

A VISION FOR SUSTAINABLE LUXURY

*Corporate Responsibility and
Sustainability Report 2016*



THE HONGKONG AND SHANGHAI HOTELS, LIMITED

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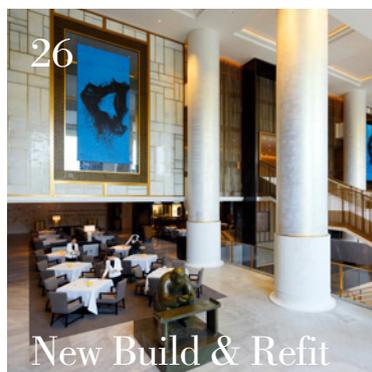
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ABOUT THIS REPORT



The Corporate Responsibility and Sustainability Report 2016 shares the challenges and successes faced over the past year in the Company's sustainability journey.

As we move further towards integrated reporting¹, we aim to provide a connected view of the different aspects of our performance, as well as enable stakeholders to make an informed assessment of the Group. We welcome readers' feedback and input on the Group's performance, with contact details found on page 54.

Reporting Scope

This report focuses on the Group's hotels division, commercial properties division, the Thai Country Club, Quail Lodge & Golf Club, and Tai Pan Laundry². It covers 95%³ of the Group's business portfolio⁴.

Reporting Standards and Assurance

This report complies with the "comply or explain" provisions in the Stock Exchange of Hong Kong Limited's (HKEx) Environmental, Social, and Governance Guide (ESG Guide) (revised in December 2015), including specific recommended disclosures from the ESG Guide, and contains Standard Disclosures for Core level from the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) (launched in November 2016).

KPMG was commissioned to conduct assurance and to provide an independent opinion on this report in accordance with the relevant standards. This report can be read on pages 41 to 42.

Materiality and Stakeholder Engagement

The material issues discussed in this report are based on the Sustainable Luxury Vision 2020 (Vision 2020) pillars, with details found on pages 4 to 5. In 2017, we plan to conduct a comprehensive update of the Company's list of material issues to ensure that future reporting continue to best capture the nature and impact of our businesses, as well as fully integrate into existing business processes.

In this report, we have weaved our discussions of stakeholder engagement into different sections to demonstrate how we are integrating these engagements in our implementation of Vision 2020. Further information can also be found in the Annual Report pages 135 to 137.

1. With reference to the guidelines of the International Integrated Reporting Council in our Annual Report.

2. In the clubs and services division where HSH maintains operational control.

3. Based on the Group's annual revenue in 2016.

4. HSH employees working for Peninsula Merchandising Limited (PML) and Peninsula Clubs & Consultancy Services (PCCS) are included in the workforce statistics. Facilities managed by PCCS and PML boutiques outside Peninsula Hotels are not included in environmental data as HSH does not own these facilities nor has sole control of their policies.

CEO STATEMENT



Clement K.M. Kwok
Chief Executive Officer

2016 has been a special year for The Hongkong and Shanghai Hotels as we celebrated our 150th anniversary, which provided the opportunity to reflect on our past and look to our future. We are a company with a remarkable history and heritage, a strong pioneering spirit and a unique legacy.

While the circumstances around our Group vary with the times, our fundamental values have remained the same – a commitment to people, unparalleled quality, and the longevity of our business. These principles are at the heart of everything that we do and have enabled us to create a brand that is globally recognised as one of the best luxury companies in the world.

Celebrating our 150th anniversary is a milestone achievement and one that we can be proud of. Throughout our history, we have exhibited a strong sense of responsibility, high level of consciousness and integrity and I have no doubt that this has contributed to our success. We understand that in creating a legacy and addressing the challenges we face, our Group must play a role in building a sustainable future, through continued dialogue, collaboration, and innovation. For example, in 2016, we witnessed longer-term trends such as environmental and social impacts becoming more significant in the eyes of our stakeholders. It is essential that we address these challenges strategically, considering our ambitions and priorities as a Group.

The Sustainable Luxury Vision 2020 is our response to this shared responsibility and was designed as a roadmap that weaves sustainability into our long-standing commitments to people, quality and the longevity of our business. This is core to our operations and our HSH culture, forming the basis of our environmental stewardship practices and our contributions to society. As new sustainability challenges emerge, our plans to address these issues will continuously evolve in the future.

In this report, we continue to share our progress to how we are achieving our sustainability vision, including key successes and challenges. We believe that communicating our challenges and celebrating our successes inspires continuous learning and greater improvement. This transparency invites feedback from our various stakeholders and in turn reinforces our dedication to accountability.

