and respectful workplace. We invest in our people, providing ongoing training and development opportunities to enhance their career progression. As an equal opportunities employer, HSH promotes diversity among its staff around the world.

3

**ENVIRONMENT**

HSH seeks to adopt practices and initiatives to contribute to healthy indoor environmental quality, lower carbon intensity, increased energy and water efficiency and reduced resource consumption and waste generation.

4

**HEALTH AND SAFETY**

HSH is dedicated to ensuring a healthy, safe and secure environment for our employees, guests and customers and promoting awareness of the importance of these issues for risk management and sustainable hospitality.

5

**SUPPLY CHAIN**

HSH endeavours to procure products, produce, equipment and services that are environmentally and socially responsible. We seek to maximize our sourcing of locally-produced, organic and sustainable products and produce; energy- and water-efficient equipment; and products that are durable and/or recyclable.

6

**COMMUNITY INVESTMENT AND  
ENGAGEMENT**

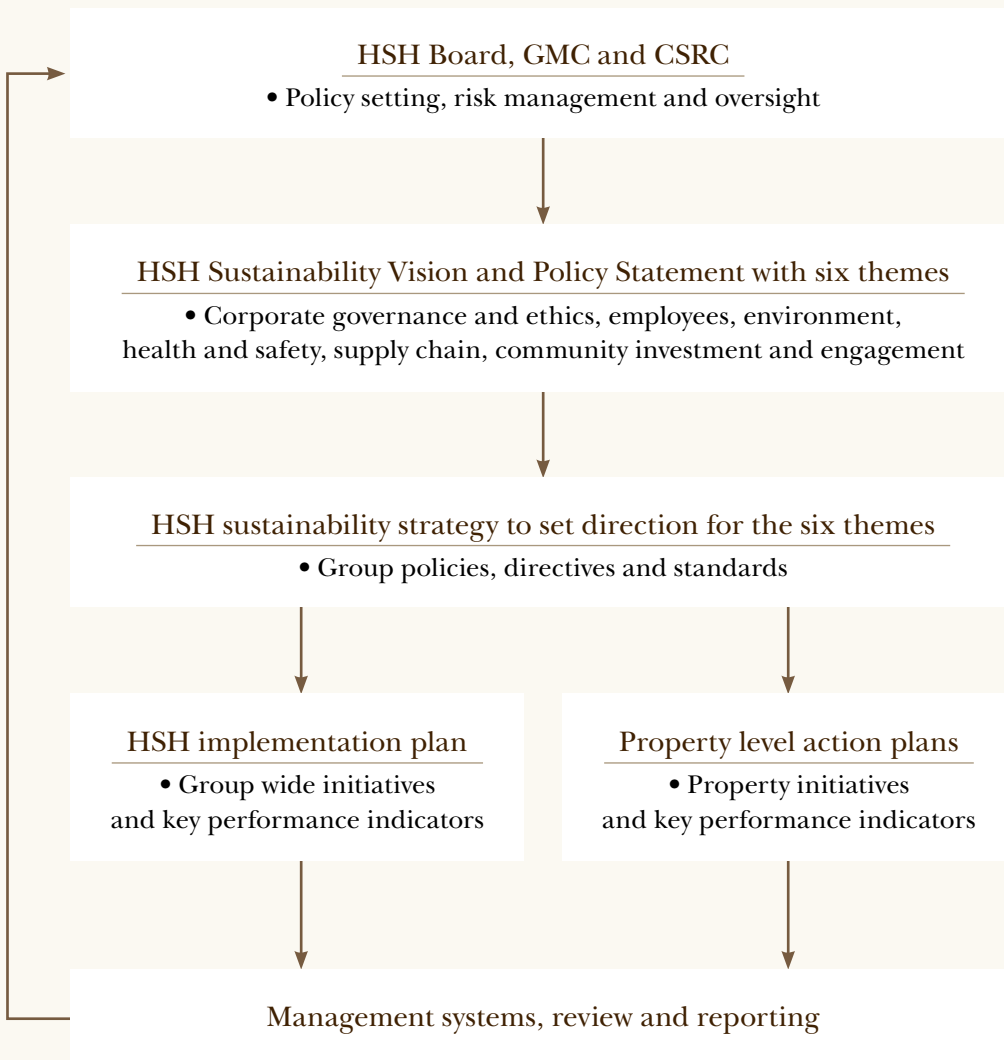
HSH believes that successful businesses thrive in sustainable communities. We are committed to supporting a range of organisations and causes based on the needs of our local communities, and encourage the involvement of our staff in environmental and social projects.

