

THE HONGKONG AND SHANGHAI HOTELS, LIMITED
Corporate Responsibility and Sustainability Report 2015

A Vision for Sustainable Luxury

2015 PERFORMANCE HIGHLIGHTS

10 tonnes

of partially-used soap bars and bathroom amenities were donated to benefit those in need

13,000

hours devoted by our employees in serving the community



42% of waste was recycled

↓ 24%

in lost days due to work injuries



The Peninsula Chicago is set to be the first hotel in the Group to have 100% LED lighting in the guestrooms.

92% of the wood used in the renovation of The Peninsula Chicago is certified to be from sustainably managed forests.

80%

paper purchases from certified sustainable sources

↓ 27%

in CO₂ emission per floor area*



Our water saving initiatives have conserved 9,422 m³ of water, enough to fill over 47,000 bathtubs.**

35,800 GJ of energy and HK\$7.8 million of energy spend was avoided as a result of our energy saving efforts in 2015.

800

seafood items on our menu have undergone a sustainability evaluation

↓ 9%

in absolute carbon emissions* despite continued business growth

* Percentage of reduction when compared to the baseline of 2006-2008 average.

** Based on China Water Risk (www.chinawaterrisk.org), an average bathtub holds 200 litres of water.

SUSTAINABLE LUXURY VISION 2020

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

Pillars	2020 Ambitions	
 <p>GOVERNANCE & MANAGEMENT</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
 <p>GUEST EXPERIENCE</p>	<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 	<ul style="list-style-type: none"> • 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
 <p>EMPLOYEES</p>	<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 	<ul style="list-style-type: none"> • 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
 <p>OPERATION</p>	<p>Using the 2006-08 average as baseline:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.
 <p>NEW BUILD & REFIT</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • All new build and major refit meet international green building standards. • All paints used for indoor environment are free of VOCs.
 <p>SUPPLY CHAIN</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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
 <p>COMMUNITY</p>	<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. 	<ul style="list-style-type: none"> • 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.

ABOUT THIS REPORT



This report covers specific environmental and social issues that contribute to the sustainable development of The Hongkong and Shanghai Hotels, Limited (HSH) and are of interest to our stakeholders. In the report, we share the progress and challenges we faced in delivering the HSH Sustainable Luxury Vision 2020.

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 95 of this report.

Reporting Scope¹

This report 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. There is no change to this year's reporting scope when compared to previous year.

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 84 to 91. The report meets GRI G4 Core Level requirements and has successfully completed GRI's Materiality Disclosures Services.

KPMG was commissioned to conduct assurance of this report in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, and to provide an independent limited assurance opinion on whether the reported information complies with GRI G4 and the ESG Guide as detailed on pages 84 to 91. The report from KPMG is set out on pages 92 to 93.

Materiality and Defining Report Content³

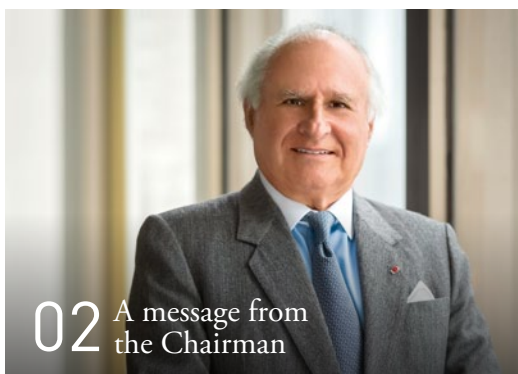
The report content covers the calendar year 2015. In line with G4's materiality principles, report content is determined by the most significant and relevant sustainability issues identified by the Company's Group Corporate Responsibility Committee and through a materiality process involving both external and internal stakeholders. Details of HSH Sustainability Materiality Matrix can be found on page 13.

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 79 to 83)

1 GRI G4 Material Disclosure: G4-17

2 Based on the Group's annual revenue in 2015.

3 GRI G4 Material Disclosure: G4-18, 27



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A MESSAGE FROM THE CHAIRMAN



Every business is rooted in its geography and is part of its local community through its operations, its hiring and its purchasing practices. This is especially true of a hospitality business. Since the earliest days of our Company's operation, founded a century and a half ago, we have been steadfast in our belief that our business should have a positive social, economic and environmental impact on the local community in which we operate. Taking care of our people and the world around us is simply the right thing to do.

In recent years, dwindling natural resources, aggressive demand for talent, and an increasingly competitive market are some of the macro trends that demand companies to become more vigilant and versatile in adapting to the changing climatic and business environment. Operating a sustainable business model is no longer a choice – it is a necessity. The Company's Sustainable Luxury Vision 2020 was developed with these trends in mind. With a rigorous programme of activities around seven areas of focus and over 50 specific goals that touch all aspects of our Company, Vision 2020 represents our ambitious plan to create a new vision for sustainable luxury, and ensures that our Company will continue to succeed and have a positive influence on our guests, our staff and our local communities for decades to come.

We believe that luxury brands such as The Peninsula are in a unique position to influence our customers' choices on sustainability. Luxury need not be wasteful; the highest standards of luxury can be delivered in a sustainable way. As the first hotel group to ban shark fin, which is now a common practice in the industry, we are able to recommend better choices without sacrificing the exceptional levels of service and the luxury experience that our guests have come to expect. We embrace our role as a company that is making sustainability desirable.

The leadership of our Chief Executive Officer Clement Kwok and our colleagues' commitment to excellence hold us in good stead as we aim to grow our business in a responsible and sustainable way. I am confident that Vision 2020 will help us continue to adhere and prosper in the long term, with the same values we have always held, as we aspire to take sustainable luxury to new heights and to set new standards for our industry.

A handwritten signature in blue ink, consisting of a series of fluid, connected loops and lines, representing the name of the Chairman.

The Hon. Sir Michael Kadoorie
Chairman

AN INTERVIEW WITH THE CEO



Q: What does sustainability mean to you and how do you approach it?

A: I approach sustainability not from idealism but rather as a sensible and inevitable business decision that benefits the long-term economic value of our Company.

HSH has been operating for 150 years, and the strength of our Group has always been our genuine commitment to the long term. We created the Sustainable Luxury Vision 2020 to design a roadmap that would take our services and products to the next level of sustainable luxury, and to ensure the Company's continuing success for decades to come.

As you will read in the following pages of this report, Sustainable Luxury Vision 2020 puts sustainability practices at the heart of our Company's business. This means more than just looking after the environment and being a good neighbour. It is about the sustainability of our supply chain, our buildings and our workforce. It also means anticipating how the needs of our customers will evolve over time and how we can develop to meet those needs. It means going beyond charity-giving to developing programmes that create shared value between our Company and the community.

To put it simply, sustainability means focusing on the long term.

Q: How are broader trends, both macroeconomic and political, affecting the HSH Group?

A: Climate change and the extreme weather associated with it has become impossible to ignore. World leaders gathered in Paris in November 2015 at the UN Climate Change Conference to discuss a universal agreement to combat climate change, reflecting the truly global nature of this issue. It is inevitable that businesses will be expected to play a part. Scientists predict that we will all have to adapt to a less predictable and more volatile natural environment. This threatens to affect the mobility of international travellers and may disrupt our operations without warning. Clearly, such events will impact our supplies and our costs, either directly or indirectly.

Terrorism is an obvious threat to the global travel and tourism industry. Our company is expanding its global portfolio at a time of increasing security threats and terrorism attacks. The tragic attacks in Paris and Bangkok in 2015 shocked the world, with tourism heavily impacted in the short term, and our businesses in these cities were affected. We continue to be concerned about the global terrorist threat and its impact on tourism. (More details on external factors and industry trends affecting our business can be read on pages 92 to 97 of the 2015 Annual Report.)

Q: How does the Company's Vision 2020 help address those potential challenges to the business and contribute to business longevity?

A: We have set clear carbon and energy reduction goals in the Vision 2020 plan to address the climate challenge. I believe the discipline of having regular measurements and clear goals will make our efforts more effective and I personally chair the Group Corporate Responsibility Committee which meets at least every quarter to review our progress.

On the topic of progress, 2015 has been pleasing. Our carbon intensity was 27% lower than the 2006-2008 baseline emissions. Our absolute carbon footprint has also been reduced by 9% despite business growth with the additions of The Peninsula Shanghai and The Peninsula Paris.

During the year, we commissioned research into the major climate risks faced by our operations, city by city, to have a better understanding of what we need to do to enhance the resilience of our operations and our properties against climate change. As a next step to this research, we are beginning to look into setting science-based targets and longer-term strategies to decarbonise our operation.

It is an unfortunate reality in today's world that one can never be 100% protected against terrorists in a free and open society. To help mitigate this risk, we have taken steps to improve the security of our premises, implemented specific security training to employees across our hotels, and updated our crisis management programme.

Vision 2020 is a living plan and we will refresh it as often as required. We will continue to be vigilant and sensitive to new challenges and opportunities that may come our way.

Q: How well do you think the idea of "sustainable luxury" – becoming sustainable without compromising on quality – is understood around the business?

A: In the three years since we launched Vision 2020, we have worked hard to engage and mobilise our staff. I firmly believe they are the key to making this vision a reality.

I am encouraged by the day-to-day examples across the Group that illustrate how sustainability and luxury service can go hand-in-hand. For example, the newly renovated guestrooms of The Peninsula Chicago meet our high standards of luxury and are equipped with state-of-the-art in-room technology. We have put a lot of effort into developing low-energy LED lighting which still provides the ideal hue and dimming effects. More than 90% of the woodwork comes from sustainably managed forests. Almost 100% of the paper used in the packaging of our Peninsula-branded products is supplied by certified sustainable sources. These products still offer the high standards of quality and luxury that our guests have come to expect, and are sustainable too.

These achievements would not have been possible without the passion, creativity and perseverance of our staff.

Q: What about bringing sustainable luxury to your guests?

A: Our Peninsula Academy programme focuses on local culture and lets our guests sample personalised, authentic experiences in the cities they are visiting. These programmes allow us to subtly share our concept of sustainable luxury with our guests. For example, at The Peninsula New York, guests can spend a day at sea learning about the sustainable harvesting of oysters, while in Hong Kong, our guests can take a class with the group executive chef to learn about different types and flavours of sustainably farmed caviar.

Instead of encroaching on guests' enjoyment of fresh linens and fluffy towels every day, we go behind-the-scenes to focus on how to lower the environmental footprint of our laundry operation. The Peninsula Beijing managed to successfully switch to a new low-temperature laundry programme that uses 42% less energy, 12% less water and bio-degradable chemicals, while maintaining our high standards.

Another development I am proud of is our *Naturally Peninsula* cuisine, available at all our food outlets. Guests who do not want to compromise a fine dining experience can choose from a delicious range of wholesome, natural and sustainable options that are good for them and for the planet.

Q: What areas do you still need to do better in?

A: We have reached a plateau in our energy and water efficiency programmes. Water is generally available at a low price – this does not encourage efficiency and saving water can therefore be difficult. Our energy efforts were more positive and we saved an estimated 35,800 GJ of energy use and HK\$7.8 million in 2015. However, we were still 1.2% shy of the 18.5% reduction target that we had set for 2015. We aim to improve on this by delving deeper into how we use energy, so that we can take a more targeted approach within individual operations.

Q: What will be the main focus in the year ahead and beyond?

A: In 2016, we will be wrapping up the first phase of our roadmap by implementing a new sustainability management and reporting system. With the right foundations in place, we will look into enhancing our understanding and communication of the value that Vision 2020 brings to our Company, society and the environment. The next phase of the journey will be to engage the hearts and the minds of every employee, giving them ownership of Vision 2020.



Clement K. M. Kwok
Chief Executive Officer

Progress towards Vision 2020

08 – Governance & Management

16 – Guest Experience

26 – Employees

38 – Operation

52 – New Build & Refit

58 – Supply Chain

66 – Community



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The Hon. Sir Michael Kadoorie
Chairman



GOVERNANCE & MANAGEMENT



“The discipline of coming together as a team to review progress on a monthly basis helps to maintain momentum and foster a strong sense of shared goals. Even though Vision 2020 with its wide scope and ambitious goals can appear to be challenging, we make it manageable by breaking longer-term goals into small steps and milestones. This gives us many opportunities to celebrate! These successes also encourage the team to achieve further progress.”

Mr Bharath Bangalore

*Director of Finance, The Peninsula Hong Kong and
Chair of The Peninsula Hong Kong's Corporate Responsibility Committee*

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.

We are fully aware that the future of our business will depend on how well prepared we are. Dwindling natural resources, aggressive demand for talent, and an increasingly competitive market make it necessary for any responsible business to implement sustainability measures. These rapidly-evolving macro trends mean that companies have to become more vigilant and versatile and adapt to the changing climatic and business environment.

With these macro trends in mind, we introduced the Sustainable Luxury Vision 2020 in 2013. Sustainable Luxury Vision 2020 comprises seven pillars: Governance and Management, Guest Experience, Employees, Operation, New Build and Refit, Supply Chain and Community. It provides a clear framework that allows us to better integrate sustainability practices and principles within our businesses across the Group.

Driving excellence through a robust management process

We believe that regular measurement of our progress provides the focus required for our journey to Vision 2020. Over the last three years, we reviewed the reporting metrics and revamped the reporting tools in support of the Company's growing management and reporting needs on corporate responsibility and sustainability matters. We widened the scope of our reporting for health and safety and workforce issues, introduced a new sustainable sourcing reporting tool and re-launched the environmental reporting tool to provide more in-depth analytics. In 2015, the Company made a decision to invest in a sustainability management and reporting system to improve the monitoring of progress towards our 2020 ambitions. We will begin to implement this new reporting platform across the Group in 2016.

Over the past eight years, sustainability has increasingly become an important strategic priority for the Company. Our accomplishments to date are the result of establishing rigorous governance and management processes that provide a strong foundation for our future. Impact on the Company's Vision 2020 and other environmental and social issues are required to be considered in new projects and investments. By continuing to evolve our governance and management practices, we will be well placed to meet our aspirations across all pillars of Vision 2020.

2020 AMBITION

Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals

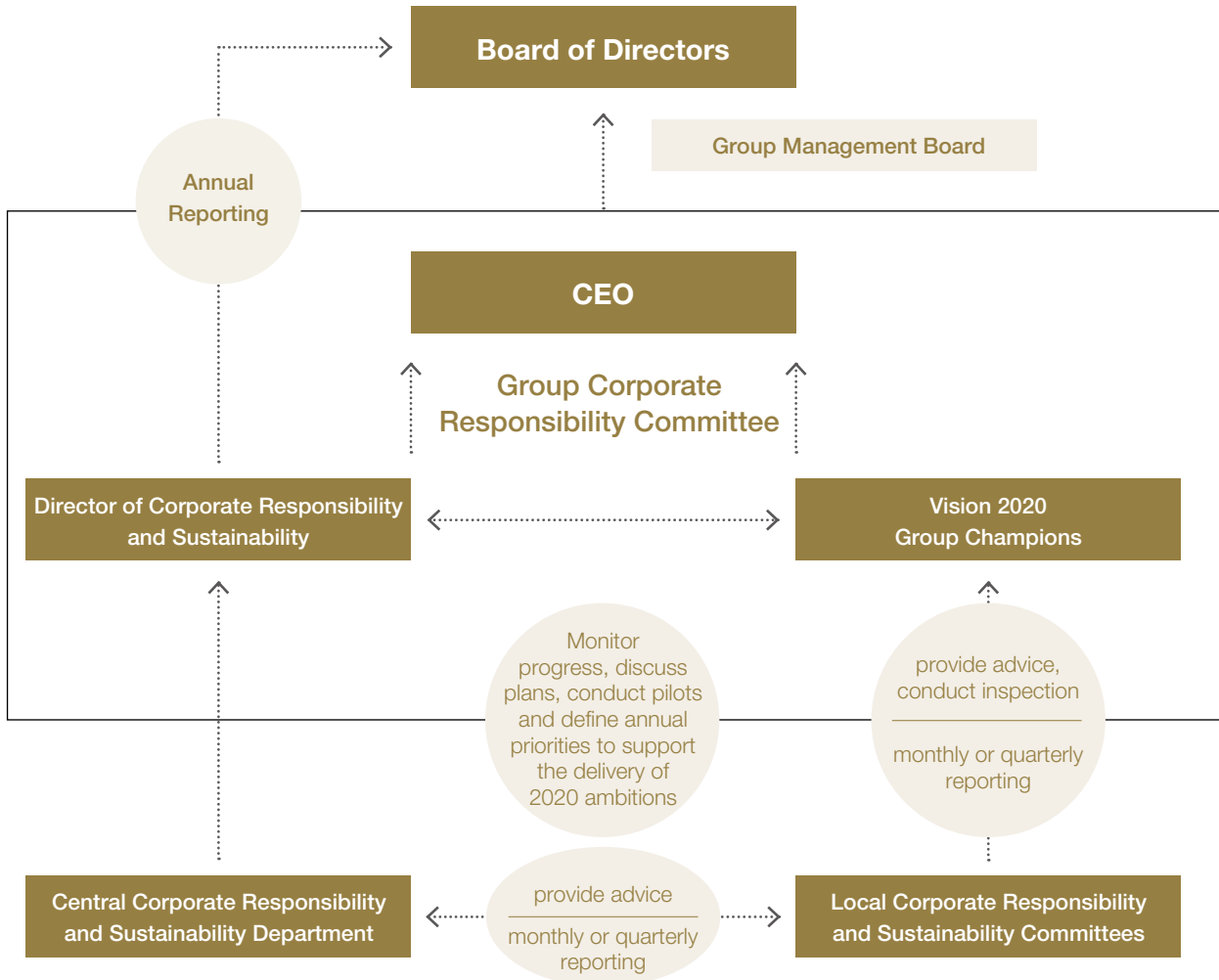
Build a robust succession planning framework for senior leadership⁴

Introduce "Leaders for Good" Training Programme for management⁴

⁴ See progress towards these 2020 ambitions in Employees section on page 26.



How We Govern and Manage



The Company’s Group Corporate Responsibility Committee (GRCRC), chaired by our Chief Executive Officer, meets at least three times a year to review all operations’ key Vision 2020 performance indicators, and to discuss policies, objectives and plans for achieving our 2020 ambitions and addressing the wider aspects of our environmental, social and ethical responsibilities.






Each of the seven Vision 2020 pillars is championed by a GRCRC member whose role is to provide guidance and work with operation teams 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, supporting the Champions and managing stakeholder relationships on environmental and social issues.

Our operations have also set up their own corporate responsibility and sustainability committees to coordinate actions, review how sustainable practices can be integrated in their day-to-day operations and monitor progress towards their 2020 commitments. These committees are often supported by specific working groups on health and safety, environment and community engagement.

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 (pages 132 to 137) of the 2015 Annual Report. We will continue to implement the current procedure of conducting onsite safety and security risk assessments at all properties biannually so as to ensure proper precautionary measures have been taken to safeguard the safety and security of our guests and staff.

2015 PROGRESS

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

2016 TARGET

- Implement a group-wide sustainability management and reporting system
- Implement the new two-year stakeholder engagement plan to expand employee engagement of Vision 2020
- Review the Sustainability Materiality Matrix
- Develop communication tools to support the leadership teams of all operations to cascade Vision 2020 to the wider workforce

Vision 2020 Group Champion



Ms Natalie Chan
Director, Corporate Responsibility and Sustainability

“Data is intelligence. We will look into conducting more in-depth analysis of our performance in order to gather better insights on the opportunities for improvement. As we move into the next phase in our journey towards Vision 2020, it is all about engaging the heart and the mind of every employee. We will deploy different tools and tactics to instigate a cultural change, to help each of our employees become an owner of Vision 2020.”



Understanding What is Material

2020 AMBITION

Establish a strong framework to track and manage financial, operational and environmental, social and governance risks

Meet international and local sustainability disclosure requirements relevant to HSH

Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals

Stakeholder Engagement

Stakeholders and their concerns lie at the heart of Sustainable Luxury Vision 2020.

Materiality Matrix

provided the foundation of Sustainable Luxury Vision 2020.

Focusing on what matters⁵

Our stakeholders and their concerns lie at the heart of our Sustainable Luxury Vision 2020 plan. To determine where we should focus our efforts, we conducted a global stakeholder engagement exercise to understand what issues are of concern and the level of concerns to our internal and external stakeholders.⁶ A materiality matrix has been developed as a result of a rigorous process engaging 100 representatives of 12 stakeholder groups⁷ from around the world, including our own management team, in assessing material business continuity and sustainability issues.

The materiality matrix provided the foundation for our Sustainable Luxury Vision 2020 framework. We also mapped the issues raised in the materiality process to international standards, such as the Global Reporting

Initiative Guidelines (G4) for Sustainability Reporting, to help us determine which key performance indicators we should prioritise in our disclosure.

How the materiality process led to Vision 2020⁵

We developed the seven pillars of Sustainable Luxury Vision 2020 in response to the core issues raised in our materiality analysis. Each issue in the matrix is incorporated into the Vision 2020 framework and is managed through one or more Vision 2020 pillars.

The insights we gained from the stakeholder engagement process also helped determine the commitments we made under each of the seven pillars. These set out what we aim to achieve by the year 2020.

⁵ GRI G4 Material Disclosure: G4-18, 26, 27

⁶ 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. Additional information on the process and methodology used to develop our materiality matrix can be found in the Sustainability Review of our 2012 Annual Report, pages 65-67.

⁷ The stakeholders participated in the assessment included corporate customers, institutional investors, external sustainability experts, academia, environmental and social non-profit organisations, charitable foundations, suppliers, property developers, communication specialists, hospitality industry peers and other travel and tourism representatives. These stakeholders were based in Asia, Europe and the United States.



Openness lies at the heart of our engagement

We publish a Corporate Responsibility and Sustainability Report⁸ annually and report our successes and challenges in delivering on our Vision 2020 ambitions openly and honestly.