We believe we are the world's oldest hotel group in continuous operation, yet our pioneering spirit is evident as we expand our global operations to new markets. Our initiatives and endeavours towards achieving sustainable luxury are part of this pioneering spirit. As we continue to progress on our journey, I remain mindful that there is much more to be done.

It is with great pride that I thank our great team and our partners for their continued efforts to fulfil our Vision 2020 ambitions. I look forward to the years ahead as we face new challenges with the same passion, creativity, and dedication that have sustained the Group for the last 150 years.



OUR SUSTAINABILITY VISION



Creating and maintaining value for our stakeholders has been one of the main guiding principles of the Group. It is the bedrock of our commitment to the concept of sustainability.

To us, creating value is not only limited to our shareholders and on sustainable long-term investment decisions, but is also about our guests and the community by ensuring that the high standards of luxury that are the hallmark of our operations are delivered in a sustainable way. We believe that we should have a positive social, economic and environmental impact on the local communities where we operate.

In 2013, we formalised a sustainability strategy to coordinate our efforts across the Group, known as Sustainable Luxury Vision 2020 (Vision 2020). This strategy has helped to address our social and environmental impacts, and leverage opportunities for continued sustainable growth. We engaged our internal and external stakeholders, benchmarked industry best practice, and assessed broader trends to identify the seven pillars which are integral to the Company's strategy and core to the business.

By focusing on these pillars we hope to further integrate and generate awareness on sustainability throughout our operations, making sustainability personally relevant to each of our employees and for it to become an innate aspect of our business. This also provides a framework for us to

manage and monitor our performance, mitigating, as much as possible, the environmental or social risks that we face. These pillars are linked with the capitals outlined in the Integrated Reporting Framework of Intellectual, Human, Social and Relationship, Financial, and Natural Capital. Vision 2020 is supporting in enhancing the beneficial contribution of these six capitals towards the Group's overall value creation.

While we continued to see good progress in achieving most of the Vision 2020 commitments, we encountered challenges in the implementation of some of these commitments. Since launching this strategy, we have become more aware of the systemic and multi-dimensional nature of a number of sustainability issues, for example the lack of waste management infrastructure in some regions, and the low value accorded to some natural resources such as water. With a more nuanced understanding of the sustainability challenges we face, we are reassessing our Vision 2020 ambitions. Addressing these challenges requires concerted efforts and collaborative solutions with other partners and stakeholders that we are continuing to develop. We aim to reassess our performance, management approaches and targets as necessary to achieve these goals.