The HSH Sustainability Vision and Policy Statement are at the core of the Group's Sustainability Strategy which continues to evolve with the development and expansion of our business.

## APPROACH

As the first phase of scoping HSH's CSR initiatives across various business operations, beginning in July 2008 GBS undertook a rigorous review of the seven Peninsula hotels in Hong Kong, Beijing, Tokyo, Manila, Bangkok, New York and Chicago to gather information on how sustainability issues are addressed. GBS reported regularly to the CSRC and recommended priorities and actions for each hotel. In addition, detailed technical pilot studies on indoor air and environmental quality (IAQ/IEQ), as well as energy and water consumption, were conducted at the Peninsula hotels in Hong Kong and Chicago.

Below is a chart illustrating the Group's approach to managing sustainability issues:



The results from the reviews showed that our business operations have implemented numerous initiatives across the Group's six sustainability themes, although areas for improvement and consistent application have been identified. We are currently formalizing our short and long term strategies to manage our sustainability risks effectively. Such initiatives will continue to be primarily managed by individual operations under the guidance of CSRC who would in turn have a reporting role to the Group Management Committee and the Board.

CSRC also intends to set measurable performance indicators under each sustainability theme that will enable us to track and further improve our performance and to report on our progress in the future. We also recognize that many standards and certification schemes exist which address different issues, from environmental management to occupational health and safety. We will review these and if appropriate, adopt recognized standards and schemes for our Group.



*With assistance from The Salvation Army, the Peninsula Hotels donated down jackets to children living in Mou County in Sichuan, China, which was devastated by the massive earthquake in May 2008*

## 1. Key performance areas

### 1.1 Corporate governance and ethics

#### **Corporate governance**

The Group's corporate governance guidelines are outlined in our code on corporate governance practices and we continue to include a Corporate Governance report in our Annual Report on pages 72 to 85.

#### **Ethics**

Ethical conduct is one of HSH's core values and essential to our service integrity at all levels. HSH's Code of Conduct outlines behavioural standards including stringent anti-corruption, anti-bribery policies and handling conflict of interest situations which our staff are required to adhere to. Training in respect of HSH's Code of Conduct is provided to our staff. In 2009, HSH will focus on the consistent implementation of its Code of Conduct.

### 1.2 Employees

HSH's commitment to support, empower and nurture its 6,634 employees is at the heart of the Group's global business.

#### **Respectful workplace**

HSH places great importance on our staff and ensures that our workplaces are respectful, fair and transparent, and offer equal opportunities for employment and advancement. Employee Handbooks outline terms and conditions of employment, expectations for employee behaviour and service delivery, employee rights and benefits. HSH's Policy on Equal Opportunities includes the Group's commitment to strive for a workplace free of discrimination and harassment. These principles and policies are reinforced through ongoing communications and training.



*Providing work opportunities for the disabled: employees of The Peninsula Manila's Chocolate Room, who prepare all the chocolates served in the hotel, are hearing-impaired*

Several of our hotels and operations also provide work opportunities for people who have disability. For example, employees of The Peninsula Manila's Chocolate Room, which prepares all the chocolates served in the hotel, are hearing-impaired.

### **Employee communication and engagement**

Recognizing that employees are valuable assets of the Group, significant efforts are made at all levels of the Group's businesses to establish effective channels for communicating and engaging with staff and to support their long term development and growth.

A variety of two-way communication channels have been established throughout the Group. Regular meetings are held between general management and staff, and among staff at all levels. Some of our hotels

hold roundtable discussions with randomly-selected employees to gather feedback and ideas on a regular basis. A range of communication tools are currently used and mechanisms have been developed to evaluate the effectiveness of employee communications and engagement and to follow-up on issues and ideas raised by staff.