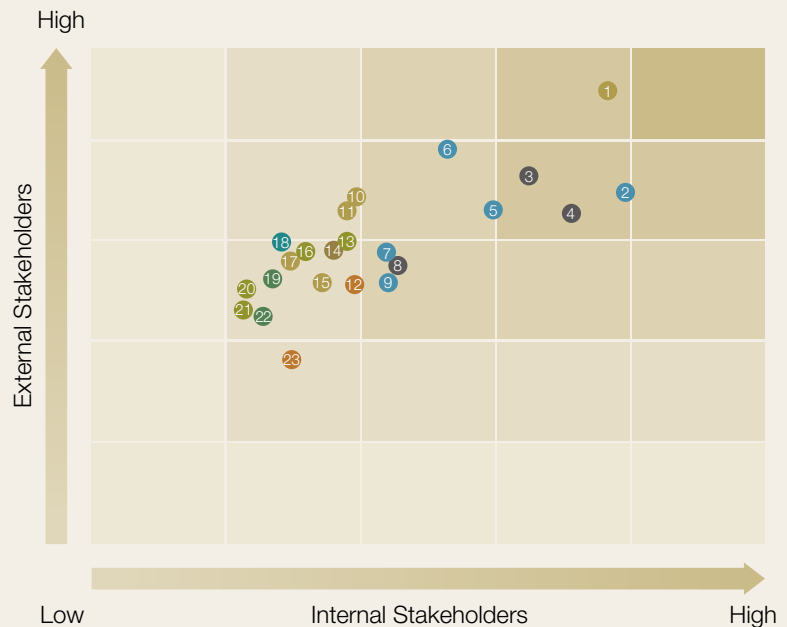
Our reporting is testament to the importance we place on integrity and transparency. We were one of the first companies in Asia to comply with the Global Reporting Initiative (GRI) G4 reporting standards and to be verified by GRI on our report's Materiality Disclosures. We were also among the early adopters of the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide).

We are monitoring global corporate trends in integrated reporting, and this year have decided to put more emphasis in the Annual Report on how our Vision 2020 can create value for our shareholders and wider stakeholder groups, as well as publishing a separate report to provide a more holistic disclosure of our progress towards Vision 2020.

We believe that it is through committed engagement with our stakeholders that we will continue to build trust and collaboration in the journey towards our vision for sustainable luxury. We will continue to proactively reach out to stakeholders and have established a new two-year stakeholder engagement plan, details of which are covered over the page.

⁸ Our corporate responsibility and sustainability disclosure was incorporated as part of the HSH Annual Report. The Company decided to publish a stand-alone Corporate Responsibility and Sustainability Report to give full coverage of our strategy and programmes for our stakeholders, while the Annual Report would move towards an integrated reporting style, sharing key aspects on how sustainability considerations are integrated in the corporate strategy.

Sustainability Materiality Matrix



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

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

Remarks:

- 3 4 Covered in the Corporate Governance Report in our 2015 Annual Report
- 8 Not a significant issue for our business



Engaging with Stakeholders to Deliver Progress

2020 AMBITION

Engage stakeholders on wider sustainability issues through a process that is meaningful and helps to advance the Group's sustainability commitments

"Regulations around the management and disclosure of sustainability issues have become more and more stringent in recent years. Investors and other stakeholders also increasingly expect companies to have robust policies and processes in place to improve their sustainability performance."

Ms Christobelle Liao
Group Director, Corporate and Legal

Local Vision 2020 Plans

to help drive progress towards our 2020 ambitions

New Engagement Plan

to understand and respond to insights from both internal and external stakeholders

Building on firm foundations

Now at the end of its second full year, we believe we have laid strong foundations for Vision 2020 with a well-developed governance process for overseeing progress. In 2015, our focus was to build on these foundations and provide more support and guidance to our operations to allow them to embed Vision 2020 locally. We have introduced new guides on waste management and sustainable sourcing, adding to those previously produced on water and energy.

As well as the guides, we continue to develop new ways of engaging our staff through local Vision 2020 plans, sharing best practice examples on our intranet and developing an internal engagement plan focused on supporting implementation in the operations.

Developing local Vision 2020 plans

Each operation has now produced its own Vision 2020 plan and is encouraged to establish a Vision 2020 committee to review progress against their plan through regular meetings.

The Group provides support to operations with practical tips and guidance on how to take initiatives forward. *Vision 2020 Spotlight* newsletter, published quarterly, showcases best practices from around the Group. Each issue of the newsletter highlights a particular Vision 2020 goal, providing inspiration, practical steps and personal experience on how to get started. Contact details of the person responsible for leading the specific achievement are included in the newsletter, which encourages staff in other operations to reach out with any questions they have about putting a similar programme into practice at their site.

Twice a year, we also publish a *Tech Watch* newsletter to keep our engineers and management teams up-to-date with the latest technology developments and emerging innovations.

Stakeholder engagement – Looking back

Looking back over the last two years, our three-phased stakeholder engagement plan defined a process focusing on integrated and continuous engagement on the Group's Sustainable

Luxury Vision 2020. This also reflects our commitment to ongoing stakeholder engagement to support the Company in advancing its sustainability work, which is one of the commitments made under the Governance and Management pillar of Vision 2020.

The plan focused on engaging the Group's management team worldwide to embrace Vision 2020, crafting local action plans, developing implementation guides and best practice newsletters, and revamping reporting tools to monitor performance and gather intelligence for driving improvement. We also used animation video and employee competitions to create excitement and buy-in for the Company's new vision. Externally, Vision 2020 was shared with a wide range of external stakeholders (including investors, students and academia, government representatives, environmental and social non-profit organisations, luxury brands and the general business community) at various local and regional conferences. We have received positive feedback. Stakeholders commended HSH for its commitment to evolving luxury to a new level of sustainable luxury and were delighted to learn of the tremendous effort behind the scene.

Stakeholder engagement – The new plan

Building on these strong foundations, in 2015 we developed a new stakeholder engagement plan for the next two years. The process for designing the plan began in late 2014, and involved a series of confidential one-on-one stakeholder interviews conducted with the assistance

of an independent consultant to gather candid input from all HSH head office general managers, as well as operations' general managers and their deputies. The interviews provided important insights into what worked, what did not, and what support these stakeholders needed in order to drive the delivery of the Company's new vision.

As we step into the next phase in the Vision 2020 roadmap, we will focus intensively on internal engagement. The new two-year plan involves a range of strategic and tactical initiatives for engaging the hearts and the minds of all HSH employees in the corporate vision of taking luxury to new heights. Employee engagement is critical if we are to ensure that Vision 2020 truly becomes a shared vision throughout the Company – and one that we seek to transform into reality.

The two-year engagement plan incorporates communicating our plan to other stakeholders. We will continue 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 industry peers. We are a member of Forum for the Future⁹ and several industry bodies, including International Tourism Partnership¹⁰ 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 have been collaborating with WWF Hong Kong¹¹ and The Hong Kong Council of Social Service¹² to advance our corporate responsibility and sustainability work.



9 www.forumforthefuture.org
 10 www.tourismpartnership.org
 11 www.wwf.org.hk
 12 www.hkcss.org.hk



GUEST EXPERIENCE



“We had an idea to create a kids’ lounge for the holiday season – a place where kids could hang out and have fun. My colleagues Katie, Taylor and I pulled it together with the support of many other colleagues. It was all worth it to see how much the children enjoyed the space.”

Ms Brenda Eggermann

Assistant Front Desk Manager, The Peninsula Chicago

Children were invited to the kids lounge on check-in with a *VIP Pen Kids* pass. There they could enjoy a ‘selfie’ station, video games, arts and crafts, colouring and of course some tasty snack treats. Borne out of a sense of care and concern for our younger guests, the three front desk staff saw the need to provide something special for children. They demonstrated enormous passion and commitment to bring the idea to life. Their efforts added something special and memorable to the holiday experience enjoyed by hundreds of kids at The Peninsula Chicago.

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.

Delighting our guests with the highest standards of luxury service has always been at the heart of HSH's ethos. We pride ourselves in providing our guests with a unique culture of warm and genuine service. This culture, together with an exceptional hotel product, award-winning facilities and our relentless attention to detail, has brought us where we are today.

As one of the world's leading small luxury hotel groups, which first started in Hong Kong in 1866, HSH has a proud heritage. We remain as committed to continuously shaping and defining the future of luxury as we have been to preserving our past heritage. The Company's Sustainable Luxury Vision 2020 focuses on refining and evolving luxury in tandem with the changing needs of our guests and the changing external environment. It provides the framework for us to take luxury to a new level of *sustainable luxury*.

While there is a perceived divide between the notion of luxury and the principles of sustainability, we believe that our attention to detail and persistent quest for quality will lead us to new opportunities for innovation that will help overcome this challenge.

"The hotel business is not a science – we accommodate and care for our guests, of course, but these services must come from the heart. It's important that a hotel conveys comfort and warmth – an oasis, giving you the opportunity to pause for a moment and relax. Services like WiFi and pressing are offered by all good hotels today, so these services do not set you apart from your competitors. Therefore the most difficult challenge in the hotel business is to create an atmosphere that makes the guest feel completely at ease and comfortable, which involves intangible elements that cannot be touched but rather felt, seen and/or smelled. The aura a hotel exudes is therefore enormously important, and the pleasure in serving is key!"

Mr Peter C. Borer
Chief Operating Officer





Listening to our guests

We tactfully solicit feedback from guests through our interactions with them, as well as through optional surveys available in the guestrooms. To gain a deeper understanding of the experience of our guests, we also conducted mystery-shopping to carry out anonymous reviews of our service at each Peninsula hotel. The reviews cover thorough and quantifiable analyses on how well we meet our standards and provide insights into how we can continuously improve.¹³

A Youthful Discussion

During the year, The Peninsula Chicago invited a group of young people of high-school age to participate in a focus group discussion, sharing their perspectives on hotel stays, travel and amenity preferences and their everyday life as young adults. The aim was to help us better understand the evolving needs of teenagers and the trends in the digital space, and the focus group provided helpful and interesting insights in how we may better delight and surprise our teenage guests.

¹³ 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. In 2015, 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.

Thirty years of innovation

HSH is recognised as a leader in developing innovative in-room technology. We operate our own in-house research and development facility and we believe we are the first in the world to introduce a bedside panel that controls all lights and curtains, as well as the entertainment system in a guestroom. The panel has since

evolved into its latest edition of a mobile tablet which offers our guests a truly personalised in-room experience.

Technology has advanced rapidly over the past 30 years; however, our guiding principle in the design of all in-room technology has remained unchanged – which is to start and end with a highly personalised service and the needs of our guests in mind.



See the New Build & Refit section to find out more about our exclusive in-room technology.



Vision 2020 Group Champion

Mr Robert Cheng

Vice President of Marketing, The Peninsula Hotels



“We strive to continually innovate in our ways of engaging and inspiring our guests. This year has been marked by great progress in our investment in our cities’ vibrant art scene, and the launch of some truly exciting projects – even more rewardingly, some of these efforts also contributed to our community fundraising and charitable awareness-raising efforts.”

2015 PROGRESS

Create family-friendly programmes and facilities to offer unique experiences and further attract family travellers ✓
Achieved

Relaunch the new room product at The Peninsula Chicago as part of the repositioning of the hotel ➔
On Plan

Update and relaunch the *Peninsula Wellness* concept across all hotels to provide our guests with a wider selection of options to maintain their wellbeing ✓
Achieved

Roll out a new mobile version of Peninsula.com ✓
Achieved

2016 TARGET

Continue to enhance our digital presence to meet our customers’ expectations

Continue to expand our offerings to cater for all types of families and children

Develop external communications strategy for corporate responsibility and sustainability efforts



Raising the Standard of Luxury

2020 AMBITION

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

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



New Mobile Portal

brings Peninsula hospitality to guests' fingertips.

Peninsula Wellness

exemplifies our holistic vision of health and wellness.

30% of online travel value will come from mobile devices by 2017.¹⁴

Luxury hospitality brought to guests' fingertips

Online technology has reshaped the ways of conducting business for the travel and tourism sector. Following the re-launch of the content-rich website in 2014, 2015 saw further enhancement to our guests' online experience with the launch of a new mobile portal which brings Peninsula hospitality to guests' fingertips on their smartphones. These improvements in our online presence help us stay competitive and relevant, and potentially expand our reach to the younger customer segments.

One of the new features available on the new mobile portal is PenCities by LUXE, which covers the hottest insider information for each Peninsula destination and is produced in an exclusive partnership between our hotels and the LUXE City Guides. Room and restaurant bookings for all Peninsula hotels worldwide can now be made in just three clicks via a smartphone or tablet. Soon after its launch, the mobile portal accounted for more than 10% of the online reservations we received in 2015.

14 Horwath HTL, 2015, "Tourism Megatrends" (<http://horwathhtl.com/2015/12/09/tourism-megatrends-report/>)

Partnership in style

In 2015, The Peninsula Hotels also developed partnerships with Beats by Dr. Dre to provide guests with access to signature audio products for complimentary use during their stay at our hotels, and with online luxury fashion retailer Net-a-Porter to create a series of stylish bite-sized guides with fashion tips and information on cultural events. The partnerships with these hottest lifestyle brands provide our guests fresh perspective and experience in our hotels.

Healthy mind, body and spirit

2015 saw the exciting worldwide re-launch of our renowned *Peninsula Wellness* programme, which aims to provide the ultimate retreat for mind, body and spirit by combining the best of western and eastern health philosophies with the world's finest spa treatments delivered by expert therapists.

Recognising that our guests increasingly seek to relax and rejuvenate their mind and body and escape the stresses of modern living when they are staying with us, *Peninsula Wellness* features an array of spa, wellness, healthy dining and lifestyle programmes. New treatments and ongoing training for therapists play a key role – for example, the new *Peninsula Sleep Ceremony* was exclusively created to meet the wellbeing needs of globetrotting travellers, and

a unique partnership was forged with the world famous Wat Pho Temple Massage School in Bangkok leading to the creation of a therapeutic Royal Thai massage. The latter is also part of our company-wide *Tastefully Thai* initiative showcasing aspects of Thai culture, wellness, art and cuisine.

Natural ingredients free of synthetic colour, fragrance and parabens form the fundamental building blocks for products used in *Peninsula Wellness* programmes. The re-launch of the wellness programme reinforces our commitment to meeting the evolving lifestyles of our guests and holistic vision of health and wellness, well aligned with our Vision 2020 goal of creating an environment that supports our guests' aspiration for a healthier and more sustainable lifestyle.



See pages 64 to 65 of the Supply Chain section on how *Naturally Peninsula* cuisine provides a delicious link between wellness and nutrition.

Pushing the boundaries on low-emission luxury

The Peninsula Hotels has long been celebrated for its exceptional vehicle fleet, ranging from customised Rolls-Royces to Minis and BMW sedans.

In pursuit of the vision for sustainable luxury, following the introduction of an all-electric Tesla sedan at The Peninsula Tokyo, The Peninsula Shanghai welcomed a BMW i8 hybrid sports car as an additional facility to guests.

Most of our hotel operations have installed charging stations for electric cars for the use of their guests. In Paris, we provide BMW electric bikes for the complimentary use of our guests. In Tokyo, we recently took delivery of three exciting new additions to our customised vehicle fleet. Dubbed the PenCycle and powered by stepping rather than pedalling, the three-wheeled vehicle offers guests a fun and healthy way to manoeuvre the busy streets of the hotel's surrounding Marunouchi and Ginza areas.

They represent steps in making sustainable transportation options part of the appeal of the luxury service we offer our guests. We endeavour to make more low-emission luxury transportation options available to our customers, simply because it is the right thing to do.

Health and healthy lifestyle will become increasingly important in tourists' decision making.¹⁴



Connecting to Our Cities

2020 AMBITION

Attract family travellers by providing facilities and services that cater for their needs

Engage our customers in preserving our heritage for future generations

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

Desirable

We aspire to contribute to the world's dialogue on sustainability by curating experiences that make it desirable for our guests.

Three-year Partnership

between The Peninsula Hong Kong and the UK's Royal Academy of the Arts to celebrate heritage and cultural innovation

Keys to the City

opens doors to exclusive complimentary "only-in-Chicago" experiences for our guests.

We place a strong focus on connecting our guests with our destination cities as it not only enriches their travel experience, but also – through celebrating, supporting and preserving our cities' natural, social and cultural heritage – enables us to have a positive impact on the communities themselves.

Experiencing the best our cities have to offer

A longstanding priority for The Peninsula Hotels has been to give our guests unique access and perspectives on the rich culture and heritage of our destination cities. In addition, we also want to share with our guests the present-day excitement and attractions of these cities.

The Peninsula Academy offers a collection of bespoke programmes designed to enable guests of all ages to immerse themselves in the history and culture of our destination cities,

while The Peninsula Kids' Academy offers additional programmes specifically designed for 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. New programmes are introduced on a regular basis to provide fresh new takes on our destinations.

In 2015, we continued to introduce new offerings designed to provide inspirational activities for even the well-travelled guest. From a private behind-the-scenes tour of the palace of Versailles in Paris, to a special hands-on workshop in Tokyo to learn the traditions of making wax food samples or an afternoon tea etiquette class for children in New York, each programme aims to create a memorable moment for our guests. 2015 also saw the exciting debut of The Peninsula Paris's Academy which provides a variety of inspired ways to experience the City of Light for both children and adults.





We aspire to contribute to the world's dialogue on sustainability by making it desirable. With this objective in mind, The Peninsula Academy now offers opportunities for our guests to gain an insight into the concept of sustainable luxury. For example, at The Peninsula New York, guests can spend a day at sea learning about the sustainable harvesting of oysters while in Hong Kong, our guests can take a class with our Group Executive Chef to learn about different types and flavours of sustainably farmed caviar.

From a holistic coastal mangrove conservation adventure in Thailand to a visit to a UNESCO natural heritage site in Hong Kong to learn about Hong Kong's ecological history, we have also expanded our range of eco-exposure visits across the globe. More than a

learning experience, these programmes support the preservation of our cities' natural environment and their heritage and culture for future generations by contributing to their sustainability through education and awareness building.



Watch a video about a unique programme exploring Hong Kong's disappearing arts and crafts offered by The Peninsula Hong Kong

Connecting to Our Cities

A special space for kids

The Peninsula Chicago went the extra mile to ensure that their younger guests had a visit at the hotel they would never forget. The hotel's front office team, out of a sense of care for our younger guests, turned a banqueting room into a fun space for children every weekend in the holiday season.

These lucky guests were presented with their very own *VIP Pen Kids Pass* and were made to feel special from the time they checked in to the hotel. The children had a great time at their lounge taking part in arts and crafts activities like making snowflakes at Christmas or having fun at the photo station. The dance party with lightsabers and a surprise visit by The Peninsula Chicago's very own Peter Bear proved to be the most popular activity.

The hotel's Director of Front Office Mr Jan Verweij applauded his team's enthusiasm for the project: "they did all the research, found the suppliers and organised everything. They had a clear vision for the project and how it would add to the hotel's offer to our family travellers. The result was lots of happy children. And parents!"

The rest of the hotel staff – from the concierges to the chefs – rallied round the initiative to ensure it was a success. The team plans to run the children's lounge over more holiday weekends in 2016. Creating memorable, unique experiences for our guests is what The Peninsula is all about.

State of the Art

We enhance our guests' experience of the rich culture and heritage of our cities by giving them exclusive access to innovative arts created by local talents and also by showcasing our cities' presence at the heart of the global art scene. Likewise, we seek to inspire our local communities by bringing in public art installations from international artists.

In its *Love Art at The Peninsula* campaign during the year, The Peninsula Hong Kong unveiled a ground-breaking public art installation by renowned British artist and sculptor Richard Wilson RA, presented in collaboration with the United Kingdom's artist-led institution, the Royal Academy of Arts. The work, *Hang On A Minute Lads...I've Got A Great Idea*, featured a full-sized replica of a vintage twin-axel Harrington Legionnaire coach that appeared to be teetering on the edge of The Peninsula's seventh-floor terrace. This also marked the beginning of a three-year collaboration between The Peninsula Hong Kong and the Royal Academy of Arts in bringing public art to the Hong Kong community, contributing to Hong Kong's position in the international arts community.

In keeping with the global commitment to support innovative public art, The Peninsula Chicago installed a significant art piece entitled 'Alchemy' by renowned Korean artist Choi Jeong Hwa, a site-specific installation of 24 "totem pole" pillars that consist of found LED lights, plastic bowls and steel.





To further deepen our links with public art, we adopted *The Art of Pink* as the theme for the 2015 *Peninsula in Pink* campaign, paving the way for the creation of a myriad of pink-inspired artworks by celebrated global masters and emerging local artists. These unique artworks also helped to raise awareness and funds for the cause of breast cancer.

All about Chicago

In 2015, The Peninsula Chicago also introduced a new initiative, *Keys to the City*, in conjunction with the hotel's comprehensive guestroom renovation. This is an exclusive experiential programme that provides guests with complimentary access to incredible "only-in-Chicago" experiences. Hence, The Peninsula Chicago's room key not only opens the door to a stunning new guestroom, but also "opens doors" to unique experiences that would otherwise not be available to the public.



See pages 70 to 71 of the the Community section for more information about *The Art of Pink* campaign.



Watch a video about
The Peninsula Chicago's Keys to the City programme



See pages 54 to 55 of the New Build and Refit section for more information about The Peninsula Chicago's landmark renovation.



EMPLOYEES

“We have Christmas parties at The Repulse Bay and special gifts for Mid-Autumn Festival and Dragon Boat Festival. Such treatment was a new experience for me when I joined the company twenty years ago; it was warm and just like a family. Sometimes I am inspired by the passengers of the tram that I operate. For example, I see many foreigners travelling to the Peak with young children and that reminds me that I should let my own child explore and experience different places.”

Mr Hong Lau

Operator, Peak Tramways

That was Mr Lau’s first impression 21 years ago when he joined the Company, where he is now a veteran who trains newly promoted tram operators. The HSH Group continues to pride itself on this sense of family and demonstrating genuine care and concern for each other as well as our guests.

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.

We place great value and pride in the unique family culture that runs deep throughout the Group's 150-year history. We seek to 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.

"It's all about how good one is at understanding the value of one's colleagues. It is through that mutual respect that our corporate values are forged."

The Hon. Sir Michael Kadoorie
Chairman

Building blocks for the future

In 2015, we renewed our five-year strategic plan for human resources management. Our human resources teams around the world came together to look back at achievements and gaps in the past five years, review the evolving macro trends that may affect how we manage our workforce, and define the building blocks for cultivating a strong and engaged HSH

team over the next five years. We also identified an array of initiatives under the plan's five focus areas, which include employer branding, capacity building, employee engagement and performance management, as well as the use of smart technology. The plan provides a clear roadmap for building a sustained workforce.