SUSTAINABLE LUXURY VISION 2020



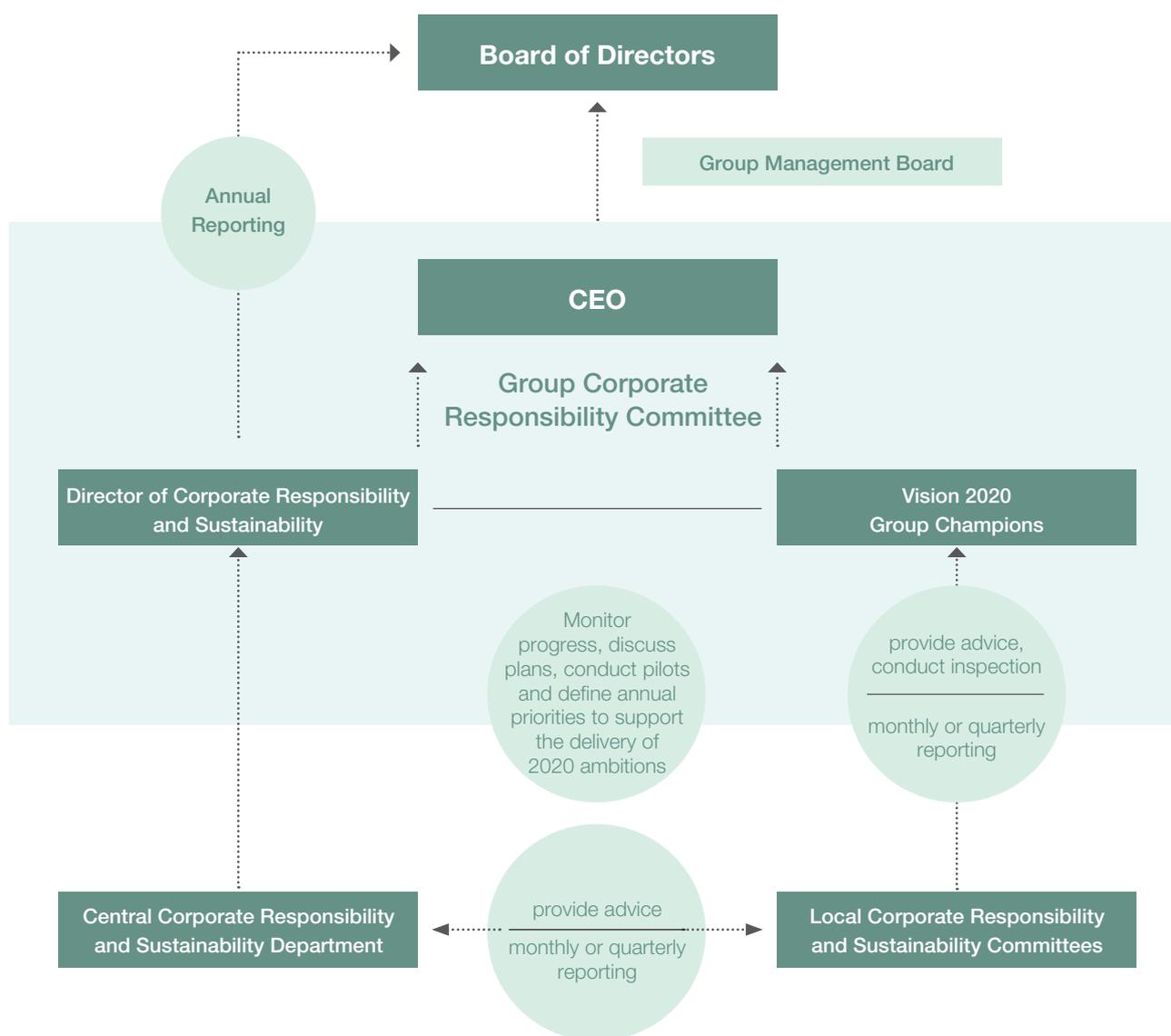
GOVERNANCE & MANAGEMENT

Our legacy is founded on our longstanding commitment to being a responsible and sustainable business with the culture of integrity, transparency and accountability embedded in every aspect of the Group. This is why it is crucial that our governance process is robust and provides the basis for overseeing progress on the Vision 2020 ambitions.

At all times, we aim to meet or exceed compliance in environmental, social, or governance aspects. Through our governance approach, the Group seeks to strengthen confidence in our brand and maintain the trust of our stakeholders and shareholders, balancing their interests and understanding their concerns through regular engagement to achieve sustainable, robust and long-term growth.

How We Govern and Manage

Our Group Corporate Responsibility Committee (GCRC) is chaired by our Chief Executive Officer (CEO), Mr. Clement Kwok. The GCRC assists the Group Management Board and the Board of Directors to review and address our sustainability practices and objectives. It convenes at least three times annually to evaluate key Vision 2020 performance indicators, consider policies and objectives, and discuss steps to achieve the Vision 2020 ambitions. GCRC members are Vision 2020 Group Champions who guide and collaborate with operation teams on the ground to deliver progress on each of the seven pillars. While the CEO is accountable for the Group's overall corporate responsibility and sustainability (CRS) 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 these topics, supporting the champions and managing stakeholder relationships on these specific issues. More information on this committee's work is on pages 148 to 149 of the Annual Report.



📄 DID YOU KNOW?

During the year, our Audit and Risk Management Department provided additional assurance to the Audit Committee on the accuracy of CRS data across the Group by reviewing the underlying record to report process and specific data points on material issues, such as energy consumption and carbon emissions. Key observations and control gaps have been addressed and additional data control procedures are being implemented to improve data robustness and reporting.



Through the GCRC, we regularly monitor and measure our progress towards Vision 2020, including identifying and fine tuning our methods to ensure we monitor appropriately. This progressive approach gives us the flexibility to adjust to new challenges and adopt new practices to maintain our momentum across all pillars.

Our operations have also set up their own CRS committees to coordinate actions, review how these practices can be integrated into daily operations and monitor progress towards this 2020 commitments. These committees are often supported by specific working groups on health and safety, environment and community engagement.