### **Employee training and development**

Training has always been critical for HSH, in line with our emphasis on service excellence. Extensive and continued training to support both 'on-the-job' responsibilities and career development are provided to employees. Training needs and career development opportunities are identified as part of each employee's annual performance appraisal.

A wide variety of courses are provided regularly by the Group's operations to enhance skills and service delivery. Topics include: business and management skills; language skills; first aid, cardiopulmonary resuscitation and disease prevention; personal and food hygiene; occupational health and safety; fire and emergency response; employee rights and equal opportunities; environmental awareness; as well as energy and water conservation.

The Group Firstline Management Development Programme and the Group Professional Development Programme are two examples of professional development opportunities provided to assist staff in advancing their careers. Employees also have the opportunity to participate in cross-exposure training, where they can work in other Group properties to build on their skills and widen their experience. Several of our hotels also support staff participation in distance learning programmes and provide mentoring support.

### Employee welfare

To encourage employee retention, HSH seeks to enhance the welfare of our staff beyond market-competitive staff compensation and benefits. For example, staff receive regular medical checks and participate in special activities and celebrations. Some of our hotel properties also provide sleeping quarters on site for staff use between shifts, extra days off to be used as personal or sick days, access to fitness facilities, continuing education and counselling support, voluntary public housing funds, and staff co-operatives which offer loans and operate a small store catering to staff requirements.

### 1.3 Environmental issues

HSH strives to minimize its operational carbon footprint and to promote environmentally sustainable hospitality practices. To better understand our current performance, the following areas were reviewed as part of the Sustainability Review of the seven participating hotels: consumption of energy, fuel, water, refrigerants and resources; indoor air and environmental quality (IAQ / IEQ); the use, handling, storage and disposal of hazardous materials; waste management and procurement practices. Technical pilot studies conducted at The Peninsula Hong Kong and The Peninsula Chicago also identified specific opportunities to improve efficiencies and performance at those properties as well as for other Group hotels.

### Energy and fuel consumption

Reducing the emission of greenhouse gases and our carbon footprint are important priorities and HSH is currently developing its own Group-wide Energy Conservation Manual. Examples of initiatives to reduce energy use that will be taken at the Group and at the individual property level are presented on the next page.



*A toy drive organised by The Peninsula Chicago benefited refugee children who had fled war and came to the United States to live in peace. In total, 51 toys were donated to the Interfaith Refugee & Immigration Ministries at Christmas 2008*







*The Peninsula Manila recycles the fountain water, achieving considerable savings in water consumption*

HSH is in the course of implementing a systematic and consistent approach to energy-saving programmes, including measurable indicators and regular reviews for our operations.

#### **Management of Refrigerants**

The surveyed hotels have developed inventories of their use of refrigerants and have begun the process of phasing out the use of ozone-depleting substances. Significant capital investments have and continue to be made with the goal of phasing out ozone-depleting substances in our properties by 2015.

#### **Indoor air and environmental quality (IAQ / IEQ)**

Healthy IAQ and IEQ are being achieved through a variety of measures. These range from the proper management of ventilation, heating and cooling systems, to controlling maintenance and renovation activities, to using less hazardous paints and cleaning products. During the technical pilot studies, key measurements of air quality such as respirable suspended particulates, carbon monoxide, carbon dioxide, temperature, humidity, and total volatile organic compounds were measured at The Peninsula

Hong Kong and The Peninsula Chicago and the results were found to be highly satisfactory. Measurements were compared with internationally-recognized guidelines (eg. ANSI/ASHRAE Standard 55-1992) to show that both hotels fulfilled guideline requirements and demonstrated good IAQ which is cleaner than outside air. The studies also noted that the locations of the air intakes and the exhaust/relief air points were well designed to avoid the mixing of air flows.

#### **Water consumption and conservation**

Recognizing our responsibility to conserve water, the Group has implemented a variety of initiatives ranging from changing the frequency of backwashing in swimming pools and landscape irrigation, to treating and reusing water on site, to reducing water wastage in the kitchens. All housekeeping and food and beverage staff follow stringent guidelines for conserving water in their daily operations.