Be ethical

The commitment to ethical conduct is firmly rooted in our company values. This means taking a clear stance against corruption, respecting human rights and embracing diversity. It also means respecting laws and regulations wherever we operate.

We believe that maintaining high standards of ethics and corporate governance is essential to the success and sustainability of our business, and is what our stakeholders expect from us.

Our Code of Conduct and Equal Opportunities sets out the standards of behaviour that we expect at all times from employees on a range of ethical issues, including anti-bribery, fair competition, equal opportunities and protection of customer privacy. It broadly acknowledges and recognises the principles outlined in the United Nations' Universal Declaration of Human Rights, including among others denouncing all forms of child exploitation, forced or bonded labour, as well as recognising the right of workers in forming and joining trade unions to protect their interests.¹⁵

It is compulsory for all employees to complete the two modules of Code of Conduct training programme.¹⁶ All employees who handle customer information are also required to undertake another training module on customer data privacy.¹⁷ In 2015, out of the Group's workforce of over 8,400 employees, five grievances in respect of discrimination were lodged, investigated and dealt with in accordance with the Group's policy, and there were no reported breaches of anti-corruption practices.

¹⁵ In 2015, 18.9% of our employees were covered by collective bargaining agreements.

¹⁶ Most existing employees undertook refresher trainings in 2014. In 2015, 20.6% of the total workforce undertook anti-corruption and bribery training and 20.8% undertook equal opportunities training. The latter is an important aspect of human rights issues relevant to our operations. These represented a total of 870 hours of training on anti-corruption and bribery and 877 hours on equal opportunities. The participants included all new recruits as well as existing employees who were not able to complete the refresher training in the previous year.

¹⁷ 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 and beverage, front-office, sales and marketing. These included 2,126 employees, 89% of them completed the training in 2015, representing 946 training hours on protection of customer data privacy.



Be inclusive

We 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. A diverse workforce enhances our business by enabling us to better connect with our customers from around the world. For this reason, diversity at HSH is more than an obligation; it is a business strength that we celebrate.

Across the Group we now employ over 50 employees with disabilities in a variety of roles that can effectively draw on their talents and abilities. The majority of these employees have hearing or speech impairments while some are mildly intellectually disabled. They are fully-fledged members of the HSH family, making valuable contributions across a range of functions. Despite this, The Peninsula Residences in Shanghai will unfortunately be required to pay HK\$51,246 to its local government for not meeting the required legislative quota for employing people with disabilities in 2015. It is committed to rectifying the issue by identifying suitable candidates and duties in 2016.

2015 PROGRESS

Improve our succession planning by incorporating the Group's competency framework in the process



On Plan

Align our people-development tools to the Group's competency framework



Achieved

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



Achieved

Roll out the Sustainable Luxury Vision 2020 e-learning module across all operations



Behind Plan

Conduct a gap analysis of our compliance with OHSAS 18001



Behind Plan

Further enhance the injury and illness prevention programme through more robust post-incident investigations



On Plan

Establish a global IT platform to support operations with on-site crisis management



Behind Plan

2016 TARGET

Develop employee orientation programme incorporating Vision 2020

Roll out the Sustainable Luxury Vision 2020 e-learning module across all operations

Create training programmes for Vision 2020 Champions across operations

Reduce staff injury incidents by 5%

All operations to conduct OHSAS 18001 gap analysis

Vision 2020 Group Champion



Ms Cindy Tsui

Group Director, Human Resources

“The new five-year HR strategy lays out a clear roadmap for building a sustained workforce for the Company and focuses on how we can develop and engage our leaders and employees in helping the Company continue its expansion in delivering sustainable luxury.”

Employer of Choice

2020 AMBITION

Attract new talent and retain quality employees

Implement the competency framework across the Group

Establish a global talent management system to support talent management, planning and disclosure needs

42%

of our management is female, an increase of 1% over the previous year

Radio P

a fun way to bring five generations of employees together

Living our values

Our people are at the heart of our business and our brand. Their dedication, commitment and creativity going above and beyond the expectations of our customers define the excellence that HSH stands for. Our global competency framework helps to ensure that we recruit and develop our people in the right way in order to reinforce our values and stand up for who we are. Values can be intangible, but the framework has helped translate our passion and goals into expected behaviours at different job levels of the Company. It enables us to be more transparent in performance appraisals and talent assessments.

The competency framework provides an important foundation for our new global talent management system. In 2015, as we continued to develop this system, we expanded the reach of the online performance appraisal platform from 633 to 2,318 employees, about 30% of our global workforce. We also incorporated succession planning into the framework in talent management, and have identified the most critical positions within the Group, including 200 managers among the senior management and specialist functions. We are now in a position to map out a structured process for building the pipeline of future talent for these roles.

The Travel & Tourism sector is facing a potential shortfall of up to 14 million jobs globally over the next ten years and talent problems from high staff turnover and losing talent to other sectors.¹⁸

No. 1 in career advancement opportunities

In 2015, Young Hoteliers Summit surveyed hospitality students from 99 countries and 47 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 best in career advancement opportunities in the global hotel industry.

18 WTTTC, 2015, "Global Talent Trends and Issues for the Travel & Tourism Sector" (www.wtttc.org/research/policy-research/human-capital/global-talent-trends)

This is Mizuki Kumagai. She works at The Peninsula Tokyo and is part of the iconic Pagegirl team.

Ms Kumagai is the recipient of the hotel's first Great East Japan Earthquake Hotelier Scholarship. After finishing her studies, she joined The Peninsula Tokyo in 2015. She is one of the 607 employees working at the hotel, and a member of the 8,447 global HSH team¹⁹ that is made up of individuals of different ethnicities and age groups.

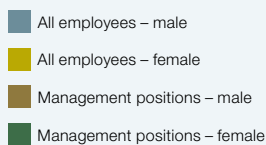
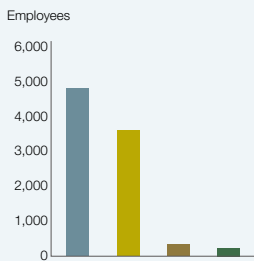


See Data Statements for more employee profile information

Employees by Geographical Locations



Gender Distribution of HSH Employees



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19 The gender split of our workforce:	female	male
overall workforce	43%	57%
management team	42%	58%
full-time employees	42%	58%
part-time employees	59%	41%
permanent employees	42%	58%
fixed term/temporary contract employees	56%	44%
workforce in Asia	43%	57%
workforce outside of Asia	43%	57%

Employer of Choice

A lifelong relationship

Many of our employees have worked with us since the opening of the operations, witnessing the development of their properties to date. Globally, the average length of service of our employees is 7.2 years. 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.



Together through the transition

As we continue to grow our business and enhance our properties, it is important for us to help our employees adjust and grow through periods of transition. We plan well in advance of any major operational changes that could adversely affect our employees and endeavour to turn the transitions into an opportunity for enhancing their development.

This has been particularly relevant at The Peninsula Beijing in 2015, as the hotel prepared for its renovation which will involve reconstruction of all its guestrooms and the hotel's whole infrastructure systems being upgraded. Keeping staff informed was a key expression of our commitment to them. Since March 2015 (six months before its renovation), The Peninsula Beijing began to issue a new internal weekly newsletter to keep all employees abreast of progress with the renovation work, mock-up designs of the new rooms and restaurants, training initiatives, job openings and community outreach programmes.

During this transition period, which has necessitated a hiatus in normal daily operation, we have offered our employees in Beijing a wide range of activities and training programmes in order to better equip them for new responsibilities and service standards after the transformation. From tai chi and yoga lessons, to healthy lifestyle and cooking classes, each programme was hosted by The Peninsula Beijing's own talents who volunteered to share their expertise and experience with colleagues from other departments. These programmes not only enabled employees to learn new skills, but also helped foster new friendships and understanding across different departments.

During the year, over 50 mid- and senior-level managers of The Peninsula Beijing also participated in cross-exposure training programmes at sister Peninsula hotels, gaining new ideas and inspirations that will enhance the offering of the hotel after the renovation is completed.



"The newsletter provides the latest news from all departments. It helps us deal with the big changes for the hotel and for our own jobs and teams."

Ms Maggie Li

Graphic Artist, The Peninsula Beijing

Communication²⁰

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 treated with respect.

From global employee engagement surveys and town hall meetings, to newsletters, informal gatherings 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. Two-way communications is also an area that our employees told us in the 2014 global employee engagement survey that they would like us to do more.

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 paid tribute to their housekeeping teams for their hard work by indulging them with tasty treats, dance parties and lots of laughter.

Female employees at The Landmark enjoyed being treated by their male colleagues on International Women's Day. The gentlemen competed to create the most beautiful flower arrangements and refreshing drinks.

The Challenge

It is important that we attract and retain the right talent to meet our operational needs and strengthen the HSH team. Retention of young employees remained a challenge in 2015. The Group's overall turnover rate was 22.6%, a 2.7 percentage point increase on 2014. The turnover of employees under 30 years old was 37% – more than double the combined turnover of employees of other age groups. We will continue to enhance our effort in building a committed and engaged workforce, especially among the younger generation.

Innovative staff communications – *Radio P*

Programmed, scripted, acted and presented by staff for staff, *Radio P* is a new and successful employee communication programme at The Peninsula Hong Kong. The show was aired bi-weekly in the hotel during the year. Each show was recorded in a professional local studio and included a feature on getting to know each other, a segment on "what the guests say about us" acted out in a radio drama style, and happy news from the hotel such as promotions and marriage announcements. The show proved to be very popular – a fun way to bring the five generations of employees at the hotel closer together!



20 GRI G4 Material Disclosure: G4-26

Investing in Our People

2020 AMBITION

Strengthen executive and leadership development

Introduce “Ambassadors for Good” Training Programme

Empower Operations’ CRS champions through training

118,000 hours

invested in skills training and learning and development of our employees

Executive Development

new programmes to build the pipeline for strong leadership

Strong Focus

on helping employees understand and contribute to Vision 2020

We understand that we are only as good as our employees who help to shape the experiences of thousands of customers every day. Investing in our people is perhaps the most important investment we can make for the sustainable development of our business. The opportunity to learn and grow is also a key motivating factor for employees, especially among younger employees – and an area that our employees told us in the 2014 global employee engagement survey that they would like us to focus on more.

The challenge of identifying and nurturing talent faced by the Travel & Tourism sector is significantly higher than that faced by other sectors, with 37 out of 46 countries showing a talent deficit over the next 10 years – compared with only 6 out of 46 for the economy as a whole.²¹



Helping our employees to learn and grow

We offer a wide range of programmes to support our employees in their daily work as well as in their longer-term professional development. The programmes are updated annually based on the training needs across the Group. In 2015, we invested close to HK\$25 million on training and development programmes and delivered 117,885 hours of training for employees across the Group.

development programmes have been introduced in recent years to ensure our future leaders are well equipped and poised to support the Group in expanding to new frontiers. The new module rolled out in 2015 included a programme designed to help the management teams at our operations refine their management skills and leadership presence, and another to help emerging talents develop their leadership skills. We also continued to conduct our bespoke The Art of Peninsula Hospitality programmes to refresh and reinforce the commitment of all of our frontline employees to delivering genuine and unique luxury experiences for our guests.

In light of the Group’s expansion plan, series of new executive and management

²¹ WTTC, 2015, “Global Talent Trends and Issues for the Travel & Tourism Sector” (www.wttc.org/research/policy-research/human-capital/global-talent-trends)

Engaging employees to embrace Vision 2020

We have been seeking innovative ways to engage our employees with our Sustainable Luxury Vision 2020 since its launch in 2013. We understand that we will only be able to transform our vision into reality when we mobilise as an organisation.

At Group level, we used different means, such as intranet, newsletters and regional calls, to share best practice on delivering the 2020 ambitions, enabling our teams to learn from each other and be encouraged by each other's successes as we move the Company towards our vision for sustainable luxury. In the 2014 employee engagement survey, our employees told us that they would like to know more about the Company's new vision for sustainable luxury. Group operations have used all-hands meetings, internal communications, competitions and workshops to introduce Vision 2020 to their employees. More actions have been planned on improving employees' understanding of Vision 2020 and how they may contribute are being implemented by our management teams across the Group.

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. We will continue to work on developing a new e-learning module to educate and engage employees on Vision 2020 for roll-out in 2016. In addition, we will continue to seek new ways of further embedding Vision 2020 aspirations into our operations and providing localised opportunities where our employees can know that they have made a difference.

Taking the creative way to meet our 2020 ambitions

The Peninsula Tokyo has created a beautiful wall display at the back-of-house of the hotel to introduce the seven pillars of Vision 2020 to its employees, as well as integrating Vision 2020 goals into a development programme for the hotel's middle management team. The programme involved coaching and group projects, helping the participants become familiar with the goals while placing them in the context of the training and the operation of the hotel. This led to a better practical sense of ownership over the goals and how to implement them.

In Bangkok, we channelled staff creativity into a video competition with Vision 2020 as the theme. The competition enabled employees to quickly gain a strong understanding and sense of ownership over the goals. Each department had to create Vision 2020 videos covering their understanding of what it is, why it is important and how each individual can be a part of it. At least 60% of employees of the department had to be in the video, which boosted participation and enthusiasm. There were many creative entries and the competition generated spirited dialogue about the Vision 2020 goals.

In both cases, the approach to engagement allowed staff to take ownership and find a meaningful way to express the commitment to Vision 2020 goals through their particular roles and departments.



A Safe and Healthy Workplace

2020 AMBITION

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

100% increase

in hours of health and safety training to more than 32,000 hours

24% reduction

in lost days due to work injuries

Lost working time through injury and illness costs the global economy billions of dollars each year, and has been shown to have a significant impact on companies' profitability and reputation.²² Conversely, companies that place a strong emphasis on taking care of their staff find that it leads to improved motivation and productivity.²³

It is of the utmost importance that we ensure our hotels and properties are safe and healthy for our guests and employees. We have systems in place to achieve this, and we review global and regional trends on a regular basis and consider any changes to the operational risk manual that may be required.

All operations have health and safety committees which meet monthly to review performance and implement improvements where necessary. In addition, regional directors of security and operational risk continue to have weekly calls to share best practice.

Managing for a safer workplace

Our health and safety management system provides a structure and a holistic way of looking at how we can take better preventive measures against workplace hazards and instil a stronger safety culture. We are committed to achieving certification to OHSAS 18001 – an international occupational health and safety management system – for all our operations by 2020. During the year, we started to conduct gap analyses of our compliance with OHSAS 18001 at our hotels in Manila and Hong Kong, and we have set targets for the next three years to conduct similar analyses at other properties.

Prioritising prevention

In 2015 we set ourselves the target of enhancing the injury and illness prevention programme through more robust post-incident investigations. This effort formed part of the roll-out of the Workers Compensation Loss Prevention Programme at our wholly-owned operations in the United States (The Peninsula New York, The Peninsula Chicago and Quail Lodge & Golf Club). This programme covers procedures for all aspects of health and safety management – from preventing injuries to handling claims, and from helping people back to work to making improvements in our practices. Plans to roll out this programme to our properties in Asia and Europe are under way.

We care for our staff's well-being. This programme focuses on preventing injury and ensures people are cared for. It also helps the Company manage the costs associated with healthcare.

Health and safety training and performance

In 2015, HSH employees across the Group completed 32,121 hours of health and safety training – double that of the previous year, due in part to the increased focus on food safety training at several operations in pursuit of HACCP certification.

²² PwC (http://pwc.blogs.com/press_room/2013/07/rising-sick-bill-is-costing-uk-business-29bn-a-year-pwc-research.html) and Forbes (www.forbes.com/sites/brucejapsen/2012/09/12/u-s-workforce-illness-costs-576b-annually-from-sick-days-to-workers-compensation/#27e8b0057256)

²³ Reference made from www.theguardian.com/careers/wellbeing-key-to-employee-motivation

Our overall injury rate increased marginally to 7.9 (injuries per 200,000 hours worked) as compared to 7.4 in the previous year. However, we saw a significant reduction in the number of lost days per hundred employees, from 75.6 days lost in 2014 to 57 days in 2015. This was mainly due to a decrease in the severity of the injury incidents and an increase in general awareness on the importance of workplace safety. Most incidents during the year were minor injuries, such as bruises or cuts.

Promoting wellness

Alongside improving safety systems and processes, promoting wellness and healthy living has a role to play in reducing occupational health and safety incidents. We believe that healthy and happy employees contribute to a healthy company and happy customers.

All about wellness

The Peninsula Paris participated in the *Global Wellness Day* in June. Employees enjoyed a morning pilates session on the roof-top terrace, a class on self-massage in the afternoon, and refreshing detox juice at the staff canteen throughout the day.

Our operations have started to introduce *Naturally Peninsula* options at staff restaurants and have become more conscientious in providing healthy and balanced meals for their employees. 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. An array of fun and creative initiatives were organised during the year – from yoga classes in Shanghai and runners’ clubs in Manila to a *Pen Fit* newsletter in Beverly Hills and “fruit fairies” sharing fruit with employees at HSH head office – all aimed at helping our employees to adopt a healthy lifestyle.

The first and the best

The Thai Country Club, which continues to win awards as the best golf course in Thailand, is now the first operation in the HSH Group – and the first golf course in Thailand – to have the industry-leading OHSAS 18001 certificate for its approach to health and safety.

Being certified to OHSAS 18001 recognises that the Thai Country Club has a rigorous and effective occupational health and safety management system to reduce accidents and keep people safe at work. One of the targets in our Sustainable Luxury Vision 2020 plan is to have all operations’ health and safety management systems certified to OHSAS 18001 by 2020.

The club, which is located in a rural area about one hour from Bangkok, is an 18-hole golf course that hosts some of the most prestigious professional golf tournaments in Asia with about 200 staff and a similar number of caddies. An occupational health committee led by the club manager with representatives drawn from every department worked together for a year with the support of a specialist consultant to develop the management system and achieve certification.

They looked at all the possible risks in the workplace and how to mitigate them. The benefits included fewer accidents and less time lost due to accidents, and also encouraged team-bonding.

Vision 2020 Group Champion – Health and Safety

Mr Jason Hui

Director, Security and Operational Risk

“My role is to help our senior managers, and everyone in the Company, to appreciate the changing risks in our industry and our workplace, and to manage those risks through planning, education and other preventive measures.”





OPERATION

“I saw it as my personal responsibility to test again and again until we had a solution that I felt met our quality standards. Only then did I seek the General Manager’s approval.”

Mr Ken Shinohara

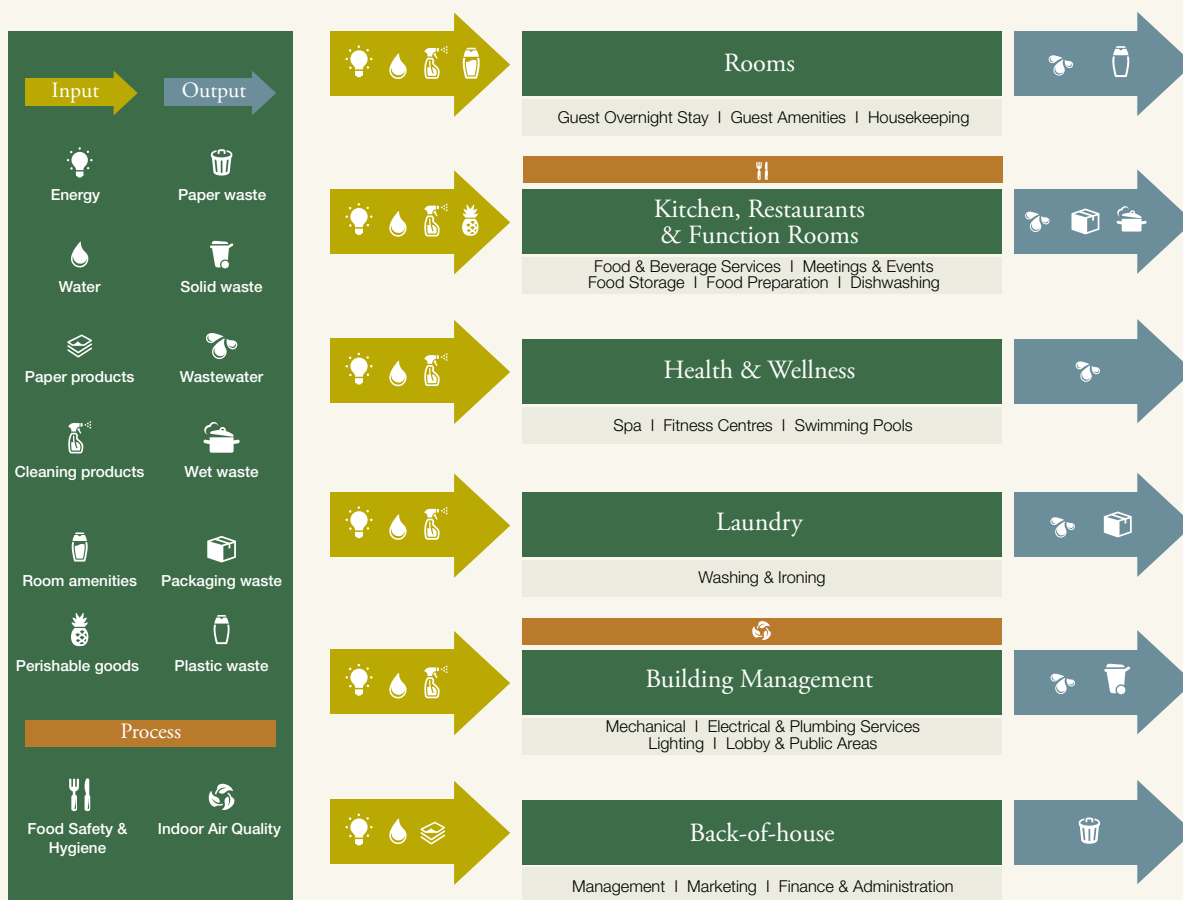
Director of Engineering, The Peninsula Tokyo

Balancing energy efficiency with ensuring the quality of lighting meet our strict luxury standards is not always easy. Mr Shinohara and his team commissioned a supplier to tailor-make LED lights to meet our needs. It is this dedication that has resulted in close to 43,000 lights being replaced with low-energy LED alternatives, reducing the hotel’s annual energy use by nearly 2.8 million kWh and its annual energy bill by JPY49.4 million (HK\$3.3 million)

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.