Through greater discussion and engagement, we also continue to leverage the experience of the industry and leading sustainability and community partners on our journey. We are a member of Forum for the Future, as well as industry bodies such as the International Tourism Partnership and The World Travel and Tourism Council. In Hong Kong we continue to collaborate with the Hong Kong Council of Social Service to improve the value of our community work.

We continue to provide learning resources to our champions and staff on related CRS topics to support them in implementing Vision 2020. In 2016, we launched a campaign to engage all our CRS committees with a photo competition and innovation challenge for each operation, as well as embedding CRS modules in e-orientation material on our new Learning Management System, made available in eight languages, to be offered in 2017.

Risk Management

We proactively identify, mitigate and manage principal business risks through an effective risk management framework which includes key Group policies.

We are working to increasingly incorporate sustainability risks in the Group Risk Register, which is an assessment of the most principal strategic and operational risks affecting the Company. For details on how we identify, mitigate, and manage risk, please refer to the Group Risk Committee Report (pages 142 to 147) in the Annual Report. To learn more about the impact of the external environment and industry trends, refer to pages 69 to 73 of the Annual Report.

Ethical Conduct

Our values as a company underpin our high standards of ethical conduct. We respect human rights, embrace diversity and stand firm against corruption. This is core to who we are as a business, and essential to our sustainable growth. To provide our employees with guidance on adhering to these principles, the Group's Code of Conduct outlines our approach to issues such as anti-bribery, fair competition, equal opportunity, and customer data privacy. This Code has been developed to recognise international conventions and charters such as the United Nations Declaration on Human Rights⁵.

All employees undergo training on our Code of Conduct so that they are familiar with the Group's expectations on ethical and professional conduct, as well as our approach to equal opportunity and anti-corruption, amongst others. A Speak Up policy also outlines the systems that facilitate reporting of misconduct and the procedures for investigation and resolution of malpractice. In 2016, we are disappointed to report one breach of the anti-corruption guidelines, which after a detailed investigation found an employee's non-compliance with room upgrade procedures that involved cash acceptance. This is a clear violation of our policies, and as such led to the employee's termination. As a company that values good governance, we remain committed to ensuring that our staff act with the utmost integrity through training and well-defined guidelines and procedures.



PROGRESS ON VISION 2020 AMBITIONS

Build a robust succession planning framework for senior leadership

→ *In progress, expanded to 500+ key department heads*

Introduce "Leaders for Good" Training programme for management

→ *E-learning modules provided to CRS Champions*

Meet international and local sustainability disclosure requirements relevant to HSH

→ *CRS Report follows HKEx ESG Guide and GRI Standards*

Establish a robust sustainability management system

→ *In progress*

Establish a strong framework to track and manage financial, operational and ESG risks

→ *Ongoing*

Engage stakeholders on wider sustainability issues

→ *Ongoing*

5. This declaration denounces all forms of child, forced or bonded labour, and cites the rights of workers in forming and joining trade unions.

GUEST EXPERIENCE



Frederick Bigler
Chief Concierge,
The Peninsula New York



You could say that I'm a native New Yorker, I have lived here for over 33 years! It's easy to love this city as it's got so much to offer, from its sights and sounds, to its world class museums and Broadway productions. There is this sense of genuine warmth that I feel when guests tell me about their experiences and the many unique moments that my city has to offer.

You wouldn't always think of visiting a park on a trip to New York, yet our green spaces work almost as a release valve, a little pause from the hustle and bustle of the city, and this is important to us New Yorkers.

We created The Peninsula Academy's Taste of Central Park to invite our guests along on a New York experience that is off the main tourist path. Guests are given a secret "point not pluck" tour of edible herbs and vegetables grown in New York and are then treated to a picnic with food made from some of these very herbs, bought fresh from the local farmer's market. By exploring this hidden side of our city, guests get to see the many sides of our city that makes New York so quintessentially New York!

We are dedicated to bespoke, warm and genuine service that enhances our guests' experiences of the iconic cities where we operate. Our aim is to constantly refine and modernise luxury to align with evolving guest expectations.

To gain a deeper understanding of the desires and experience of our guests, we gather feedback at each Peninsula Hotel through our interactions, with optional surveys available in guestrooms and through mystery-shopper reviews of our service. These channels provide insight into how well we meet our standards and how to improve on our service offerings.

Connecting to Our Cities

Our history and heritage are intricately linked to the cities where we operate. The Peninsula Academy is a selection of inspired bespoke experiences that aims to immerse our guests in our local communities, and highlight the individual identity of each world-class Peninsula destination.