As shown in GBS' pilot study work, The Peninsula Hong Kong and The Peninsula Chicago have well-maintained sand filtration systems and surge tanks to reduce water loss from the swimming pools. The Peninsula Manila uses a sealant that enables the repair of pool tiles without draining water from the pool, thereby achieving considerable savings in water consumption. The Peninsula Tokyo biologically treats wastewater from its kitchen for reuse, reducing consumption of municipal water. Between October 2007 and December 2008, The Peninsula Bangkok reduced its water consumption by 25% through a variety of conservation measures, including reuse of wastewater (which was first treated using on site cultivated biobacteria) for the cooling tower and the lotus ponds at the main entrance, as well as for gardening and cleaning the car park and access road.

Going forward, we will seek to expand our water conservation initiatives throughout other operations of the Group.



*"My First Peak View" - the Peak Tram, which celebrated its 120th anniversary in 2008, sponsored 120 children from underprivileged families in Hong Kong to experience a ride on the Tram and a visit to the Peak Tower. The activity was organised with the Hong Kong Federation of Youth Groups*



*The Peninsula Tokyo was illuminated with pink lights in October 2008, in a show of support for the Pink Ribbon Breast Cancer Awareness Campaign*

## **Resource use, conservation & waste management**

### ***Responsible sourcing***

We seek to select materials and products that meet our quality requirements and the expectations of our guests and customers in environmentally responsible ways. The Group's high standard for all building materials, equipment and products often means that many products we use are inherently more durable, reusable and efficient. This ranges from new, efficient and environmentally-responsible refrigerators in The Peninsula Tokyo's guestrooms, to high quality linens and towels that are used in all our hotels that are more durable.

Although guest amenities are often wasteful given the usage in small quantities, they nonetheless include environmental-friendly features. For example, the Davi amenities, created exclusively for Peninsula hotels by Gilchrist & Soames, do not contain petrochemical-based formulations and are not tested on animals. The containers use the lowest possible resin weights of PET (polyethylene terephthalate) or HDPE (high density polyethylene) to conserve resource use in the packaging.

To enhance our procurement of environmentally responsible items, we continue to undertake the following:

- develop criteria for new purchases to take into account energy- and water-efficiency, durability, reusability, reused and/or recycled content, non or reduced-chemical and organic content.
- develop environmental criteria for purchases of new furniture, fixtures, bathrooms, paint, carpet, cleaning products and amenities etc.
- review options to purchase more products from organic and/or sustainably managed sources, as well as local or regional companies to reduce the environmental impact of transportation.

**Resource conservation in our daily activities**

To reduce paper consumption, we maximize the use of electronic communications and file storage systems for general office work, guest logs and nightly reports and whenever possible use e-confirmations for guest reservations. In servicing our guestrooms, we seek to reduce disposable packaging and wrapping in the provision of guest laundry, newspapers, slippers and other items. To reduce wastage, we also ensure that guest amenities are replenished only when needed and that partially used room amenities are reused by staff, or in the case of The Peninsula Hong Kong and The Peninsula New York, excess are provided to the homeless or charities, while at The Peninsula Chicago, they are donated to a local women's shelter.

The Sustainability Review conducted at seven of our hotel properties has identified a number of initiatives taken by individual hotels to reduce resource consumption as well as areas for improvement. The results are shared amongst all our hotels with the view of engaging them to identify additional actions and best practices for implementation going forward.

**Managing and reducing waste**

All our hotel properties seek to manage waste responsibly and maximize recycling based on what is possible in their local markets. Waste that is collected for recycling by several of our properties include glass, plastic bottles, batteries, paper, beverage containers, wood pallets, old suite carpets, construction waste, corrugated cardboard and cooking oil. Kitchen waste is composted or provided to pig farms where possible.

To further the responsible management and disposal of waste, we are in the process of:

- developing guidelines and specifications on what we purchase and use, and on wastes that are produced.
- developing guidance for our properties to expand their existing recycling and disposal practices where these can be implemented, subject to local market constraints and opportunities.