HSH's core business is in developing, owning and managing a portfolio of prestigious hotels and premium properties. Whilst we are committed to providing the highest standard of luxury products and services to our guests, we are conscious that buildings account for about 40% of the world's energy use and 25% of water use,²⁴ with significant impact on global greenhouse gas emissions as well as energy and water demand. 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. This makes energy, water and waste management important issues for us to tackle in our operation. These are also among the material issues that our stakeholders would like us to focus on.

The Group's Sustainable Luxury Vision 2020 sets out our commitments and provides a clear framework for driving continuous improvement on our environmental performance while managing our unwavering luxury standards. Policies and procedural manuals, such as the energy conservation manual and water management guide, have been put in place to provide guidance to group operations. All operations across the Group reported their environmental performance on a monthly basis and the performance was reviewed by the Group Corporate Responsibility Committee regularly throughout the year. In addition, operational inspections led by the Group Chief Engineer were performed at each operation twice a year. Apart from identifying corrective actions required and areas for improvement, these site inspections helped to facilitate communication and collaboration between the local teams and corporate office.



24 The United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP-SBCI) (www.unep.org/sbc)

More than a mark of excellence

Following The Peninsula Chicago and The Peninsula Tokyo, our hotels in Hong Kong, Bangkok and New York achieved EarthCheck Silver Certified status in 2015.

EarthCheck is a leading international benchmarking and certification programme for sustainable travel and tourism, recognised by the Global Sustainable Tourism Council (GSTC). EarthCheck assesses how well companies are managing the environmental impacts of their operation and certifies companies for having the systems and procedures in place for driving continuous improvement. Achieving EarthCheck certification is more than a mark of excellence – the process of being certified enabled us to review systematically what we were doing well in our sustainability initiatives, and where we could improve.



Unwavering commitment

During the year, we continued to deliver progress in our environmental performance but failed to meet the milestones that we set for ourselves. We made good progress in lowering our carbon footprints, but our energy and water reduction efforts were short of the targets we set for ourselves. Performance improvements

have hit a plateau in the past two years – largely because most of the immediate gains that could come from environmental engineering projects and improvements in back-of-house areas have already been realised. Further improvement will require the support of new technology, more sophisticated analytics for identifying opportunities for improvement and a concerted effort in driving behavioural change.

As such, we delved deeper into how we use energy so that we can take a more targeted approach to drive improvement within individual operations. In 2015, we renewed our environmental reporting tool and set up one centralised platform to support the pursuit of our 2020 goals. The improved tool makes it easier to track our performance and compliance requirements, and provides a more comprehensive picture and in-depth analytics of our environmental performance. In addition, we engaged external experts to conduct in-depth analysis of our energy use, organised an engineering roundtable to share best practice, and published a new internal *Tech Watch* newsletter to inspire innovation.

Our aim is to report our successes and challenges with equal honesty. We remain committed to achieving our long-term goals and will continue to focus on driving down our environmental footprint in order to meet our Vision 2020 ambitions.

2015 PROGRESS

Maintain an overall 18.5% energy intensity reduction against the 2006-08 baseline



Objective Missed

Establish a best practice sharing platform among the engineering team to support the delivery of Vision 2020 Operation ambitions



Achieved

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



Objective Missed

Develop additional guidance to help operations improve waste management practices



Achieved

Develop a shared food safety management platform to support the properties and clubs division in moving towards HACCP compliance



On Plan

2016 TARGET

Achieve 19% energy intensity reduction against the 2006-08 baseline

Maintain 18.5% water intensity reduction against the 2006-08 baseline for hotels division

Formulate a new two-year Group energy reduction strategy

Organise a group-wide forum to share best environmental practice

Achieve 45% waste diversion rate

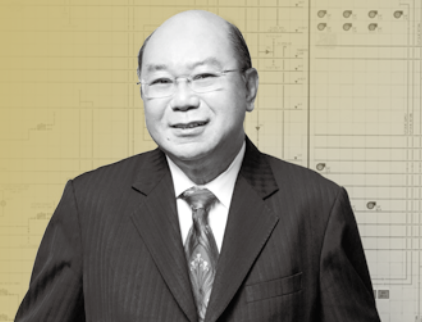
50% of operations achieve HACCP compliance

Vision 2020 Group Champion

Mr Vincent Chow

Group Chief Engineer

“Where we can make the biggest difference is when guidance and support on engineering works are combined with a big effort to raise awareness among the staff. Environmental improvement comes not just from policies and system improvements. It also counts on each and every one of us to make it happen.”



Climate and Energy

2020 AMBITION²⁵

Achieve 10% absolute carbon emission reduction

Achieve 30% carbon intensity reduction

Achieve 25% energy intensity reduction

Climate change is one of the greatest challenges facing the world today. Scientists have warned that climate change impact would become catastrophic and irreversible if global temperature increases by two degrees above pre-industrial levels.²⁶ With global temperatures already one degree above pre-industrial levels, collective and concerted global action is necessary and urgent.

As outlined in the Group's Sustainable Luxury Vision 2020, making our business more resilient to climate impact and reducing greenhouse gas emissions associated with our own business and our value chain is important to us – and how we approach this challenge is also of increasing concern to our stakeholders.

9% reduction

in absolute carbon emissions²⁵ despite continued business growth

27% reduction

in CO₂ emission per floor area²⁵

17% reduction

in energy use per floor area²⁵

1°C rise in average global temperatures over pre-industrial levels was recorded for the first time in 2015, halfway towards the 2°C threshold that could result in dangerous climate impact as warned by scientists.²⁷



A nod to our commitment

HSH was once again part of CDP's Climate Disclosure Leadership Index for the region in 2015. This annual index recognises the top 10% of CDP reporting companies which demonstrated robust management and transparency in climate strategy and measurement.

Continuous improvement on carbon performance

Despite our business growth over the years, including the additions of The Peninsula Shanghai and The Peninsula Paris to the Group, our absolute carbon footprint in 2015 has reduced by 8.7% when compared to the 2006-2008 baseline emissions. In 2015, our energy consumption generated a total of 106,493 tonnes CO₂e, 10,128 tonnes less than our baseline – saving enough CO₂e gas to fill more than 2,011 hot air balloons.²⁸ Group carbon intensity was 163 kg CO₂e per m², a 27.3% reduction from our 2006-2008 baseline. The average carbon intensity of our hotels division was 104.1 kg CO₂e per occupied room per day,²⁹ a 7% reduction from 2014.

²⁵ Percentage of reduction when compared to the baseline of 2006-2008 average

²⁶ United Nations Environment Programme (www.unep.org/climatechange) and World Meteorological Organization (www.wmo.int)

²⁷ World Meteorological Organization (www.wmo.int)

²⁸ Average envelop volume of hot air balloon is 2,800 m³ (www.real-world-physics-problems.com/hot-air-balloon-physics.html).

²⁹ Based on the carbon accounting methodology of Hotel Carbon Measurement Initiative developed by International Tourism Partnership (www.tourismpartnership.org) and World Travel and Tourism Council (www.wttc.org).

Understanding Climate Risks

The impact of climate change is evident in the cities where we operate. These cities are seeing increasing incidents of extreme weather events which pose the potential risks of disrupting our business operations. In addition, climate change may also affect water availability and quality in certain regions of the world, and lead to decreased agricultural productivity, potentially limiting the availability or increasing the cost of our supplies.

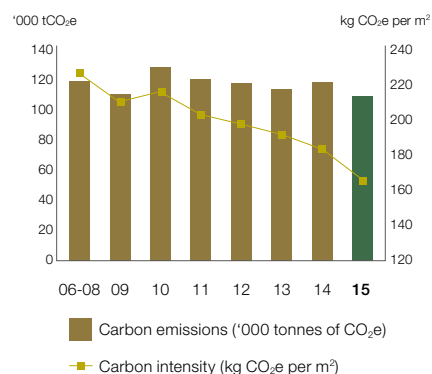
In 2015, we commissioned a research study on climate science to better understand the impact to HSH's businesses. The study evaluated, city by city, the major climate risks faced by our operations, looking into the risks of increasing regulations such as carbon emissions taxes and trading systems, removal of existing fossil fuel subsidies which may lead to increased grid prices and energy efficiency standards, as well as evolving customer expectations on companies taking responsible actions. In fact, some of the cities where our properties are located, for example Beijing and California, have already started to use regulations to reduce emissions and mitigate against adverse climate impacts.

In addition, physical impacts of climate change in our locations across the world, such as increased risk of heatwaves in Paris, coastal storm surges in Hong Kong or severe snowstorms in New York are also affecting us. We will be operating in a less predictable and more volatile natural environment which may affect the mobility of international travellers and cause disruption to our operation.

As a next step to the study, we are looking into setting science-based targets and longer term strategies to decarbonise our operation.

The improvements in our carbon performance were achieved mainly through implementing a variety of environmental engineering projects and benefitting from more carbon efficient energy generation by our energy suppliers. Our completed 2015 emission reduction projects included installing solar water heater, LED re-lamping, chiller replacements, elevator upgrades as well as installing variable speed drives and motion sensors to reduce wastage. These initiatives are estimated to result in annual carbon emissions and energy reductions of 485 tonnes of CO₂e and 4,368 GJ³⁰ respectively. It also brought a saving of HK\$1.98 million to our operational cost for the year.

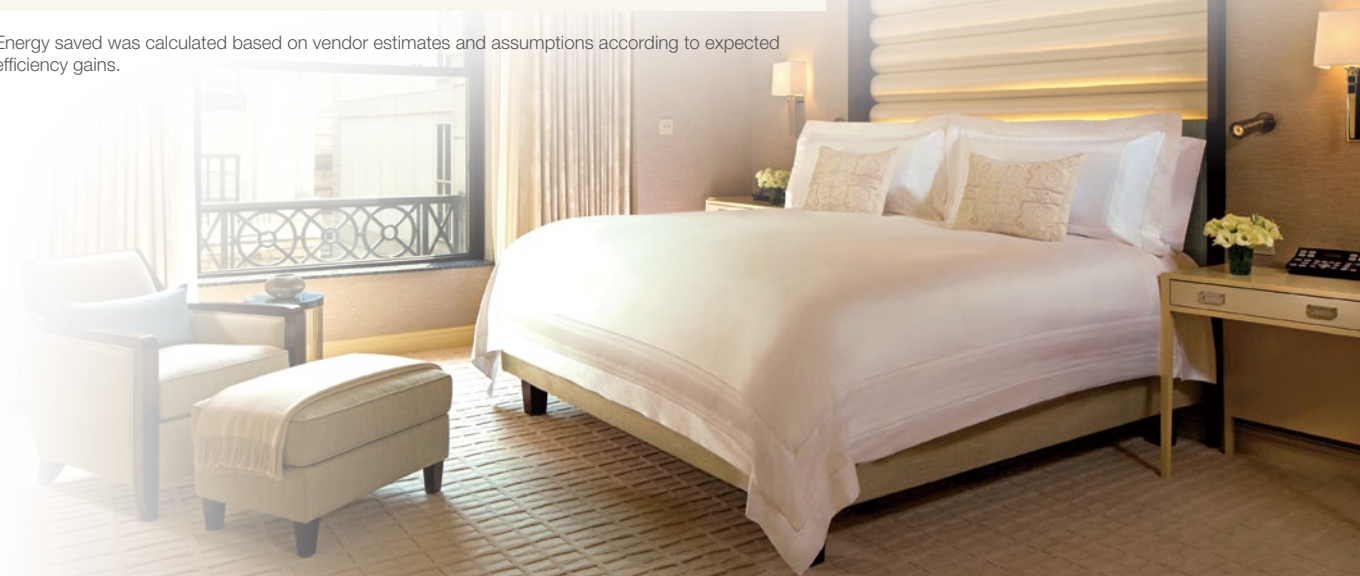
Group Carbon Footprint



Up for the Challenge

The Peninsula New York joined the *NYC Carbon Challenge*, launched in 2015, committing to reduce its carbon intensity by 30% by 2025, in support of the city's collaborative effort in curbing greenhouse gas emissions.

30 Energy saved was calculated based on vendor estimates and assumptions according to expected efficiency gains.



Climate and Energy

Hitting a plateau

In 2015, we improved our energy efficiency by 1.9% from the previous year. Despite being more efficient in our use of energy, we were 1.2% shy of the 18.5% reduction target that we set for ourselves for 2015. We have seen a slowdown in our performance improvements in the past two years. With reductions reaching a plateau after several years of good progress, this underlined the need for us to take a step back and deepen our understanding of how we use energy, so that we can take a more targeted approach within individual operations.

Apart from upgrading our environmental reporting tool to provide better analytics, we engaged an external expert to undertake linear regression analysis of the energy performance of each operation within the Group. The exercise enabled each operation to gain deeper insights into the specific factors affecting the property's energy use, identifying areas where we have more control over the variability and are therefore more likely to achieve savings. The analysis enables the impacts of the saving efforts to be isolated from weather and business

activities. In 2015, the analysis shows that our effort helped the Company avoid an estimated 35,800 GJ of energy use and HK\$7.8 million of energy spend (after normalising weather and business factors). Indicating that if we had not implemented this energy saving effort, our Group energy spend in 2015 would have been 4% higher.

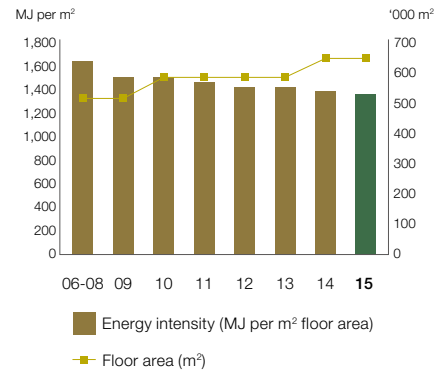
Spreading best practice

During the year we held an engineering roundtable to share best practice among our Hong Kong properties, an initiative that will be expanded to a global level in 2016. We also launched a new internal *Tech Watch* newsletter, targeted at the engineering teams, which looked into topics that will help empower the engineers to contribute to 2020 goals. The application of photo-voltaic systems and the latest technology in HVAC (heating, ventilation and air conditioning) systems, which represent 30-40% of the energy use of most buildings, were among the topics explored in 2015.



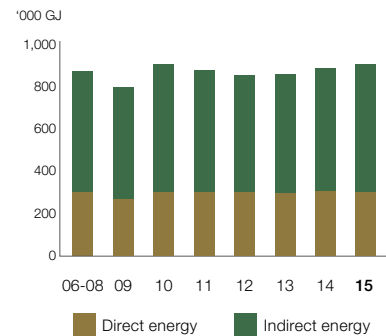
See Data Statements for more performance information

Group Energy Intensity



Increase in floor space in 2014 was due to the opening of The Peninsula Paris.

Group Energy Use



Direct energy used in our operations include gas for heating. Indirect energy is energy consumed to provide the energy we use, such as fuel burned in power stations to generate electricity. In 2015, the split of our direct energy consumption by sources were: 61.1% gas, 30.8% diesel oil and vehicle fuel 8.1%, whilst our indirect energy consumption were from electricity (86.9%), steam (10.1%) and chilled water (3.0%).

Re-lamping a highlight

The majority of our hotels and properties implemented further LED lamp replacements during the year. For example, our properties in the US including The Peninsula Beverly Hills, The Peninsula New York and Quail Lodge & Golf Club replaced some conventional lights in the hotels' public areas and guestrooms with LED alternatives, generating an annual energy saving of 1,750 GJ which is equivalent to the annual energy use of 40 US households,³¹ saving an estimated US\$116,000 (HK\$905,000) in energy spend.

Although LED replacement projects can be an effective measure for cost and energy reduction, it has been an area where 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. Capitalising on technical improvements in LED technology, we are accelerating our strategy of retrofitting LED lights in guest-facing areas.

31 Based on World Energy Council 2014, average electricity consumed annually per household in the US is 12,305 kilowatt hours (44.3 GJ) (www.wec-indicators.enerdata.eu/household-electricity-use.html).

Using Water Wisely

Vastly undervalued, water is vital for life, crucial to our operations, and essential for food and energy production. We endeavour to make on-going improvement in our water use. In 2015, we used 1.9 million m³ of municipal water. Despite the additions of The Peninsula Shanghai and The Peninsula Paris to the Group's portfolio over the years, our overall water consumption was 1% lower than our 2006-2008 baseline.

Half of the world's population will be living in areas of high water stress by 2030,³⁴ including some of the communities in which we operate.

The water challenge

Since we began our environmental programme in 2008, we implemented a range of saving initiatives, from installing aerators to reduce water flow of sink faucets, to modifying pipe systems to divert and treat greywater for cleaning and landscaping use, as well as prioritising water efficiency when replacing end-of-life equipment. These water conservation initiatives have saved 199,186 m³ of water – enough to fill 995,930 bathtubs.³³ The increasing effort in water recycling and harvesting rain water has also helped reduce our consumption of municipal water.

In 2015, the water intensity of our hotels division was 1,168 litres per guest night. Water efficiency has improved by 15% when compared to the 2006-2008 baseline, but it was 3.6% shy of the 18.5% reduction target that we set for ourselves for the year. The water intensity of our commercial properties, clubs and services division was 1,752 litres per floor area, which was 2.3% higher than the baseline, contrary to our ambition of improving water efficiency by 5% from the baseline. This setback will not deter us. We remain committed to achieving our 2020 ambitions.

2020 AMBITION

Achieve 25% water intensity reduction³²

Operations located in water stressed regions to be “water neutral” by efficient use of water and replenishing sources near our locations.

1.9 million m³

In 2015, we reduced our total consumption of municipal water by 1% despite continued business growth.³²

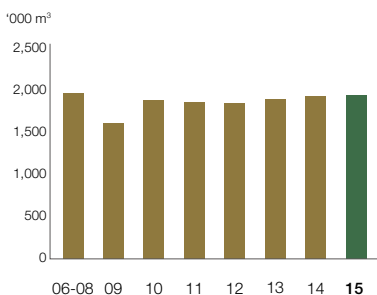
15% reduction

in water use per guest night by hotels division³²

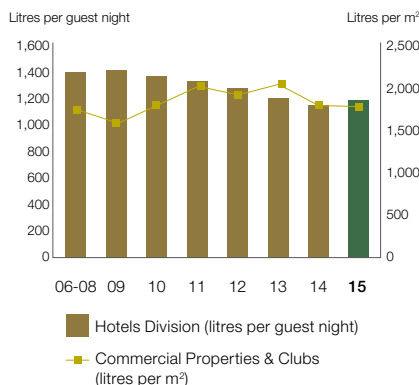
47,000 bathtubs

In 2015, our water saving initiatives have conserved 9,422 m³ of water, enough to fill 47,110 bathtubs.³³

Group Water Consumption



Group Water Intensity



32 Percentage of reduction when compared to the 2006-2008 baseline

33 Based on China Water Risk (www.chinawaterisk.org), an average bathtub holds 200 litres of water.

34 UN-Water (www.un.org/waterforlifedecade/scarcity.shtml)

Using Water Wisely

Be a part of the solution

California has a long history of drought problems and is currently one of the world's most water-stressed regions. Our properties are rising to the challenge by diligently identifying opportunities to drive down water use.

Every drop counts

Water conservation is a priority at The Peninsula Beverly Hills. By the end of 2015, the hotel achieved a 24.6% reduction in its water use per guest night from the 2006-2008 baseline.

During the year, the Beverly Hills team took many small steps throughout the hotel to drive down water use. These included installing faucet aerators to save water while reducing water splattering, commissioning a new landscaping contractor to modernise the irrigation system, installing waterless urinals in public bathrooms and reminding employees to use water thoughtfully. The hotel also took the opportunity to gently raise awareness among its guests of the importance of water conservation, through measures such as polite signs in the rest rooms and mentioning it at check-in.

All these small steps added up to help the hotel achieve a 5.3% improvement in water efficiency and 8.4% reduction in water footprint compared with the previous year.



The Peninsula Beverly Hills and Quail Lodge & Golf Club have set inspiring examples of how progress can be achieved through diligence, perseverance and attention to detail. In the coming year, we will look into providing more opportunities for our operations to learn from each other and engaging all employees to join hands in addressing the water challenge.

An ongoing focus

Water is a tremendously undervalued resource, and we believe modern society has yet to understand its true

cost. This makes it challenging to prioritise investment in new water-saving technology or infrastructure projects as they often involve a very long payback period. Against this backdrop, we have identified a range of group-wide initiatives that apply to new development projects and to all operations when they are upgrading their facilities. Our monthly performance reporting helps us to keep a close eye on our water use and how effective are some of the measures we put in place.

We have published a bespoke water management guide, with the aim of encouraging all operations to achieve

further improvements by adopting the best practices that are relevant to their sites. All operations completed a self-assessment questionnaire to evaluate opportunities for improvement. Beginning from 2016, the self-assessment questionnaire will become part of the biannual operational inspections spearheaded by our Group Chief Engineer, underpinning the importance of water conservation. In addition, we will facilitate more experience sharing and exchange of ideas among our operations, so we can learn from each other and contribute our best in our journey towards our vision for sustainable luxury.

Enhancing drought resilience

Quail Lodge & Golf Club, located in Carmel Valley in California, has improved its water efficiency by 22.5% to date from its 2006-2008 baseline – and further improvements are in prospect thanks to its recent golf course modernisation project. This project not only enhanced the facilities of the golf course, but also brought a profound improvement to the sustainability of the golf course.

As part of the project, a brand new, state-of-the-art irrigation system now manages water flow to the grass with exceptional precision, enabling the course to remain lush without wasting water. The lakes have been reconstructed to make them better able to retain precious rainwater. The introduction of drought-resistant landscaping, with native plants that are more tolerant to drought, is also aimed at minimising water use over the long term. For example, the conversion from turf grasses to Fescue grasses in many areas will reduce irrigation needs and maintenance costs while creating a more natural look.

As well as continuing to drive down Quail Lodge & Golf Club's water footprint, these improvements are expected to make the property more resilient to the drought-stricken condition of the region in the years ahead.



Managing Waste Thoughtfully

2020 AMBITION

Achieve 25% reduction on waste intensity from 2012 baseline

Achieve 60% waste diversion rate through recycle, reuse and donation

Provide self-bottled water for guestrooms and meetings to reduce plastic waste

If waste is not properly managed, it can lead to a host of environmental, social and health issues in the community. Becoming more conscious about waste management not only makes sense from these perspectives, but also helps us to reduce costs.