Through these programmes, guests gain access to the rich culture and hidden gems of each Peninsula destination. From encounters with disappearing traditions such as the textile arts of the Philippines and the artisanal crafts of Hong Kong to the discovery of luxurious scents in Paris and contemporary artists in Beijing, we want our guests to discover what makes each of our home cities special.



Calling attention to the delicate natural environments that surround us, we have also introduced nature-inspired programmes. In Hong Kong and Bangkok, our programmes explore efforts to conserve and showcase the ecological heritage and biodiversity of these locations. By raising awareness amongst our guests, we help to support the preservation of our cities' natural environment and their heritage and culture for future generations.



DID YOU KNOW?



In line with Vision 2020 ambitions to cater to the needs of family travellers, we placed an increased emphasis on providing experiential programmes that satisfy the interests of guests of all ages. Found in our different hotels, The Peninsula Kids' Academy offers fun interactive creative crafts and culinary classes, while our Peninsula Stokke V.I.B. (Very Important Baby) experience provides baby gear and amenities to help families travel with ease and comfort. Our teenage guests may also participate in a number of age appropriate programmes; for example, at The Peninsula Bangkok music-loving teenagers get to go behind the scenes at a popular pop music radio station, meeting producers and presenters to gain a unique insight into broadcast radio.

DID YOU KNOW?

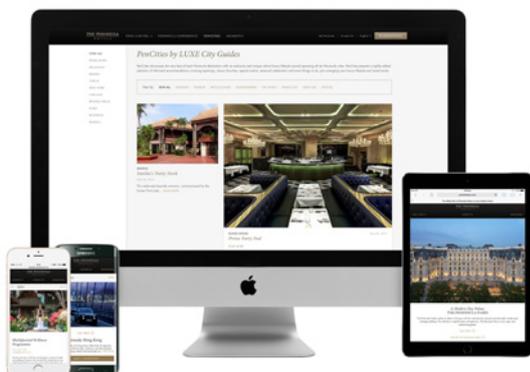


The Peninsula Hong Kong was honoured to be named the “Best Hotel in the World for Service” at the 19th Condé Nast Traveller Readers Awards in London for setting the standard of service aspired by luxury hotels globally. Winners were selected by tens of thousands of travellers who voted for their favourite hotels around the world.

Enhancing Experiences Through Technology

In today’s ever connected world, our challenge is to continue to adopt increasingly high-tech services and advanced in-room technologies, all while maintaining our warm, personalised touch.

Our social media presence continues to grow on several platforms such as WeChat and Instagram, and is an important aspect of our communications that keeps our patrons informed of our programmes, events, and highlights through the year. For example, our Peninsula in Pink initiative and launch of our Fairtrade teas were featured on our Instagram accounts.



This year we developed new communication channels such as The Peninsula Mobile Concierge in The Peninsula Chicago, where guests are able to communicate directly with us through text messages or webchat using their mobile device. Through this platform we are able to provide a more connected and personalised interaction, promptly responding to any questions that our guests have on either the hotel or city.

Peninsula in Pink – Combining Guest Experience and Community Investment

The Peninsula in Pink is our annual worldwide campaign, held in October each year to raise awareness and funds to combat breast cancer. Initiated in 2010, this long-term initiative spans across all our hotels, with proceeds from our pink-themed events and promotions going to local charities and foundations supporting this cause.

One aspect of the campaign is the Art of Pink, where we collaborate and commission artists who express, through their works, a unique perspective in the fight against breast cancer. This year we were proud to collaborate with a celebrated Chinese artist, Chen Man who presented *Nao Nao* (撓撓), a series of ten interactive art pieces across our hotels. The pieces at each hotel were then sold with benefits going to partner charities.

Each hotel also leverages their assets and expertise, bringing their own unique and novel approach to their fundraising efforts. Each of our hotels served The Pink Tea, offering guests a delicious and fun pink-themed dining experience, serving pink drinks and even pink sweet and savoury foods. The Peninsula Hong Kong's MINI Cooper was given a bright Pink Makeover, while at The Peninsula Chicago, guests enjoyed Pretty in Pink cocktails and a relaxing Think Pink Massage, where guests were pampered using a hydrating pink mask, with proceeds donated to a local charity.