We recognize that it can be challenging to balance guests' expectations with environmental issues. The Group will continue to review all aspects of our operations and adopt practical, feasible and cost-effective measures that will help to reduce the Company's impact on the environment without compromising on service standards.

**1.4 Health and safety issues**

Providing a healthy, safe and secure environment for guests, customers, business partners, employees and other stakeholders has always been a priority for the Group. HSH continually evaluates and actively manages security at our properties, implements safe and hygienic working practices, and remains prepared to respond in a professional and timely manner to different situations. This is not only important for ensuring the safety and security of our guests, customers and commercial tenants, but for our staff to minimize injuries and lost work days from injuries.

HSH has conducted comprehensive risk assessments of various operations, implemented systems and provided training to staff to manage and respond to potential risks. The Group also regularly reviews the integrity of these management systems.



*The General Manager and staff of The Peninsula Bangkok visited the Wat Nakwang School in Samutsakorn Province in August 2008 and planted trees in a Fruitful Forestation Campaign*

To help safeguard the health of our guests and customers, the Group is formalising a plan to control food safety as required by the Hazard Analysis and Critical Control Point (HACCP) system.

The Group is in the process of reviewing the occupational, health and safety and emergency response systems implemented by our hotels and where necessary, will ensure that systems are compatible with the OHSAS 18001 standard which specifies a systematic approach for managing these issues.

### 1.5 Supply chain

Responsible sourcing has always been a concept followed by the hotels and operations of the Group. Criteria for sourcing have expanded to environmental and sustainability factors in the last decade.

- All our hotels make challenging purchasing decisions every week, striving to maximize the procurement of efficient equipment, locally produced items, natural meats, sustainably harvested seafood and organic dairy, fruits and vegetables.

HSH recognises that there is room for improvement in sustainable sourcing, as well as an opportunity to influence our supply chain. We have built and will continue to build long term relationships with some suppliers that share our sustainability vision. We are currently formalising a more consistent Group-wide sourcing guideline and criteria for assessing suppliers that will be used whenever feasible and practical without compromising on our service quality standards.

### 1.6 Community investment and engagement

HSH believes that successful businesses thrive in sustainable communities. The Group has been a strong and significant contributor to the communities in which it operates throughout its history and has consistently supported charities such as Make-a-Wish



Marking the hotel's 80th anniversary in 2008, a year-long fundraising campaign conducted by The Peninsula Hong Kong culminated in a HK\$3 million donation to three local charities

Foundation. Our properties have increasingly supported a wide range of organizations and causes based on the priority needs of our local communities. As part of our corporate culture, we also strongly support the active individual involvement of staff at all levels in local environmental and social projects.

Moving forward, we continue to contribute to local needs in areas where HSH can add value and share its expertise, and to involve staff in long term, meaningful initiatives with specific groups. We are also developing a strategy for enhancing relationships with our key stakeholders, establishing constructive dialogues and opportunities for understanding stakeholder views, perceptions and needs and increasing their awareness of HSH's commitments and performance.

## 2. Next Steps

A Group-wide Sustainability Strategy is being developed to provide direction for all hotel and non-hotel properties. The Strategy identifies a number of actions and objectives, under our sustainability themes. Measurable performance indicators will also be identified to track and assess performance.

Over the next year, HSH's priority is to develop directives, standards and initiatives for implementing this Strategy and to set short, medium and long term goals. An important part of this process will be to engage key stakeholder groups to gather their feedback on sustainability performance and to better understand their concerns and expectations going forward.

We also plan to continue to report on our sustainability performance to our stakeholders. This section of our Annual Report lays the groundwork for our expanded reporting in the future using the Global Reporting Initiative's *Sustainability Reporting Guidelines*.



*The Repulse Bay hosted a Christmas party for Camp Quality Hong Kong, providing children stricken with cancer with a day of excitement and fun*



*Staff from The Peninsula Hong Kong participated in Orbis' "Walk for Sight" in March 2008, raising money for Project Orbis*