One third of the food produced globally for human consumption each year – about 1.3 billion tonnes – is wasted while one in nine people in the world go hungry every day.³⁶

42%
of waste was recycled in 2015

4% reduction
in food waste per food cover sold³⁵

10 tonnes
of partially-used soap bars and bathroom amenities were donated to benefit those in need in 2015.

Waste Intensity	2015	change	2012
Dry Waste (kg per sq.m.)	6.42	+15.3%	5.57
Wet Waste (kg per food cover)	0.88	-4.0%	0.92

All operations report their waste management performance on a quarterly basis. In 2015, our operations generated a total of 7,873 tonnes of waste,³⁷ 1% more than the previous year. The increase was mainly due to the addition of The Peninsula Paris to the Group's portfolio and the disposal of unwanted items by operations that were preparing for renovations. Our dry waste intensity was 15.3% higher than our 2012 baseline, but we managed to reduce the amount of wet waste generated per food cover by 4.0%.

to finance and human resources departments, the guide contains specific recommendations on how each function and each individual can contribute to the three R's – reduce, reuse and recycle.

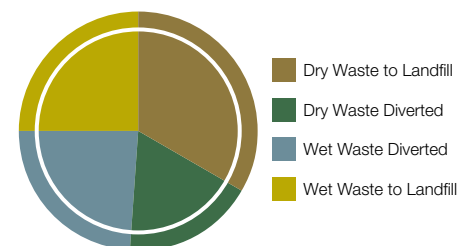
From waste to worth

Among the waste we produced, 42% was diverted,³⁸ a 0.4 percentage point improvement on 2014. This means 3,294 tonnes of waste was diverted from landfill for reuse or recycling – the weight of more than 730 elephants!³⁹ Waste diversion methods vary across our operations. Some operations sent their waste to contractors designated by the municipal government for single stream waste segregation and recycling while others worked with a range of waste management vendors and charities to manage their waste.

Local solutions for local problems

Recognising that local abilities and infrastructure to handle waste vary enormously from city to city, the corporate team conducted one-to-one interviews with the waste management champions of each operation to better understand their local waste management practices and challenges. The findings helped us to develop more effective strategies and tailored approaches in driving improvement. The exercise also informed the content of a new waste management guide we published during the year. From housekeeping and kitchen operations

Waste Breakdown



35 Percentage of reduction when compared to the 2012 baseline.

36 UN-Food and Agriculture Organization (www.fao.org/save-food/resources/keyfindings/en/)

37 In 2015, we also disposed of 9,910 kg of hazardous waste, 16% less than the previous year. The disposal of our hazardous waste, which includes fluorescent tubes, paints, solvents and dry cleaning chemicals, is regulated by local authorities and handled by specialist contractors.

Dual benefits

The housekeeping teams at our hotels in the US and Hong Kong continued to work with Clean The World by sending partially used soap bars and bottled amenities to impoverished communities, helping them to combat preventable hygiene-related illnesses. In 2015, the four hotels together donated 4.5 tonnes of partially used soap bars and 4.4 tonnes of bottled amenities which may otherwise have become landfill waste. Other Peninsula hotels also worked with their local partners to support similar causes locally.

Inspiring awareness and engagement

In 2015, a number of operations focused on driving improvement through building awareness and commitment among employees. The creativity and enthusiasm of our employees offers the potential for making a significant difference.

Sustainable luxury – quality, not quantity

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 continue to apply this approach to improving our waste management practices.

From nothing to something in Shanghai

At The Peninsula Shanghai, the pioneering *From Nothing to Something* programme put the engineering team to the challenge of being creative and making something new and useful out of something that would otherwise have gone to waste.

Innovations included converting worn linen into pyjamas for a local charity, creating rulers and other stationery items from wood scraps for underprivileged school children, re-purposing used billboards into furniture, and making skipping ropes from cables, ropes and rubber lining. Employees even painted leftover plywood, and powder-coated and engraved some bottle caps, to make Chinese checkers for a local school. The fact that many of them devoted their own time to the programme reflects the spirit of participation at the hotel and its employees' genuine desire to make a difference.

The programme was inspired by the Shanghai team's conviction that luxury is not about being wasteful, but about being thoughtful. It has achieved multiple objectives, from recycling and upcycling waste, fostering teamwork, and caring for those in need in our community – exemplifying the spirit of sustainable luxury.



Watch a video about how our Shanghai team turned nothing into something



38 In 2015, some 3,844 tonnes of wet waste and 4,029 tonnes of dry waste were generated from our operations around the world. Of these 49% of wet waste (including used cooking oil) and 35% of dry waste were diverted from landfill for reuse and recycling. 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 or turning them into fish feed.

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

From awareness to action in Bangkok

The Peninsula Bangkok ran a three-step campaign to engage its employees on the importance of managing waste responsibly. The campaign included a photo competition on waste management to raise interest, followed by educating employees about waste segregation through attention-grabbing posters, tools and trinkets, and empowering each department to take ownership of the issue and foster a responsible waste management culture among its teams.

As a result, more than twice as many recyclables were collected in the second-half of the year as in the first, putting the hotel on a strong path to further improving its waste diversion efforts.

Safety First

2020 AMBITION

Achieve excellent rating in IAQ assessment for all operations

Achieve HACCP certification for all hotel operations

IAQ

all our operations achieved on average either excellent or good ratings for indoor air quality

3,300 hours

of training on food safety and hygiene

The safety, health and well-being of our guests and employees are of paramount importance. From the air we breathe to the food we serve, we dedicate ourselves to the highest standards of safety and cleanliness.

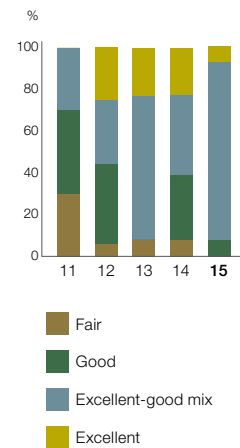
City dwellers spend 70% of their time indoors. Poor indoor air quality increases the risk of respiratory problems to the inhabitants.⁴⁰

Healthy indoor air quality

The quality of indoor air can vary due to airborne bacteria, suspended particles and volatile organic compounds from solvents. Poor indoor air quality increases the risk of respiratory problems to the inhabitants.

To ensure that the indoor air quality (IAQ) of our premises meet excellent ratings, we carefully manage our indoor environments through cautious control of ventilation and water systems, well-timed maintenance work, and using less hazardous paints and cleaning products. Whilst IAQ assessment is not a regulatory requirement in most of the locations where we currently operate, our Group IAQ Policy (introduced in 2012) mandates all operations to assess their IAQ standards on an annual basis. From arcades to guestrooms, spas to car parks, and restaurants to offices, the assessments reached all corners of our properties – and in 2015 all operations achieved on average a rating of excellent or good.

Indoor Air Quality Assessment



Attaining a high rating for air quality is particularly challenging in cities such as Beijing and Shanghai which have high levels of air pollution. In these cities, we have taken additional measures, such as installing specialist filters and conducting more frequent maintenance inspections, to maintain the indoor air quality of our properties in order to minimise the associated health risks and ensure guest comfort. We will continue to make every effort to provide the cleanest environment for our guests and employees.

40 Hong Kong's Indoor Air Quality Information Centre (www.iaq.gov.hk)

Each year since 2009, The Repulse Bay premises have been awarded Excellent Class standard (the highest rating) of the Indoor Air Quality Certification Scheme by Hong Kong Environmental Protection Department. We are delighted to have achieved this standard once again in 2015.

Prioritising food safety

Our food and beverage operation is an important aspect of how we plan to deliver sustainable luxury, and it begins with our longstanding commitment to food safety and hygiene – an area rated by our stakeholders as a top priority for HSH in our materiality study. Our operations strictly adhere to local food safety standards. To further raise the bar, our ambition is for all our food and beverage operations to go beyond their local regulatory requirements and achieve Hazard Analysis and Critical Control Points (HACCP)⁴¹ certification by 2020.

Our hotels in Hong Kong, Beijing and Manila have already become HACCP certified. Other group operations are also making good progress towards achieving compliance.

Collaborating to make a difference

The Repulse Bay and Peninsula Clubs & Consultancy Services have put together a single team and a shared plan to work towards achieving HACCP compliance across all their food and beverage operations. They made strong progress together in 2015. Supported by a hygiene manager, the team conducted a gap analysis, established a HACCP manual and began conducting training programmes for relevant employees. To maintain focus and momentum, the HACCP team met on a monthly basis throughout the year. They have planned to work through to full HACCP certification in 2016.



⁴¹ Hazard Analysis and 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.



NEW BUILD & REFIT

“No matter how technology has evolved in the past 30 years, the principle remains the same – to anticipate what our guests want and what would make it simple for them. It is then our job to innovate the solution – to make it happen!”

Mr Hak Wah Chiu

Technician, Research and Technology

Mr Chiu explained that, as a network technician, when the guest touches the screen, it is his job to ensure the network translates that into the action required. With the Company for over 30 years since the research and technology team was established, Mr Chiu felt he was never bored because every day is about innovation and seeking even better solutions. It is through this dedication to our guests' needs and our commitment to imaginative problem-solving that we continue to create best-in-class in-room technology.

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.

The Group's portfolio of prestigious hotels and properties delivers an exceptional level of experiential luxury to our guests and tenants through meticulous attention to detail. We employ the same approach in applying sustainable considerations in the design of our properties and in choosing the sources of our supplies for new development and renovation projects.


Building design has vital implications on a property's ongoing energy and water efficiency, waste and safety management as well as operating costs. The Sustainable Luxury Vision 2020 sets out our commitment to keeping sustainability considerations in mind from the onset of any project. We aim to design and deliver our build projects not only to the highest standard of quality and comfort, but also as the foundation for low-impact operation going forward. The renewed HSH Design Standards adopting Building Research Establishment Environmental Assessment Method (BREEAM) as the Group's sustainable building design standards provides helpful guidance to this process. 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 management processes and control systems to monitor responsible use of resources.

We also actively seek out vendors who invest time and resources in developing their products to the highest luxury and environmental standards. Supplier site visits, for example, allow us to gain insight into the production processes, and to become more attuned with suppliers who are aligned with our commitment to innovation and who have embraced sustainability thinking for the long-term. Aligning with suppliers who share the same ethos helps us build a long-term foundation for sustainable luxury in our facilities, operations, and guest experience.

The renovations of The Peninsula Chicago and The Peninsula Beijing, incorporating BREEAM environmental principles, are the most recent examples of our dedication to crafting sustainable luxury through innovation, balance and painstaking attention to detail.

Looking ahead to exciting new developments in London, Yangon and Istanbul, we will continue to challenge ourselves in striving for the highest sustainable luxury standards.

2015 PROGRESS

Incorporate BREEAM environmental principles in the design of the renovation of The Peninsula Beijing and The Peninsula Chicago  On Plan

Seek to use sustainable materials in the renovation of The Peninsula Beijing and The Peninsula Chicago  On Plan

2016 TARGET

Achieve BREEAM certification for the renovation of The Peninsula Beijing

Expand the use of sustainable and low emission materials

Vision 2020 Group Champion

Mr P.T. Wong
Group General Manager, Projects

"We conduct detailed research to assess sustainable products and are always on the lookout for new technology. These are part of our ongoing effort to identify the right solutions and products that meet both our quality and sustainability expectations and requirements."



Sustainable Luxury, Chicago-Style

2020 AMBITION

All new build and major refit meet international green building standards.

1st

major renovation in the Group's portfolio since BREEAM was adopted as the sustainability standards in the HSH Design Standards in 2013.

100%

The Peninsula Chicago is set to be the first hotel in the Group to have 100% LED lighting in guestrooms and corridors by April 2016.

Over the last year, The Peninsula Chicago has undergone a comprehensive guestroom redesign. The carbon footprints of the rooms have been reduced while setting visionary standards for luxury and in-room technology, drawing stylistic influences from the hotel's French Deco public spaces, Lake Michigan and the Chicago River. In pursuit of the vision for sustainable luxury, the project team tirelessly assessed the whole value chain during the redesign and renovation process, embracing the balance between expectations, quality, local and sustainable.



40% of the world's energy is used in buildings.⁴²

Innovative, intuitive and interactive

In a city renowned for its rich heritage and forward-thinking in architectural design, The Peninsula Chicago continues this tradition with a comprehensive guestroom redesign that sets a new standard for luxury accommodation in Chicago. It introduces the brand's advanced guestroom technology to the US, and debuts a range of new service initiatives.

The Peninsula Chicago is the third property in the Group, after The Peninsula Hong Kong and The Peninsula Paris, to include fully-customised interactive digital bedside

and desk tablets, pre-set in one of 11 languages to suit guest preference. The tablets give full control of all in-room functions, from air-conditioning, lighting control, streaming TV and music to valet call and privacy option.

This state-of-the-art in-room technology not only elevates the guest's stay to a whole new level of experiential luxury, but also enables The Peninsula Chicago to reduce the use of paper in its guestrooms. The hotel's service directories, room service menus and a selection of more than 3,000 international and local newspapers and magazines in 55 languages are now available through the tablets instead of print copies.

⁴² The United Nation's Environment Programme's Sustainable Building and Climate Initiative (UNEP-SBCI) (www.unep.org/sbci)



Illuminating sustainable luxury

A major milestone has been the successful deployment of LED lighting in all guestrooms and suites. This is a first for the Group, and has been a major undertaking, involving much testing and refining to achieve the ideal hue and the optimum dimming effect. After switching to LED lights, the electricity demand of the lighting in the guestrooms has reduced by approximately 90%, bringing a significant saving of the hotel's carbon footprint.

For the Love of Art

The focal point of each renovated guestroom is a floral art wall, featuring the official flower of Chicago, the chrysanthemum, which is also one of the four "noble flowers" of Asia. On each art panel in the suites, every petal of the

chrysanthemums is hand-embroidered by Chinese traditional craftsmanship, solidifying the marriage of the brand's Asian heritage with Chicago influence.

We also engaged Chicago-based artist Jean-Jacques Porret to create sculptures for the guestrooms with the intention of building a connection to the local community.

A priority, not an afterthought

The Group adopted Building Research Establishment Environmental Assessment Method (BREEAM) as a benchmark for sustainable building standards, and incorporated BREEAM environmental principles where possible within the scope of the guestroom renovation of The Peninsula Chicago.

Meanwhile in Beijing...

At The Peninsula Beijing, a landmark renovation is underway, involving reconstruction of guestrooms and the hotel's whole infrastructure systems being upgraded. From design, construction to sourcing supplies and equipment, BREEAM's principles have been applied since the planning of the project.

Sustainable Materials – Making Thoughtful Choices

2020 AMBITION

All paints used for indoor environment are free of VOCs.

Our luxurious furnishings meet uncompromising quality and sustainability criteria.

92%

of the wood used in the Peninsula Chicago's renovation is certified to be from sustainably managed forests.

2

charity partners assisted in giving the current guestroom furniture a second life.

Looking at the impact of a product's entire life cycle has long been part of our approach when planning new developments and renovation projects. Our commitment to quality and thoughtful design go hand in hand with sourcing products and partners with strong health, safety and environmental credentials.



"We put a lot of care and attention into this important renovation, working with the right suppliers and artisans that share our ethos for sustainable luxury."

Mrs Maria Razumich-Zec
*Regional Vice President and
General Manager, The Peninsula Chicago*



Watch a video about the thoughts behind the comprehensive guestroom redesign at The Peninsula Chicago

Poor indoor air quality increases the risk of respiratory problems to the inhabitants.⁴³

50% of the world's original forest cover has vanished due to deforestation.⁴⁴

43 Hong Kong's Indoor Air Quality Information Centre (www.iaq.gov.hk)

44 WWF (http://www.panda.org/about_our_earth/deforestation)

45 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.

Carpet

The beautiful carpet in the guestroom is Green Label Plus⁴⁵ certified. Even down to the carpet underlay, it meets rigorous standards for low emissions of volatile organic compounds (VOCs). The carpets are also certified to meet industry-leading Sustainable Carpet Assessment standards, which looks at the environmental impact at every stage in the production and distribution process of the carpet. With 80% natural wool in the carpet fibres, they help to remove indoor air contaminants, contributing positively to guest health and comfort. The production processes of these carpets are also certified in meeting internationally recognised quality, environmental and health and safety standards.

Leather

Similarly, the leather used in the guestroom upholstery is treated at a tannery which meets international quality and environmental standards. By using water based and water soluble finishes on the leather as opposed to formaldehyde, they emit few volatile organic compounds (VOCs) which can cause breathing problems. The shorter and more environmental friendly tanning process has helped save energy and water in the production process.

Wood

All furniture was produced within North America. 92% of the wood used in the millwork and furniture are certified⁴⁶ to be from sustainable sources, which assured us that they originated from replenished and renewable forests. Also, the majority of medium density fibre

boards used in the millwork are made of 100% recovered wood fibre and emit few VOCs. When it comes to the seating frames, these too used water-based lacquers, adhesives and stains with low VOC emissions. While delivering quality craftsmanship, this furniture helps to promote local economic development in the region and also supports sustainable forestry management and a healthy indoor environment.

Repurpose and reuse

In our commitment to local communities, we have aimed to find a good home for all the current guestroom furniture among local charitable organisations. The Primo Center for Women and Children, which offers apartments and housing for those coming from abusive situations, and the New Birth Community Care Centre, which fosters dignity, community awareness, and respect, have between them taken one floor's worth of furniture which was all they needed. We are actively looking for further charities we can help with additional donations of furniture.

Sustainable, by choice

Our project team worked conscientiously to incorporate the notion of sustainable luxury in a thoughtful way at The Peninsula Chicago. Many of the materials and fabrics we have chosen were produced to high environmental as well as health and safety standards, contributing to the well-being and comfort of our guests.

We are dedicated to finding more sustainable solutions that can support us in meeting both our quality standards and our Vision 2020 ambitions. As we prepare for our next projects in Istanbul, Yangon and London, we will build on our research on sustainable materials. We seek to incorporate more recycled content in the materials of our exquisite interior finishes.

Television uses energy whether it is in sleep mode, idle or switched on. The new TVs installed in all the guestrooms are Energy Star certified, guaranteeing a 25 percent reduction in energy consumption. To put this into perspective, if all televisions in the US were Energy Star certified, some 900,000 metric tons of greenhouse emissions would be negated each year, which is equivalent to the annual emissions from 175,000 vehicles.⁴⁷

The Challenge

Sustainability is a complex subject that may involve difficult trade-offs and decisions, sometimes with only partial information available. Apart from the type of materials, transportation mode and distance, production processes and extraction practices, to name only a few factors, must all be considered for each site, vendor and product. For this reason, our Projects Group and other teams conduct detailed research to form a rounded view of a product's sustainability attributes and impacts as we seek to make the best choice in the given context of each particular project.

46 Hardwood is certified by SFI (Sustainable Forestry Initiative) and PEFC (Programme for the Endorsement of Forest Certification Schemes) while the supply of all the wood and medium density fiber board used in the mill-worked furnishings are certified by FSC (Forest Stewardship Council).

47 Energy Star (www.energystar.gov/products/electronics/televisions)



SUPPLY CHAIN

“Because we do not give up, and keep searching for the right suppliers, we can now find FSC options for most paper products we want.”

Ms Frances Zheng

Director of Procurement, The Peninsula Shanghai

Thanks to the diligence and persistence of Ms Zheng and her team, The Peninsula Shanghai is now sourcing 80% of its paper from certified sustainable sources (FSC). Ms Zheng explained that it is often difficult to find products with the right sustainability attributes if it comes as an afterthought when one is half-way through the searching process. Setting sustainability requirements at the very beginning of the procurement process and working closely with colleagues in other departments are important factors in their success to date.

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.

We are aware that the purchasing choices we make not only affect the experience we create for our guests, but also have a direct impact on the environment and the communities. Through innovation, perseverance and collaboration with suppliers that share the same values, we aspire to create products and services that exemplify the notion of sustainable luxury, contributing to the effort of making sustainability desirable.

A basic requirement⁴⁸

We have embedded sustainability considerations into our procurement processes and supplier relationships. 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 outlines the minimum responsible and sustainable business practices we expect our suppliers to adhere to. The Code is part of the compliance requirements mandated by the Group's Purchasing and Tendering Procedures. All operations have also progressively incorporated the Code as a standard requirement in all procurement contracts.

Driving positive change through responsible sourcing

To measure our performance on responsible sourcing and for guiding our future decisions, we launched the global reporting framework in 2014 to help us gain better understanding of the impacts of our procurement decisions.

Our procurement teams are instrumental in our ability to work with suppliers in creating a more sustainable value chain. In addition to guidance and checklists for assessing suppliers' compliance to the Code, a sustainable procurement guide

with recommended principles and alternatives for a range of raw materials was developed during the year.

2015 PROGRESS

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

2016 TARGET

- Expand the sustainability review on our seafood offerings to our hotels in China
- Further explore low-temperature laundry programme across hotels division
- Use more beverage products from certified ethical sources
- Develop partnership with local farms to set up *Naturally Peninsula Farm*
- Carry out a pilot third-party Supplier Code of Conduct audit programme

Vision 2020 Group Champion



Mr Paul Tchen
Group General Manager, Operations

"It's about finding sustainable solutions that our hotels are confident will add to our quality offering. It can take time and hard work to research alternatives or test a pilot and demonstrate that it works. I am confident that, with determination, creativity and the right partnership with our suppliers, we will be able to bring our vision of sustainable luxury to life in our supply chain."

Sourcing Sustainably to Protect Biodiversity

2020 AMBITION

All operations continue to enforce the group-wide ban on shark fin.

Critically endangered species are removed from our food and beverages offerings.

Paper products will be from certified sustainable sources by 2017.

More than 50% cleaning products used in operations will be chemical-free or biodegradable.

Guestroom amenities are made of sustainable materials.

Biodiversity is declining rapidly due to land use changes, over-exploitation, climate change, and pollution. We have a shared responsibility in using the resources provided by nature, and do what we can to protect biodiversity and ecosystems which we all rely on.

50% decline in global marine populations over the past 40 years⁵⁰

50% of the world's original forest cover has vanished due to deforestation⁵¹

A paper trail to sustainable forestry

Forests not only play a vital role in supplying oxygen, regulating climate change and protecting watersheds, but also provide a home to millions of species. They are also a source of wood and paper. However, about 13 million hectares of forest – the equivalent of 36 football fields every 60 seconds⁵¹ – are lost each year mainly due to uncontrolled deforestation.

About 40% of the world's commercially harvested timber is used for paper production. From packaging materials and printed collaterals to toilet paper in the guestrooms of our hotels, our day-to-day business operations involve the use of more than a hundred types 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)⁵² by 2017.

We have been making steady progress towards this goal. Across the Group, more than 80% of our paper purchases in 2015 were from certified sustainable sources, an 8 percentage point improvement from the previous year.

Reducing our footprint

While it is important to source all our paper responsibly, we are also determined to reduce the amount of paper that we use. Continued investment in technology is helping us to drive down our overall paper use. A complimentary news app service, which enables our guests to enjoy thousands of newspapers

80%

paper purchases from certified sustainable sources⁴⁹

800

seafood items on our menu have undergone a sustainability evaluation

50%

biodegradable cleaning products⁴⁹

49 Refers to year 2015

50 WWF (www.wwf.org.uk/about_wwf/press_centre/?unewsid=7673)

51 WWF (http://wwf.panda.org/about_our_earth/deforestation)

52 FSC (<http://ic.fsc.org>) is internationally recognised as the most comprehensive certification scheme on forest management.

Sustainable luxury in a box

The Peninsula Merchandising, which develops and sells a range of food products and gift items beautifully packaged under the Peninsula brand, is the single largest user of paper products within the Group. It now obtains 99.99% of its paper supply from FSC-certified sources – very close to becoming the first in the Group to attain our Vision 2020 target of 100%.



and magazines digitally, is now available in many of our hotels. Our hotels' service directories and room service menus can also be made available through the new state-of-the-art tablet system, instead of in print copies. This not only helps

us in delivering our 2020 goals, but also plays a valuable role in keeping our costs down. We also invest strongly in educating our staff to reduce, reuse, and recycle paper in back-of-house areas.

Sourcing Sustainably to Protect Biodiversity

“We want our guests to focus on what we put on the menu and what’s on the table. Enjoy what we offer – and not to even notice the unsustainable options that we removed from the menu!”

Mr Florian Trento

Group Executive Chef, The Peninsula Hotels

Mr Trento shared at a recent sustainable seafood business seminar organised by WWF Hong Kong. HSH also provided the venue for the seminar in support of WWF’s work in raising awareness and driving action throughout the industry.

Preserving marine ecosystems

We have long recognised the importance of taking a responsible approach to sourcing our seafood in order to protect the biodiversity of our oceans. HSH is the world’s first international hotel company to take a definitive stand on removing shark fin from all of our owned food outlets.⁵³ Since 2013, we have also embarked on an important long-term partnership with WWF in conducting sustainability assessment of our seafood offering.

To date, over 800 seafood items on offer from our operations in Asia have undergone a sustainability assessment, covering the full range of seafood items offered by all the outlets at our hotels in Hong Kong, Tokyo, Bangkok and Manila, as well as The Repulse Bay. The study gave our chefs and our procurement teams a greater appreciation of the issues involved and the urgent need to take a responsible approach to seafood sourcing. Armed with this knowledge, our teams have been working hard to replace the unsustainable items with sustainable and delicious alternatives for our guests. In 2016, this important partnership will be extended to our hotels in China.

California’s finest

Edgar’s at Quail Lodge & Golf Club is a restaurant partner of Monterey Bay Aquarium’s Seafood Watch, committed to not serving any seafood caught or farmed in ways that harm marine biodiversity. It takes care to ensure that, for example, swordfish are harpooned, tuna is caught by pole and line, striped bass by rod and reel – all methods that are highly selective and that avoid by-catch.

After an extensive four-month remodeling, The Belvedere at The Peninsula Beverly Hills unveiled striking new interiors and a complete transformation of its menu. The new menu now features Mediterranean-inspired dishes with a focus on sustainable wild-caught seafood, supplied by local fisherman Captain Ben Hyman from Wild Local Seafood Company, and the finest and freshest ingredients sourced locally.



⁵³ To further support shark conservation, we also became a signatory of WWF’s No Shark Fin Corporate Pledge

The Challenge

Our ambition is to offer only sustainable seafood and avoid serving any critically endangered species listed on the IUCN Red List of Threatened Species. Our intention is genuine, but we acknowledge that delivering on it is not an easy undertaking, especially in our Asian operations, where the consumption of certain seafood items is closely linked to cultural beliefs and traditions. Despite the challenge, with the support of conservation organisations such as WWF and Monterey Bay Aquarium as well as our seafood suppliers, we remain dedicated to preserving the marine ecosystem for the world's future generations.

Innovation does not have to mean high tech. Here at Thai Country Club, instead of chemical pesticides, a simple bucket trap is used to lure beetles which are harmful to the palm trees.



Clean and smart

We use a wide range of cleaning chemicals during our day-to-day operation to help us maintain a clean and safe environment for our guests and employees. After use, some cleaning chemicals can take a long time to degrade into harmless substances,

increasing the risk of contaminating land, polluting water sources and being harmful to aquatic life. We therefore endeavour to use more biodegradable cleaning products so as to minimise the potential adverse impact on ecosystems as well as the health of our guests and employees. In 2015, 58% of our cleaning chemicals were biodegradable options.



Thoughtful considerations

Our bathroom amenities were developed in an exclusive partnership with Oscar de la Renta and feature a bespoke fragrance. They were also crafted with care and consideration for our guests and the environment, containing no sodium lauryl sulphate, parabens, synthetic fragrance or other substances that may be harmful to human health, while the custom designed bottles with rose shaped caps are recyclable and all paper packaging is FSC-certified. Just another aspect of the experiential luxury we offer, our unique bathroom amenities are delightful to use while being kind to our guests and the planet.

Naturally Peninsula

2020 AMBITION

Rejuvenate “Naturally Peninsula” as the choice for sustainable, organic, and healthy options

Strive to source 50% perishable produce locally

Tea, coffee and chocolate we sell are from certified ethical sources.



9 principles

of *Naturally Peninsula* built on a holistic concept of wellness and culinary finesse

100%

perishable produce are sourced locally at Quail Lodge & Golf Club

Health and healthy lifestyle will become increasingly important in tourists’ decision making.⁵⁴

Sourcing locally and ethically

We are constantly on the lookout for ways to increase our procurement from local, ethical and sustainable sources, both as a means of boosting local employment and economic development and of reducing the environmental and biodiversity impacts associated with procuring and transporting products. Across the Group, the proportion of perishable produce sourced locally ranged from 23% at The Peninsula Hong Kong to over 80% at The Peninsula Chicago and The Peninsula Paris, and with Quail Lodge & Golf Club managing to source 100% of its perishable goods from local suppliers.

We are also making good progress on our targets to buy tea, coffee and chocolate from certified ethical sources. The Peninsula Tokyo is now selling 82% certified coffee while The Peninsula Beverley Hill and Quail Lodge & Golf Club have reached 100% ethically certified coffee.⁵⁵

Fine dining, done healthily

The re-launch of *Naturally Peninsula* aligns firmly with our ambition of making sustainability desirable to our guests. Originally introduced in 2006, the *Naturally Peninsula* cuisine was relaunched in 2015 as part of the new Peninsula Wellness programme. The revitalised *Naturally Peninsula* cuisine aspires to make a delicious connection between wellness, nutrition and modern dining. Our chefs at each Peninsula hotel have applied their culinary expertise to creating a delicious new range of wholesome, natural and sustainable options which taste, look and smell at least as good as other choices in the menus. *Naturally Peninsula* options are now available in every food and beverage outlet in all of our hotels, including staff canteens.

Naturally Peninsula cuisine is aimed at health-aware guests who do not want to compromise on the pleasures of fine dining. It is based on a growing

54 Horwath HTL, 2015, “Tourism Megatrends” (<http://horwathhtl.com/2015/12/09/tourism-megatrends-report>)

55 Fairtrade or Rainforest Alliance certified, or equivalent reliable and reputable certification standards

awareness among guests around the world about the vital connection between nutrition and our mental and physical wellbeing. No longer limited to low-fat, low-calorie options, the new range of appetisers, main courses and desserts takes a more holistic approach to healthy eating which follows nine guiding principles, including gluten-free, low-sugar and high protein options. A new nutrition advisor has been appointed to oversee the design of each *Naturally Peninsula* dish, ensuring the nine principles have been strictly followed.

Moreover, a key part of the *Naturally Peninsula* philosophy is to be mindful of the origin of each ingredient and to marry the emphasis on high quality, healthy cuisine with principles of sustainability. Today's customers are concerned about where their food comes from, how the animals were treated and if there were any chemicals or pesticides used on the fruit and vegetables. *Naturally Peninsula*

"I love using the fresh fennel and heirloom radishes from our roof top herb garden, as well as the lemons from our tree that has been here since the hotel opened... To me, the freshest of garden ingredients coming together in a chilled soup just says summer."

Mr David Codney
Executive Chef, *The Peninsula Beverly Hills*



The 9 principles of *Naturally Peninsula* cuisine:

1. Be mindful of the source of food and only use sustainable products
2. All items will be gluten free
3. All items will be low in sodium, using only naturally-occurring, non-treated salts
4. No additives, preservatives, artificial colours and flavours
5. No deep frying and charred cooking
6. No processed foods
7. Only use natural sugars
8. Only use full fat dairy products or nutritious non-dairy substitutes
9. Only use high quality fats

is designed to address these concerns. Therefore, using locally-harvested fruits and vegetables, sustainably sourced seafood, superior cuts of meat, nutritious whole grains, organic spices and market-fresh herbs are essential parts of the *Naturally Peninsula* philosophy.

On top of the world

Guests at The Peninsula Shanghai are enjoying the fruits of the chef's labours from the hotel's new garden, located at a secluded sky terrace. Three years of painstaking work and persistence are finally paying off as the garden is now flourishing. Depending on the seasons of the year, the garden produces a range of herbs and vegetables, from heirloom tomatoes and pepperoncini to borage flowers and strawberries, as well as three different types of melons. In the case of herbs such as mint and Thai basil, the chef is able to grow sufficient quantities to meet the needs of the entire hotel when they are in season.

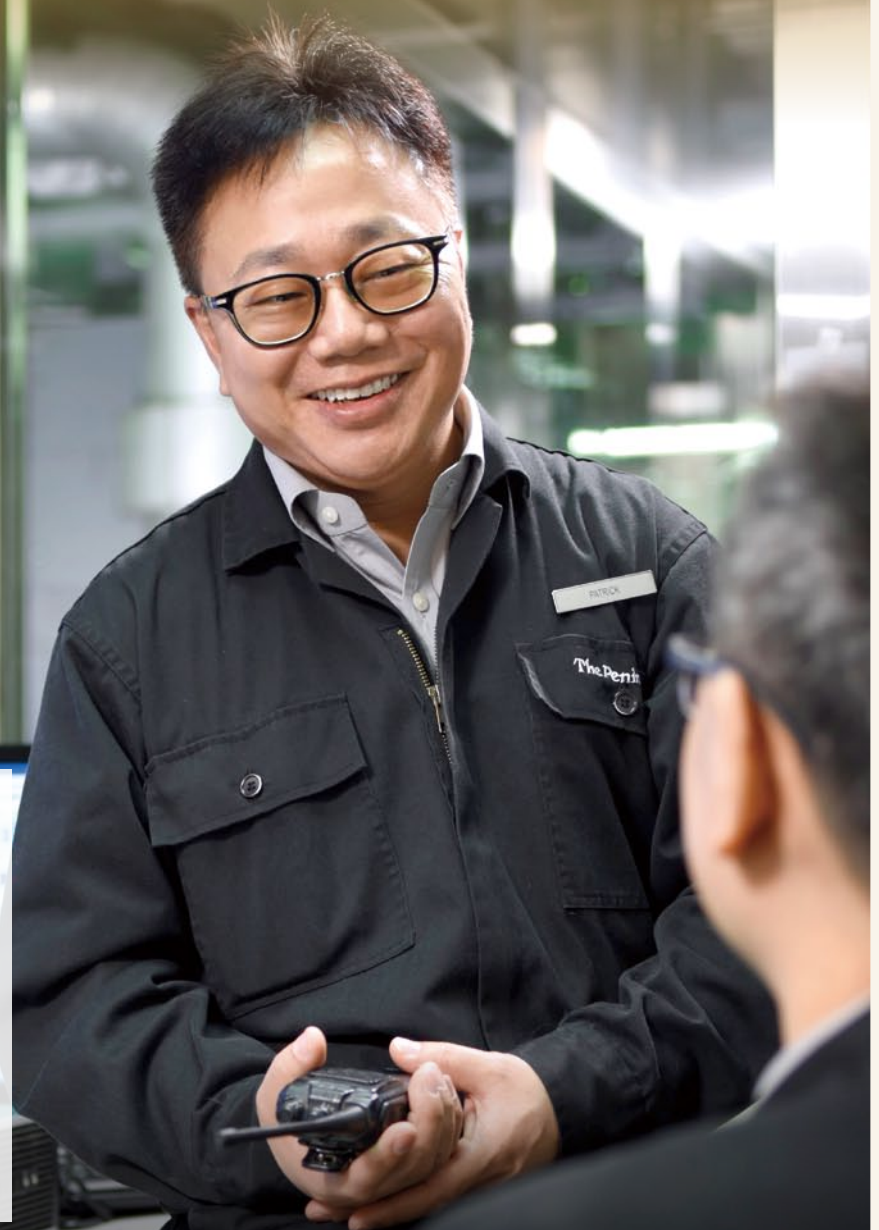
At The Peninsula Beverly Hills, the team has also planted their own garden on the rooftop close to the pool. It has proved very popular with guests, who love the idea of eating vegetables and herbs grown right in the hotel, and plans are well under way for other Peninsula hotels to follow suit in 2016.

To extend the range of produce they can grow, our hotels are also being encouraged to partner with local farms to create *Naturally Peninsula* farms, where produce for use in our restaurants will be grown in traditional ways without the use of pesticides.

With the preparatory work due for 2016 and anticipated first harvests in 2017, this project will demand perseverance and commitment. As well as enabling our hotels to grow additional local, sustainable produce, we hope these *Naturally Peninsula* farms will, in time, provide an interesting and insightful experience for our guests.



COMMUNITY



“From the first activity I attended, which was a visit with some elderly people to a Buddhist monastery, I have found it so gratifying to see people enjoying themselves and that makes me feel happy too.”

Mr Patrick Chi Leong Ho
*Technician – Electrical & Mechanical,
The Peninsula Hong Kong*

Mr Ho devoted nearly 50 hours of his personal time to serving the community in 2015. He enjoyed them all, but said the events with children demanded more energy! His supervisor helped by scheduling Mr Ho’s days off so he was free to go along. A keen photographer, Mr Ho loves to capture happy smiling people at these events and shares these with colleagues later. It is this joy of serving that underpins our commitment to both our guests and our communities.

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.

The success of our business is inextricably linked to the success of the communities in which we operate. They provide the resources, infrastructure and markets that support our businesses. Recognising this, it is important to us that these communities benefit from having us there. We believe we have a responsibility to deliver positive, lasting impacts that create shared value for our communities, our guests and our Company.



Giving focus and structure to how we engage with community

Caring for the community is a core value of HSH. Our Sustainable Luxury Vision 2020 reinforces this commitment for the future, and our Community Development Wheel⁵⁶ outlines the strategic framework of how we plan to achieve the goals that we have set for ourselves. We strive to integrate our aspirations to support the development of our communities with our core operations, whether through employment opportunities, the sales of our products, our sourcing practices, or by acting as an ambassador for our communities. We seek to align our support for the community with our core business activities, as we believe this alignment can bring lasting and sustainable benefits to these communities.

56 GRI G4 Material Disclosure: G4-26

In accordance with our target for 2015, all our operations mapped out local action plans for delivering on their Vision 2020 ambitions. Quarterly regional conference calls were conducted to review progress and for our operation teams to share best practice. These calls provided the opportunity to explore solutions to challenges, facilitate synergy among different operations, and for champions to suggest improvements and inject momentum when needed.

In 2015, we supported more than 590 non-profit organisations worldwide with HK\$6.3 million cash donations and a variety of in-kind sponsorships such as hotel stays, meal coupons, spa treatments and event venues. In addition, more than 1,300 HSH employees – about 16% of our global workforce – jointly devoted 13,000 hours to serving the community.

2015 PROGRESS

Expand the Group community impact programmes to a regional level ➔ On Plan

All operations begin to implement their action plans for delivering the Vision 2020 Community ambitions ➔ On Plan

2016 TARGET

Roll out Group community impact programmes across all operations

Increase employee volunteering hours by 10%

Develop alumni support network for the Honing Skills in Hospitality Programme

Vision 2020 Group Champion



Ms Rainy Chan

Regional Vice President and General Manager, The Peninsula Hong Kong

"I truly believe that our hotels can be a catalyst for change in their local communities. The quarterly calls with all our operations provide an opportunity to share best practice and ensure we remain focused on driving progress towards the successful delivery of Vision 2020."

Creating Shared Value

2020 AMBITION

Develop Group “Impact” programmes on global and regional levels

All hotel operations have at least one “Impact” programme.

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

A key ambition for the Company – and one on which we have become increasingly focused – is to develop community programmes that create shared value for our communities and our Company. Achieving this ambition means identifying areas in which our core business overlaps with existing social challenges, and using this link to develop innovative strategies to create a ‘win-win’ for both parties. It also means capitalising on the talent, skills and hard work of our employees in order to maximise the positive impact. The programmes outlined in this section were created with this ambition in mind.

US\$7.6 trillion – the direct contribution of the travel and tourism sector to world GDP in 2014. This equates to 9.8% of world GDP and provided 105 million jobs – 1 in 11 jobs worldwide⁵⁷

Social Impact Assessment

is conducted annually to assess the impact of the *Honing Skills in Hospitality* programme in Hong Kong society

Creating Shared Value

for our communities and our Company

Inspiring passion, preserving traditions



The jewel in the crown of Cantonese cuisine, dim sum, is an art form all of its own, and yet one that has waned in popularity for chefs-in-training in recent years. During the year, The Peninsula Hong Kong once again teamed up with the South China Morning Post to organise the *Dim Sum Young Talent Competition*, with the grand-prize winner gaining a coveted place on a one-year apprenticeship programme at The Peninsula Hong



Kong. The competition aims to revive interest in this gastronomic art amongst young talents and ensure that the traditions and techniques of dim sum-making endure for years to come. It also helps the hotel build its pipeline for rising culinary stars in its Chinese kitchen team.

Providing a nurturing ground

Our operations work with hotel schools around the world to help develop new talent for the industry by providing work exposure opportunities. In addition, our hotels and properties can provide valuable opportunities for people from a wide variety of background and education levels to access training, develop new skills and be empowered to seek future employment opportunities. In 2015, about 600 individuals benefited from more than 340,000 hours of training and work placement programmes at our operations.

57 Center for Responsible Travel, 2015, “The Case for Responsible Travel: Trends & Statistics 2015”, (www.responsibletravel.org/home/index.html)

Expanding our influence and impact



Our *Honing Skills in Hospitality* programme in Hong Kong has continued to grow in impact and influence. Launched in 2013, the programme is designed to advance the development of underprivileged ethnic minority youth in Hong Kong. In 2015, we were delighted to see another 14 students graduating from the programme. We also had the opportunity to promote the expansion of the programme's impact beyond our own Company by working with The Hong Kong Council of Social Service (HKCSS) in a roundtable to share our experience with other hotels and encourage them to adopt a similar model.

With keen competition for university admissions and a lack of mastery of written Chinese, ethnic minority youth in Hong Kong face many barriers in the society. The *Honing Skills in Hospitality* programme offers tourism and hospitality students an opportunity to be introduced to HSH's operations, attend hospitality service trainings, and participate in a five-week internship and mentorship programme at our operations, including The Peninsula Hong Kong, The Repulse Bay, The Peak Complex as well as Peninsula Clubs and Consultancy Services.

Shared value for business and society

An independent social impact assessment of the programme is carried out by HKCSS annually, which evaluates three levels of social impacts. The findings of the most recent assessment showed that:

Individual – it helped the students enhance their self-esteem and social skills, and build their aspirations for a career in the hospitality and tourism industry.

Organisational – it helped to build the pipeline for our future workforce and facilitated cross-cultural understanding.

Community – the cultural background, personality traits and English language skills of ethnic minorities well match the skills required for the hospitality industry in Hong Kong. The programme highlights the potential for strategically aligning the hospitality industry with the social needs of poverty alleviation for ethnic minority groups in Hong Kong. It can benefit the ethnic minorities with livelihood opportunities and help the industry address the workforce shortage issue, as well as contributing to the long-term process of racial inclusion in Hong Kong.



Watch a video prepared by the 2015 graduates on their experience with the programme

Promoting a healthy community and a healthy planet



In September 2015, The Peninsula Shanghai reached out to its community, inviting local residents, bicycle club members and hotel guests to take part in the *Tour de Bund Charity Cycle Ride*. In its fifth year, this annual event continued to grow in popularity. The 2015 event brought together more than 500 seasoned cyclists and leisure riders for a picturesque ride along the Huangpu River, raising RMB200,000 to support Raleigh China in its poverty alleviation work in Guizhou province in China. Close to 100 volunteers from The Peninsula Shanghai and Raleigh China also pitched in to help ensure the cyclists had a safe and enjoyable ride through the heart of the city.

Rapid economic development and urbanisation in China has improved the quality of life for many but also led to a range of health issues, including diabetes and childhood obesity. This annual event delivers clear benefits to the hotel and the community, by promoting the benefits of fitness and healthy living, increasing awareness of pollution-free travel among the local community and raising funds for the worthy cause of Raleigh China. It also helps the hotel build a closer rapport with the local community and raise employee awareness of the importance of healthy living.

Uniting Around Common Causes ⁵⁸

2020 AMBITION

All hotel and property operations to annually organise at least one cause marketing campaign to engage their customers in contributing to communities where we operate

The Art of Pink

Each October, The Peninsula Hotels worldwide host a month-long campaign of pink-themed room and spa promotions, parties, teas and dinners, with part of the proceeds donated to local breast cancer charities.

Marking its fifth anniversary in 2015, the *Peninsula in Pink* campaign underwent an artistic makeover to adopt the theme of *The Art of Pink*, giving a fresh expression to the annual campaign while boosting its potential to raise both funds and awareness for the fight against breast cancer.



HK\$3 million

raised to support the fight against breast cancer through *Art of Pink* campaign

13 years

in partnership with Make-A-Wish Foundation

75 families

received the houses – their new homes – built with funds raised by *Hope for the Philippines* campaign



25% of all cancer cases in women – and one in eight of all new cancer cases worldwide – are diagnosed to be breast cancer cases. Breast cancer is the most common cancer in women.⁵⁹

1 in 285 children in the US are diagnosed with cancer before their 20th birthday. Globally, more than 250,000 children are diagnosed with cancer each year, and many more with other life-threatening illness.⁶⁰

⁵⁸ GRI G4 Material Disclosure: G4-26

⁵⁹ World Cancer Research Fund International, 2015, "Breast Cancer Statistics" (www.wcrf.org/int/cancer-facts-figures/data-specific-cancers/breast-cancer-statistics)

⁶⁰ American Childhood Cancer Organization, 2015, "Childhood Cancer Statistics" (www.acco.org/about-childhood-cancer/diagnosis/childhood-cancer-statistics/)

In keeping with our global effort to support innovative public art, *The Art of Pink* campaign builds on our hotels' partnerships with leading art museums, galleries and private collectors to provide our guests and local communities with access to groundbreaking art by established global masters and emerging local artists. Internationally celebrated photographer Chen Man in Shanghai, renowned Chinese contemporary painter and installation artist Qin Feng in Beijing, Thailand's best-known cartoonist Chiratorn Chirapravati in Bangkok, internationally recognised Peruvian artist Grimanesa Amorós in New York, French sculptor Nathalie Decoster in Paris, and prominent Korean artist Choi Jeong Hwa in Chicago were among the artists who contributed specially commissioned pink-inspired artworks for sale and auction in aid of each hotel's chosen breast cancer charity partner.



Watch a video about the Pink Lotus at The Peninsula New York



In addition, the façades of all our hotels were artfully illuminated in pink throughout the campaign. Examples of giving back in a fun way also included The Peninsula Bangkok teaming up with selected independent restaurants to present an evening of fine cocktails and cuisine in a pop-up format; The Peninsula Hong Kong collaborating with leading global auction house

Christie's for a first-of-its-kind gala and live auction of pink-themed luxury items; and The Peninsula Tokyo partnering with Antepima in creating a unique collection of pink-inspired playful wirebags for auction during the hotel's *Art of Pink* charity gala dinner. This year's campaign raised a total of HK\$3 million to support breast cancer research and patient support services.

Uniting Around Common Causes



Festive food fun

With children in mind, The Peninsula Tokyo organised a gingerbread house decorating class in the run-up to Christmas. Executive Pastry Chef Shigeru Nojima and his team assisted budding pâtissiers in completing their very own gingerbread house, so they could proudly bring home their unique creation to display and enjoy over the holiday. The full participation fee of the class was donated to the Make-A-Wish Foundation of Japan.



Coming together to inspire hope

Our hotels raised HK\$1 million for local branches of the Make-A-Wish Foundation through our annual *Trees of Hope* campaign during the year-end holiday season in 2015.

Continuing our focus on art, luxury art collective Papinee designed ten limited edition SnowPage plush toys, each dressed in exquisitely hand-embroidered costumes inspired by the arts, culture and architecture of each Peninsula destination, to help boost the fundraising effort. In addition, guests could purchase a specially created SnowPage glass tree ornament and enjoy a variety of delightful dining promotions, with part of the proceeds being donated to Make-A-Wish Foundation, which grants the heartfelt wishes of children facing life-threatening illnesses.

A lifetime of friendship and empowerment

In late 2015, families who had been left homeless by the devastating Typhoon Haiyan in 2013, were given the keys to their new homes at The Peninsula-Gawak Kalinga (GK) Village – the culmination of two years of fundraising and construction.

Typhoon Haiyan is one of the most powerful storms on record. Back in 2013, The Peninsula hotels across Asia and the US mobilised to support victims of the disaster through our *Hope for the Philippines* campaign. With an aspiration to do something that would make a lasting difference, we made the decision

to use the HK\$7 million raised by the campaign to build new homes and a new community for the victims.

Working with Philippine-based charity Gawad Kalinga Community Development Foundation – a long-term partner of The Peninsula Manila – we identified a 10,000 square metre site near Tanauan, and set to work to build a village for families who had been displaced from the coastal town of San Roque in the Eastern Visayas region.

Despite delays in construction due to two strong typhoons that hit the island province in early 2015 and halted work for almost a month, the first phase of the village is now complete, with 75 housing

units. The first 50 housing units were handed over to the families just before Christmas 2015, and the remaining 25 in late January 2016, giving these families a new home and a new beginning.

The Peninsula Manila is currently in discussion with several non-government organisations who will profile these families and suggest sustainable livelihood programmes that match their skill sets.

H  **PE**
for the
PHILIPPINES



Reaching Out to the Community

2020 AMBITION

Contribute 100,000 hours of community service by 2020

Engage 10% of employees in community service

The Peninsula Academy to provide opportunities for guests to appreciate and care for the local community and environment⁶¹

16%

of our workforce pitched in to serve the community

13,000 hours

devoted by our employees in serving the community

Connecting to the community in an endearing way

Employee volunteering is an integral part of our community engagement strategy. It provides new ways for our Company and our employees to connect with local communities, enabling them to acquire skills and motivation whilst giving something back to society. In 2015, more than 1,300 employees across the Group devoted over 13,000 hours to serving their local communities, and we have set ourselves the target of contributing 100,000 hours by 2020. We have now achieved 30% of our goal and will continue to seek fresh ways of engaging our staff to make a difference in our community.

Happiness – researchers at the London School of Economics examined the relationship between volunteering and measures of happiness and found the more people volunteered, the happier they were.⁶²

An annual tradition

Since 2009, the HSH team in Hong Kong led by our Chief Executive Officer has been participating in the annual fundraising walk for The Community Chest to support care services for underprivileged children and families in the Hong Kong community. Close to 300 HSH staff members together with their family and friends participated in this meaningful walk this year. The youngest HSH participant who completed the 10km walk along the leafy slopes high above the city's downtown area was only 3 years old!



Saving life, inspiring hope

The Landmark has teamed up with VinaCapital Foundation, a local charitable foundation that provides life-saving surgery to disadvantaged children with congenital heart defects through its *Heartbeat Vietnam* programme. The medical procedure costs about US\$1,200 in Vietnam – beyond the means of many underprivileged families

in Vietnam. In 2015, The Landmark engaged its tenants and employees in raising more than US\$15,000. As a result, 11 children were able to receive heart surgery and the prospect of a healthy and happy childhood. The Landmark team also paid regular visits to the children after their surgery, checking on their recovery process and bringing toys and supplies to cheer them up.

61 See Guest Experience section for progress towards this 2020 ambition

62 Harvard Health Publications, 2015, "Simple changes, Big Rewards: A Practical, Easy Guide for Healthy, Happy Living"

Collaborating to create a better life for children

The Peninsula Bangkok continued to build on its partnership with Foundation for a Better Life of Children, which provides underprivileged children with shelter, education and vocational training, by organising quarterly outreach programmes to the children's shelters. From assisting with electrical and facility improvement work to teaching English and preparing scrumptious meals for the children, staff members contributed skills, time and compassion to these unfortunate children. In 2015, the hotel also began to collaborate with another charity organisation in offering training and work experience programme for underprivileged youth.



A culture of serving

The Peninsula Hong Kong continued to work with its long-term community partner St. James' Settlement to serve the elderly in need. The team treated the elderly guests to the hotel's iconic afternoon tea, a surprise visit to Madame Tussauds museum and a memorable helicopter flying experience. As well as serving the elderly, a variety of programmes for supporting underprivileged children took place throughout the year. In 2015, the hotel saw one-third of its staff members – close to 300 employees – take part in its outreach programmes, contributing a total of 3,170 hours to serving the community.



Expanding opportunities for people with disabilities

Across our operations, we have continued to invest in expanding opportunities for people with disabilities. The Peninsula Beijing built on its partnership with Li Zhi Rehabilitation Centre – which provides shelter and skills training to people with mental disabilities – by starting an internship programme which saw three individuals from the centre obtain placements in the Housekeeping team. A small team of devoted staff volunteers also continued to pay monthly visits to the centre. They helped with repair work, skills training and birthday parties for the trainees, but more importantly they provided these trainees with much needed attention, love and care.

Peter bear brings festive fun

It has been three years since The Peninsula Chicago started to work with Hephzibah Children's Home to bring cheer to the children under the foster care of the home. In December, 30 kids from Hephzibah Children's Home, aged 4 to 12 years old, had a memorable and festive afternoon at the hotel. The children were excited to meet Mrs Santa Claus and Peter Bear who made a surprise appearance and made this activity the most popular of the year.



Delivering the future of learning

The Peninsula Shanghai has been working with The Library Project to donate books and libraries to help improve children's literacy in the past five years. In December, a group of staff volunteers endured a long road trip to deliver nearly 1,000 books as well as some stationery and canvas bags to two schools, located in rural Henan Province. The volunteers also helped the schools set up a simple video-conference facility. Together with The Library Project, we have planned to enhance our support by introducing online tuition classes to the students.

Additional Information

79 – Sustainability Data Statements

84 – GRI Content Index

92 – Independent Assurance Report



I believe the discipline of having regular measurements and clear goals will make our efforts more effective and I personally chair the Group Corporate Responsibility Committee.

Clement K. M. Kwok
CEO

IMPLEMENTATION
ROADMAP

2013
—
2020

2013

2014

2015

2016

2017

2018

2019

2020

LAYING THE FOUNDATION

- Planning and tracking
- Reaping early success

ENGAGING THE HEART AND
THE MIND

- Sharing and learning
- Celebrating pockets of successes

SUSTAINABLE LUXURY AS
THE NEW NORMAL

- Embracing successes
- Pushing the envelope
to drive continuous
improvement

SUSTAINABLE LUXURY
VISION 2020

Sustainability Data Statements

This section provides statistical information on the Group's sustainability performance for the past five years and the baseline year for environmental performance. More historical data are available on www.hshgroup.com/cr. 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, 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.

1. Performance Highlights ⁽¹⁾

		2015	2014	2013	2012	2011	2006-08 baseline	
Economic	Revenue (incl. interest income)	HK\$m	5,797	5,903	5,554	5,234	5,058	–
	Operating costs	HK\$m	2,142	2,168	2,164	2,051	1,986	–
	Employee wage and benefits	HK\$m	2,063	2,052	1,951	1,842	1,728	–
	Capital expenditure	HK\$m	1,379	354	3,183	985	335	–
	Payments to providers of capital	HK\$m	217	211	372	227	195	–
	Tax payments to governments ⁽²⁾	HK\$m	480	458	362	437	422	–
	Total floor area	'000 m ²	651	651	588	588	588	518
	Total number of guest nights	'000	1,256	1,277	1,211	1,122	1,090	1,119
People	Headcount		8,447	8,728	8,216	8,006	7,759	–
	Staff turnover	%	22.6%	19.9%	20.3%	19.2%	–	–
	Headcount by Gender	% of Female	43%	42%	41%	41%	41%	–
	Average training spend ⁽³⁾	HK\$	3,048	2,322	2,602	2,645	–	–
Health and Safety	Training							
	Health and safety training	'000 hours	32	16	19	17	11	–
	Safety							
	Injury rate ⁽⁴⁾	reported incidents per 200,000 hours	7.9	7.4	7.2	7.6	9.5	–
	Lost day rate ⁽⁴⁾	reported days per 200,000 hours	57.0	75.6	77.1	52.5	55.4	–
	Absentee rate ⁽⁵⁾	reported days/total days worked	2.0%	1.9%	1.8%	–	–	–
Environment	Greenhouse gas emissions	'000 tCO ₂ e	106	116	112	115	118	117
	Group carbon intensity	kg CO ₂ e per m ²	163	181	190	196	201	225
	Total energy use ⁽⁶⁾	'000 GJ	892	871	842	842	865	858
	Energy intensity ⁽⁶⁾	MJ per m ²	1,369	1,396	1,431	1,430	1,471	1,656
	Energy saved through reduction initiatives	GJ	6,644	6,517	10,383	35,711	44,750 ⁽⁷⁾	–
	Direct water consumption	'000 m ³	1,899	1,880	1,846	1,795	1,813	1,921
	Water intensity							
	Hotels Division	litres per guest night	1,168	1,132	1,181	1,257	1,313	1,373
	Commercial Properties, Clubs & Services Division	litres per m ²	1,752	1,765	2,012	1,888	1,988	1,712
	Water recycled	'000 m ³	137	124	126	122	93	–
Waste generated ⁽⁸⁾	tonnes	7,873	7,778	7,107	6,861	–	–	
Waste recycled ⁽⁸⁾	tonnes	3,294	3,219	2,777	2,559	–	–	
Community	Monetary Donations ⁽⁹⁾	HK\$ '000	6,273	4,197	8,900	2,843	4,453	–
	Community Outreach							
	Service hours	hours	13,160	11,124	7,350	7,332	6,192	–
	Employee volunteers		1,366	929	788	584	942	–
	Internships & Retraining scheme							
Training hours	'000 hours	346	295	400	384	540	–	
Participants		615	492	662	509	1,210	–	

(1) Please refer to Reporting Scope on the inside front cover 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 2015. 2011 and 2012 injury and lost day data did not include Quail Lodge & Golf Club.

(5) Absentee rate recorded in 2015 did not include The Peninsula Beverly Hills, due to re-categorisation of sick days under paid-time off. Absentee data of The Peninsula Beverly Hills is therefore not available.

(6) Vehicle fuel consumption is not included in the total energy use and energy intensity reported.

(7) 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.

(8) Group waste diversion rate in 2015 was 41.8%. Grease trap waste was not included in the waste data reported. To conform with current year's reporting scope, comparative information has been restated, which resulted in 9% increase in the amount of waste recycled data disclosed previously for 2012. (GRI G4 Material Disclosure: G4-22)

(9) 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.

2. Workforce Profile and Safety Performance

	2015 Commercial Properties, Clubs & Services			2014 Commercial Properties, Clubs & Services			
	Hotels ⁽¹⁾	Services ⁽²⁾	Total	Hotels	Services	Total	
Workforce Demographics	Total Headcount ⁽³⁾	6,453	1,994	8,447	6,668	2,060	8,728
	by Employment Types						
	Full-time	6,178	1,666	7,844	6,300	1,632	7,932
	Part-time & Casual	275	328	603	368	428	796
	by Type of Contracts						
	Permanent or At Will contract ⁽⁴⁾	6,382	1,747	8,129	6,570	1,702	8,272
	Fixed term or temporary contracts	71	247	318	98	358	456
	by Geographical Locations						
	Asia	4,374	1,803	6,177	4,573	1,863	6,436
	Non-Asia	2,079	191	2,270	2,095	197	2,292
	by Gender						
	Male	57.6%	56.0%	57.2%	58.3%	55.9%	57.7%
	Female	42.4%	44.0%	42.8%	41.7%	44.1%	42.3%
	by Management Role						
Management	6.7%	6.1%	6.6%	6.1%	5.0%	5.8%	
Non-management	93.3%	93.9%	93.4%	93.9%	95.0%	94.2%	
Management Hired from Local Community (%)	70.8%	82.0%	73.3%	69.8%	86.3%	73.1%	
Employees Receiving Regular Performance Reviews (%) ⁽⁵⁾	91.0%	96.7%	92.2%	91.3%	83.9%	89.8%	
Employees under Collective Bargaining	21.5%	10.6%	18.9%	21.2%	10.3%	18.6%	
Turnover	Total Staff Turnover Rate ⁽⁶⁾	21.1%	28.1%	22.6%	17.9%	27.8%	19.9%
	by Geographical Locations						
	Asia	21.2%	28.7%	23.2%	18.2%	28.2%	20.7%
	Non-Asia	21.0%	19.7%	20.9%	17.2%	22.6%	17.5%
	by Gender						
	Male	19.5%	26.4%	21.0%	17.1%	27.7%	19.3%
	Female	23.4%	30.5%	24.9%	19.0%	28.0%	20.8%
	by Age Group						
Under 30 years old	36.5%	40.1%	37.0%	31.0%	44.6%	33.0%	
30 to 50 years old	16.1%	23.4%	17.5%	13.6%	23.6%	15.6%	
Over 50 years old	13.3%	29.5%	18.6%	8.9%	23.9%	13.5%	
New Hires	Total New Hires	1,232	438	1,670	1,629	498	2,127
	by Geographical Locations						
	Asia	816	421	1,237	705	443	1,148
	Non-Asia	416	17	433	924	55	979
	by Gender						
	Male	639	205	844	946	243	1,189
	Female	593	233	826	683	255	938
by Age Group							
Under 30 years old	747	115	862	914	206	1,120	
30 to 50 years old	431	225	656	642	186	828	
Over 50 years old	54	98	152	73	106	179	
Parental Leave	Entitled to Parental Leave						
	Male	2,819	904	3,723	2,798	760	3,558
	Female	2,346	773	3,119	2,360	706	3,066
	Took Parental Leave						
	Male	83	24	107	67	18	85
	Female	116	15	131	100	13	113
	Returned to Work After Taking Parental Leave						
Male	100%	100%	100%	100%	100%	100%	
Female	68%	87%	70%	59%	70%	60%	
Returned and Still Employed After 12 Months							
Male	93%	94%	93%	92%	100%	93%	
Female	64%	62%	64%	80%	60%	79%	
Training	Average training spend (HK\$) ⁽⁷⁾	3,461	1,618	3,048	2,662	1,042	2,322
	Employee training ('000 hours) ⁽⁸⁾	105	13	118	90	15	105
	Health and Safety Training ('000 hours)	21	12	32	9	7	16
Health & Safety	Total Injury Rate ⁽⁹⁾	9.0	4.5	7.9	8.2	4.8	7.4
	by Geographical Locations						
	Asia	5.2	3.2	4.6	5.0	3.9	4.7
	Non-Asia	19.6	24.6	19.9	19.0	19.9	19.1
	by Gender						
	Male	8.3	4.5	7.4	7.7	4.8	6.8
	Female	10.0	4.4	8.6	9.3	5.8	8.1
	Total Lost Day Rate ⁽⁹⁾	49.5	79.8	57.0	64.2	109.4	75.6
	by Geographical Locations						
	Asia	34.3	84.8	49.2	49.6	113.8	68.3
	Non-Asia	91.8	0.8	85.5	113.4	39.1	107.4
	by Gender						
	Male	23.9	56.4	31.8	45.5	85.7	55.7
	Female	87.2	113.7	93.7	91.8	145.9	105.1
Total Absentee Rate ⁽¹⁰⁾	2.0%	1.9%	2.0%	1.9%	2.1%	1.9%	
by Geographical Locations							
Asia	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	
Non-Asia	2.2%	2.6%	2.2%	1.8%	5.1%	2.1%	
by Gender							
Male	1.5%	1.4%	1.5%	1.5%	1.8%	1.6%	
Female	2.6%	2.7%	2.7%	2.4%	2.7%	2.4%	

2013			2012			2011			
Commercial Properties, Clubs & Services		Total	Commercial Properties, Clubs & Services		Total	Commercial Properties, Clubs & Services		Total	
Hotels			Hotels			Hotels			
6,202	2,014	8,216	6,158	1,848	8,006	6,039	1,720	7,759	(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.
5,877	1,634	7,511	5,612	1,557	7,169	5,475	1,547	7,022	(2) Data reported covers the Group's commercial properties as well as all other clubs and services operations.
325	380	705	546	291	837	564	173	737	
6,151	1,760	7,911	6,018	1,649	7,667	3,062	1,453	4,515	(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.
51	254	305	140	199	339	2,752	210	2,962	(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.
4,724	1,832	6,556	4,703	1,693	6,396	4,575	1,543	6,118	(5) 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 85.6%, with 87.2% of all male and 83.5% of all female employees.
1,478	182	1,660	1,455	155	1,610	1,464	177	1,641	(6) Based on GRI's disclosure requirement, turnover rate refers to full-time employees only.
58.5%	58.5%	58.5%	58.3%	61.3%	59.0%	58.4%	62.7%	59.4%	(7) Average training spend is based on total annual training spend per full-time equivalent.
41.5%	41.5%	41.5%	41.7%	38.7%	41.0%	41.6%	37.3%	40.6%	(8) 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 employees with Indefinite or Permanent Contract, or At Will Employment.
6.0%	5.1%	5.8%	7.5%	5.6%	7.1%	7.4%	6.1%	7.1%	(9) Injuries recorded include from minor first aid incidents to more severe incidents that required hospitalisation. There was no incident of occupational disease recorded in 2015. 2011 and 2012 injury and lost day data did not include Quail Lodge & Golf Club.
94.0%	94.9%	94.2%	92.5%	94.4%	92.9%	92.6%	93.9%	92.9%	(10) Absentee rate recorded in 2015 did not include The Peninsula Beverly Hills, due to re-categorisation of sick days under paid-time off. Absentee data of The Peninsula Beverly Hills is therefore not available.
69.2%	89.2%	73.5%	59.5%	78.1%	62.9%	52.8%	83.3%	60.5%	
93.3%	98.3%	94.4%	89.2%	96.9%	90.8%	99.8%	90.5%	97.8%	
13.9%	10.0%	12.9%	13.9%	9.6%	12.9%	13.0%	12.5%	12.9%	
18.3%	26.0%	20.3%	18.3%	21.1%	19.2%				
19.3%	24.9%	20.8%	20.3%	21.6%	20.6%				
15.2%	43.8%	17.2%	11.7%	11.5%	11.7%				
16.9%	25.2%	18.9%	18.5%	18.9%	18.6%				
19.7%	29.3%	21.7%	17.8%	28.0%	19.9%				
28.7%	44.0%	31.1%	35.6%	41.8%	36.6%				
14.8%	23.1%	16.6%	11.3%	18.8%	12.9%				
9.7%	21.7%	13.9%	7.8%	15.4%	10.5%				
1,245	520	1,765	1,256	460	1,716				
1,008	435	1,443	1,026	343	1,369				
237	85	322	230	117	347				
658	272	930	703	258	961				
587	248	835	553	202	755				
692	193	885	835	174	1,009				
490	239	729	397	200	597				
63	88	151	24	86	110				
2,483	573	3,056	2,014	336	2,350				
2,194	636	2,830	2,125	552	2,677				
52	6	58	61	10	71				
83	7	90	110	13	123				
100%	100%	100%	100%	100%	100%				
69%	86%	70%	87%	91%	88%				
89%	100%	91%	98%	86%	97%				
78%	88%	79%	95%	89%	95%				
3,222	690	2,602	2,974	1,197	2,645				
-	-	-	-	-	-				
12	7	19	11	6	17	10	1	11	
7.7	5.4	7.2	8.6	4.6	7.6	11.0	4.3	9.5	
5.1	4.4	5.0	6.3	4.6	5.8	9.1	4.3	7.8	
18.3	25.0	18.7	17.6	-	17.6	18.1	-	18.1	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
67.5	116.1	77.1	41.4	85.7	52.5	49.9	74.5	55.4	
54.3	120.6	69.2	28.3	85.7	45.3	36.6	74.5	46.8	
122.8	27.8	117.3	93.0	-	93.0	100.9	-	100.9	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
1.8%	1.9%	1.8%	-	-	-	-	-	-	
1.8%	1.9%	1.8%	-	-	-	-	-	-	
1.8%	1.2%	1.7%	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	

3. Environmental and Community Performance

			2015			2014		
			Commercial Properties, Clubs & Services ⁽¹⁾			Commercial Properties, Clubs & Services		
			Hotels	Services	Total	Hotels	Services	Total
Environment	Greenhouse gas emissions⁽²⁾	'000 tCO ₂ e	85	21	106	94	21	116
	Scope 1 emission	'000 tCO ₂ e	15	7	22	16	7	23
	Scope 2 emission	'000 tCO ₂ e	70	14	84	79	14	93
	Carbon intensity	kg CO ₂ e per m ²	176	128	163	199	129	181
	Total energy use⁽³⁾	'000 GJ	725	167	892	705	166	871
	Direct energy use	'000 GJ	194	90	284	199	88	287
	Indirect energy use	'000 GJ	531	77	607	506	78	584
	Energy intensity	MJ per m ²	1,489	1,015	1,369	1,527	1,008	1,396
	Direct water consumption⁽⁴⁾	'000 m ³	1,467	432	1,899	1,446	434	1,880
	Water intensity (Hotels Division)	litres per guest night	1,168	–	–	1,132	–	–
	Water intensity⁽⁵⁾ (Commercial Properties, Clubs & Services Division)	litres per m ²	–	1,752	–	–	1,765	–
	Water recycled	'000 m ³	132	5	137	122	2	124
	Waste generated⁽⁶⁾	tonnes	6,653	1,221	7,873	6,671	1,107	7,778
Waste recycled⁽⁶⁾	tonnes	3,118	176	3,294	3,127	92	3,219	
Emission of ozone depleters	kg CFC-11e	37.5	8.2	45.7	65.6	5.9	71.5	
Community	Monetary donations	HK\$ '000	5,726	547	6,273	3,408	789	4,197
	Company donations ⁽⁷⁾	HK\$ '000	1,973	257	2,230	1,225	285	1,510
	Donations by employees and customers	HK\$ '000	3,753	290	4,043	2,183	504	2,687
	Community outreach							
	Service hours	hours	11,095	2,065	13,160	9,380	1,745	11,124
	Employee volunteers		1,097	269	1,366	786	143	929
	Internship and retraining scheme							
	Training hours	'000 hours	340	6	346	286	9	295
	Number of participants	601	14	615	476	16	492	

- (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 since 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. 2015 Scope 2 GHG emissions data presented above are calculated based on the market-based method as per the GHG Protocol Scope 2 Guidance (2015 location-based Scope 2 GHG emissions was 89,000 tonnes CO₂e).
- (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. Vehicle fuel consumption is not included in the total energy use and energy intensity reported.

2013			2012			2011			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
92	20	112	95	20	115	96	22	118	92	25	117
15	7	22	18	6	25	16	6	22	17	8	24
77	13	90	77	14	91	80	16	96	75	17	92
206	139	190	213	141	196	214	159	201	243	176	225
689	153	842	701	141	842	721	144	865	705	153	858
197	84	281	212	73	285	217	69	285	214	69	283
492	70	562	489	69	557	504	76	580	491	84	575
1,540	1,088	1,431	1,566	1,000	1,430	1,612	1,023	1,471	1,861	1,097	1,656
1,430	416	1,846	1,411	384	1,795	1,431	382	1,813	1,536	385	1,921
1,181	–	–	1,257	–	–	1,313	–	–	1,373	–	–
–	2,012	–	–	1,888	–	–	1,988	–	–	1,712	–
121	6	126	122	–	122	93	–	93	–	–	–
6,023	1,084	7,107	5,946	915	6,861	–	–	–	–	–	–
2,642	135	2,777	2,502	57	2,559	–	–	–	–	–	–
50.0	18.4	68.3	57.1	15.5	72.6	68.8	23.7	92.5	157.0	141.3	298.3
8,659	241	8,900	2,514	329	2,843	4,355	98	4,453			
7,725	87	7,812	1,493	44	1,537	4,065	98	4,163			
934	155	1,088	1,021	285	1,306	290	0	290			
6,421	929	7,350	6,248	1,084	7,332	6,192	0	6,192			
705	83	788	501	83	584	942	0	942			
385	15	400	380	4	384	540	0	540			
616	46	662	502	7	509	1,210	0	1,210			

(4) Direct water consumption refers to water obtained from municipal source; water captured directly is reported under water recycled.

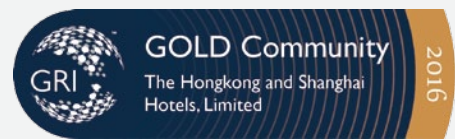
(5) Water intensity of Tai Pan Laundry (16.14 litres per kilogram washed in 2015, slightly decreased from 16.23 in 2014) is excluded as its intensity is measured on different metrics from that of properties and clubs.

(6) Group waste diversion rate in 2015 was 41.8%. Grease trap waste was not included in the waste data reported. To conform with current year's reporting scope, comparative information has been restated, which resulted in 9% increase in the amount of waste recycled data disclosed previously for 2012. (GRI G4 Material Disclosure: G4-22)

(7) 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.

GRI Content Index

To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Global Reporting Initiative (GRI) 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 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.¹ The Company has complied with all “comply or explain” provisions as set out in the ESG Guide.

KPMG was commissioned to conduct assurance of this report in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, 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 92 to 93 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.	HSH Business Model and Investment Strategy section (pp. 14-17) and CEO's Strategic Review (pp. 24-53) in 2015 Annual Report
Market Presence	–	•	•	Our market presence is relevant to our communities.	pp. 66-75
Procurement Practices	–	•	•	Our procurement practices are relevant to our communities and suppliers.	pp. 56-65
2. Environmental					
Energy	A2, A3 A3.1	•	•	Our energy consumption is relevant to all stakeholders including the communities where we operate.	pp. 38-44
Water	A2, A3 A3.1	•	•	Our water stewardship is relevant to all stakeholders including the communities where we operate.	pp. 38-41, 45-47
Emissions	A1, A3 A3.1	•	•	Our emissions from operations are relevant to all stakeholders including the communities where we operate.	pp. 38-44
Effluents and Waste	A1, A3 A1.6 A3.1	•	•	Our handling of effluents and waste is relevant to all stakeholders including the communities where we operate.	pp. 48-49
Compliance	–	•	•	Environmental compliance is relevant to all stakeholders including the communities where we operate and our investors.	pp. 8-11, 40-41

¹ Disclosure requirements under the mandatory and recommended disclosure requirements are met, with the exception of Key Performance Indicator B3.2 in the recommended disclosures of the ESG Guide, which are partially covered in the current disclosure. Breakdown of average training hours by employee category and by gender were 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	B1, B4	•		Our employment practices are relevant to our investors and communities.	pp. 26-35
Labour and Management Relations	-	•		With 18.9% of our workforce covered by collective bargaining agreements, labour and management relations are relevant to our investors and communities.	pp. 26-35
Occupational Health and Safety	B2, B2.3	•		Occupational health and safety is relevant to our investors and communities.	pp. 36-37
Training and Education	B3	•		Training and education is relevant to our investors and communities.	pp. 32-35
Diversity and Equal Opportunity	B1	•		Diversity and equal opportunity is relevant to our investors and communities.	pp. 28-29
4. Human Rights					
Investment	-	•	•	Our investment in human rights is relevant to our employees, suppliers, guests, communities, investors and prospective business partners.	pp. 28-29
Non-discrimination	-	•		Non-discrimination practices are relevant to our guests, investors and communities.	pp. 28-29
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. 28
5. Society					
Local Communities	B8, B8.1	•	•	Local community impacts are relevant to all stakeholders, particularly the communities where we operate.	pp. 66-75
Anti-corruption	B7	•	•	Anti-corruption is relevant to our communities, investors and guests.	pp. 28
Compliance	-	•	•	Compliance with local laws and regulations is relevant to our communities, guests and investors.	pp. 8-11
6. Product Responsibility					
Customer Health and Safety	B6	•	•	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. 50-51, 56-57, 63-65
Customer Privacy	B6.5	•	•	The protection of customer data privacy is relevant to guests and investors.	pp. 28, Corporate Governance Report in 2015 Annual Report (pp. 129)
Compliance	B6	•	•	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. 8-11

GENERAL STANDARD DISCLOSURES AND PERFORMANCE INDICATORS

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References
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. 2-5
Organisational Profile	G4-3	–	Name of the organisation	Inside front cover
	G4-4	–	Primary brands, products, and services	Company at a Glance in 2015 Annual Report (pp. 4-5)
	G4-5	–	Location of the organisation's headquarters	pp. 95
	G4-6	–	Number of countries where the organisation operates	Company at a Glance in 2015 Annual Report (pp. 4-7)
	G4-7	–	Nature of ownership and legal form	Company at a Glance in 2015 Annual Report (pp. 4-7)
	G4-8	–	Markets served, and types of customers and beneficiaries	Company at a Glance in 2015 Annual Report (pp. 4-7)
	G4-9	–	Scale of the organisation	Company at a Glance in 2015 Annual Report (pp. 4-7)
	G4-10	B1.1	Total number of employees by employment contract, gender and region	pp. 80-81
	G4-11	–	Percentage of total employees covered by collective bargaining agreements	pp. 80-81
	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	No significant changes during the reporting period.
	G4-14	–	Whether and how the precautionary approach or principle is addressed by the organisation	pp. 12-13, 38-43, 52-53
	G4-15	–	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	pp. 62
	G4-16	–	Memberships in associations and national/international advocacy organisations	pp. 15

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References
Material Aspects and Boundaries	G4-17	–	All entities included in the organisation's consolidated financial statements or equivalent documents	Inside front cover, Company at a Glance in 2015 Annual Report (pp. 5, 7)
	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	Inside front cover, pp. 12, 84-85
	G4-19	–	All the material aspects identified in the process for defining report content	pp. 84-85
	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. 84-85
	G4-21	–	Whether the aspect boundary for each material aspect outside the organisation	pp. 84-85
	G4-22	–	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	The comparative information on waste has been restated to conform with the current year's reporting scope. For details, please refer to footnote 8 on page 79.
	G4-23	–	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes during the reporting period.
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	B5, B5.2	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 on pp. 12, 33, 59, 67, 70 and the Corporate Governance Report in 2015 Annual Report (pp. 124, 126). In 2012, HSH also engaged with stakeholders to conduct a materiality assessment that informed the development of the 2015 CRS Report 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	Inside front cover, pp. 12

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References
Report Profile	G4-28	–	Reporting period for information provided	Calendar year of 2015
	G4-29	–	Date of most recent previous report	2014 Annual Report, which included the Sustainability Review and Data Statements, covered calendar year 2014.
	G4-30	–	Reporting cycle	Annual
	G4-31	–	Contact point for questions regarding the report or its contents	pp. 95
	G4-32	–	GRI content Index with “in accordance” option chosen and references to External Assurance Reports	pp. 84-93
	G4-33	–	Organisation’s policy and current practice with regard to seeking external assurance for the report	Inside front cover, pp. 92-93
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. 10, Corporate Governance Report in 2015 Annual Report (pp. 110, 115-116, 122-123)
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. 28-29, 59
	–	B7.2	Whistle-blowing procedures, how they are implemented and monitored	Corporate Governance Report in 2015 Annual Report (pp. 128)
	–	B4.1, B4.2	Measures to avoid child and forced labour in employment practices	pp. 28
II. Performance Indicators				
1. Economic				
Economic Performance	G4-EC1	B8.2	Direct economic value generated and distributed	pp. 79
	G4-EC3	–	Coverage of the organisation’s defined benefit plan obligations	Financial Statements in 2015 Annual Report (pp. 186-189)
Market Presence	G4-EC6	–	Proportion of senior management hired from the local community at significant locations of operation	pp. 80-81 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 on pages 64-65.
	–	B5.1	Number of suppliers by geographical region	Asia-Pacific: 5,106; Americas: 2,338; Europe: 960; Others: 62

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References
2. Environmental				
Energy	G4-EN3	A2.1	Energy consumption within the organisation	pp. 42-44, 79, 82-83
	G4-EN5	A2.1	Energy intensity	pp. 42-44, 79, 82-83
	G4-EN6	A2.3	Reduction of energy consumption	pp. 38, 42-44 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	A2.2	Total water withdrawal by source	pp. 79, 82-83
	–	A2.4	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 locations where we operate. Details on water management can be found on pp. 45-47.
Emissions	G4-EN15	A1.1 A1.2	Direct greenhouse gas (GHG) emissions (Scope 1)	pp. 82-83 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	A1.1 A1.2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 82-83
	G4-EN18	A1.2	Greenhouse gas (GHG) emissions intensity	pp. 42-44, 79, 82-83
	G4-EN19	A1.5	Reduction of greenhouse gas (GHG) emissions	pp. 42-44, 79 Greenhouse gas reduction was achieved mainly through implementing a variety of environmental engineering projects and benefiting from more carbon efficient energy generation by our energy suppliers. Calculations were done by applying an emissions factor to the estimated energy saving of each energy reduction project. The emission factor used was specific for each property during the reporting period.
	G4-EN20	A1.1	Emissions of ozone-depleting substances (ODS)	pp. 82-83
Effluents and Waste	G4-EN23	A1.3 A1.4	Total weight of waste by type and disposal method	pp. 48-49, 82-83
Compliance	G4-EN29	A1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines or non-monetary sanctions for non-compliance recorded in 2015.

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References
3. Labour Practices and Decent Work				
Employment	G4-LA1	B1.2	Total number and rates of new employee hires and employee turnover by age group, gender, and region	pp. 80-81
	G4-LA3	–	Return to work and retention rates after parental leave, by gender	pp. 80-81
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 one to 12 weeks. This is also specified in collective bargaining agreements where they apply.
Occupational Health and Safety	G4-LA6	B2.1 B2.2	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. 80-81 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. 80-81
	–	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	90.4% management and 79.0% non-management employees, and by gender split, 85.3% male and 79.4% female employees received training during the year.
	–	B3.2	The average training hours completed per employee by gender and by employee category	Average training hours completed per employee was 14 hours. Breakdown into employee category was not yet reported. Data collection mechanism is being considered. (Note: Training hours by gender is currently captured for health & safety training only.)
Diversity and Equal Opportunity	G4-LA12	B1.1	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. 80-81, Corporate Governance Report in 2015 Annual Report (pp. 119) 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. 28
Non-discrimination	G4-HR3	–	Total number of incidents of discrimination and corrective actions taken	pp. 28
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
5. Society				
Local Communities	G4-SO1	–	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	All operations had local community engagement programmes during the reporting period.
Anti-corruption	G4-SO5	B7, B7.1	Confirmed incidents of corruption and actions taken	No incidents of corruption during the reporting period.
Compliance	G4-SO8	B1, B2, B4	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	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	B6	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No incident of non-compliance in the reporting year.
	–	B6.1	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	B6.5	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	B6.2	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.
	–	B6.3	Practices relating to observing and protecting intellectual property rights	Our Code of Conduct outlines our commitment to IPR protection.
	–	A2.5	Total packaging material used for finished products	450 tonnes of paper were used by the Group's merchandising business for packaging finished products.
	–	B6.4	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 Corporate Responsibility and Sustainability Report and Data Statements 2015 of HSH (further referred to as “The Report”) for the year ended 31 December 2015.

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 specifically ensuring that in all material respects The Report is prepared and presented in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative 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 as described in the Section of GRI Content Index of The Report. This responsibility also includes the internal controls relevant to the preparation of The Report that is free from material misstatement whether due to fraud or error.

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.

Basis of our work

We conducted our work in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements. These standards required the assurance team to possess the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements, and that we comply with the requirements of the Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants to ensure their independence. HSH uses the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4), as detailed in the Reporting Standards and Assurance section on the inside front cover of the Corporate Responsibility and Sustainability Report. It is important to view the performance data in the context of this explanatory information.

Work performed

A limited assurance engagement on a corporate responsibility and sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Responsibility and 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;

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

- 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 material issues and their implementation;
- Conducting interviews with management and other personnel at HSH to obtain an understanding of the information collection process;
- Examining and testing of the systems and processes in place to generate, aggregate and report the sustainability performance information. We also tested the reliability of underlying sustainability information at the local operations selected for a site visit;
- Data included in the report agreed, on a sample basis, to underlying calculations and supporting schedules;
- Performed an analytical review of data provided by each operation and investigated, through discussion with management, key movements compared to prior year, expectations and targets;
- Checking the GRI Content Index on pages 84 to 91 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 Corporate Responsibility and Sustainability Report and Data Statements 2015 of HSH for the year ended 31 December 2015, is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4), 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 as described in the Section of GRI Content Index on pages 84 to 91.



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16 March 2016

Glossary

Terms

Absentee rate	Represents the number of absentee days per year. It is calculated as total absentee days, which include sick days and lost days due to injury and occupational diseases, divided by total work days for the year.
Back-of-house	Staff-only areas, usually in a hotel
BREEAM	Building Research Establishment Environmental Assessment Method is a UK-based environmental assessment and certification scheme on sustainable building.
Carbon dioxide equivalent (CO₂e)	The 'CO ₂ e' measures how much global warming a given type and amount of greenhouse gas may cause, using the equivalent amount or concentration of carbon dioxide (CO ₂) as the reference
Climate Disclosure Leadership Index	An annual index runs by Carbon Disclosure Project (CDP) recognising companies which display a strong approach to the disclosure of climate strategy and measurement. The index includes top 10% of CDP reporting companies for the year.
Carbon intensity	Amount of carbon dioxide released per unit of energy produced (usually CO ₂ per Mega Joules of energy)
Carbon footprint	The total set of greenhouse gas (GHG) emissions caused by an organisation, not always expressed in spatial terms
Diversion rate	Waste diversion is the process of diverting waste from landfill through recycling, reuse or other means, expressed as a percentage of total waste arising in an organisation, for example.
EarthCheck	A leading international sustainability benchmarking and certification programme for the hospitality sector
Front-of-house	In sight of guests/customers, staff at front-of-house are visible representatives of the Company
Forest Stewardship Council (FSC)	An internationally recognised certification scheme on sustainable forest management, which best meets key requirements of responsibility, transparency, international consistency and balanced multi-stakeholder governance.
Global Reporting Initiative (GRI)	A non-profit organisation that produces one of the world's most prevalent standards for sustainability reporting
Greenhouse Gas (GHG) Emissions	Also referred to as GHG. Emissions of gases (e.g. carbon dioxide, methane) which have the potential to cause earth warming.
HACCP	Hazard Analysis and Critical Control Points (HACCP) is an internationally recognised food safety and hygiene standard for commercial kitchens.
Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide)	A guide on environmental, social and governance disclosure standard published by the Hong Kong Stock Exchange for disclosure by listed companies in Hong Kong.
Indoor Air Quality (IAQ)	Refers to the air quality within and around buildings and structures, especially as it relates to the health and comfort of building occupants
ISO 14001	ISO 14001 is an internationally recognised environmental management standard.
IUCN Red List	The world's most comprehensive inventory of the global conservation status of biological species (www.iucnredlist.org)
Life cycle	The stages of a product's life from-cradle-to-grave (i.e. from raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, and disposal or recycling).

Terms

Injury rate	<p>Represents the number of injuries per 100 equivalent employees per year. It is calculated based on:</p> $\frac{\text{Total injuries}}{\text{Total hours worked}} \times 200,000^*$ <p>* The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.</p>
Lost day rate	<p>Represents the number of lost days per 100 equivalent employees per year. It is calculated based on:</p> $\frac{\text{Total lost days}}{\text{Total hours worked}} \times 200,000^*$ <p>* The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.</p>
OHSAS 18001	Occupational Health & Safety Assessment Series 18001 is an internationally recognised occupational health and safety management standard.
Ozone-depleting substance (ODS)	Any substance with an ozone depletion potential (ODP) greater than 0 that can deplete the stratospheric ozone layer. Most ozone-depleting substances are controlled under the Montreal Protocol and its amendments, and include CFCs, HCFCs, halons, and methyl bromide. CFC-11 is a measure used to compare various substances based on their relative ozone depletion potential.
Safety management systems	Management system designed to manage health and safety, environmental and general risk of a company's operations
Sustainable building	Also known as "Green Building". A building which is environmentally responsible and resource-efficient throughout its life-cycle
Sustainable Development	Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Source: 'Our Common Future', 1987, World Commission on Environment and Development.
Sustainable procurement	Considering sustainability in procurement decisions, alongside other factors such as price and quality
Volatile Organic Compound (VOC)	Substances that are typically gas at room temperatures and can cause health issues if inhaled. Paints for example can emit VOCs
Water footprint	Total volume of freshwater used to produce the goods and services consumed by an individual, community or business
Water stress	In general terms, a country or region is said to experience water stress when annual water supplies drop below 1,700 cubic metres per person per year

We hope you find this report informative, and we welcome your input and views: cr@hshgroup.com

For further information on our corporate responsibility and sustainability work, please visit: www.hshgroup.com/cr

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