PROGRESS ON VISION 2020 AMBITIONS

Expand our customer base through our authentic service culture and the use of innovative technology

➔ *Ongoing*

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

- ➔ *Peninsula Academy Kids' programmes;*
- ➔ *Providing baby gear and amenities to selected guests through our V.I.B. programme*
- ➔ *As part of wellness programmes in hotels*

Engage our customers in preserving our heritage for future generations

- ➔ *Peninsula Academy programmes on heritage and culture across most hotels*

Provide Green Meeting Options to corporate clients

- ➔ *Can be provided upon the client's special request*

Continue to create memorable guest experiences

➔ *Ongoing*

EMPLOYEES



Katrina Chow

Project Manager, Global Sales,
The Peninsula Hotels



I first started as a Corporate Management Trainee and throughout the years have valued all the different experiences and opportunities found here in HSH.

From working worldwide at The Peninsula Hotels, to Quail Lodge & Golf Club in California, I have dabbled in different aspects of the business, learning more about myself and my abilities in the process. Wherever I have worked, I was blessed with the support of my colleagues who encouraged me to try out different training opportunities. You could say that I am quite millennial that way, I did not wish to spend my entire career solely in one area, and have hence enjoyed varied interactions with guests and colleagues. In my job rotations, I discovered my passion for applying data analytics to optimise operations – a skill that I use in my current role with the Global Sales team.

It's through the challenges that you see what a business is truly made of. I was stationed at The Peninsula New York during Hurricane Sandy, and while the city came to a standstill, all our staff went above and beyond to make sure that guests and colleagues were well looked after. We even continued to serve a full menu! That really stayed with me, it's gratifying and fulfilling to work for a business that genuinely cares for its guests and its people.

Our people represent the face and heart of the HSH Group, and are instrumental in shaping the experiences of thousands of our guests every day. This is why we put tremendous emphasis on selecting, nurturing, developing, and retaining the right talent as it allows us to deliver our high standards of quality and service. Throughout our businesses, we provide the environment and opportunities that allow our people to flourish. This dedication is ingrained in our family culture, where care, respect and fairness extends to all aspects of our operations and to every interaction with our people.

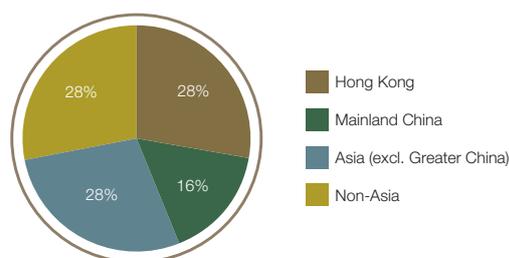
Did You Know?



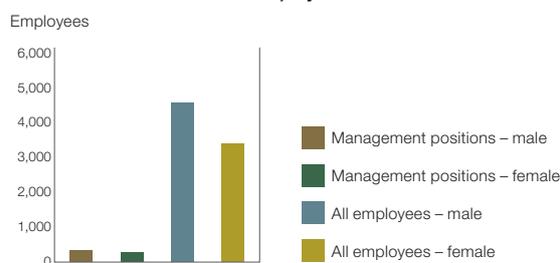
Corporate Management Trainees are selected each year as a fast track programme to give young talent the opportunity of working in a new location, experiencing new cultures, departments and training opportunities. This immersive approach allows a hands-on understanding of business operations, recognising the challenges and opportunities of being part of a global workforce and appreciating what makes the Company stand apart. More information can be found in the Annual Report pages 94 to 98.

In 2016, we employed 7,985 staff across our businesses worldwide.

Employees by Geographical Locations



Gender Distribution of HSH Employees



See Data Statements for more employee profile information.

Since 2015, we continued to implement our five-year Human Resource Strategy which includes five key focus areas – attract and select; develop and grow; engage and energise; reward and recognise and build and enhance.

Attracting and Selecting Talent

Finding the right talent requires that we possess a deep understanding of the varied competencies needed to maintain the quality of luxury that we provide our guests. Our talent acquisition strategy considers both the talent that we require, best fit to the organisational culture and any potential shortages of skills that we foresee in the short and long term. This competency framework, launched in 2014, provides the foundation and guidance to ensure we select and develop our people appropriately, while reinforcing the core values that makes us thrive and sets us apart.

We partner with leading hospitality and hotel management schools to recruit interns and new graduates on a yearly basis. We are utilising our Company’s careers website and social media channels such as LinkedIn to enable us to reach the right audience.

 Visit our LinkedIn site

A working committee of Human Resource Directors is developing a Candidate Care programme, where we will demonstrate the Group’s signature service and attention to applicants at each stage of the recruitment process. This will ensure our recruitment, selection and onboarding processes are unique and personalised.



Talent Development and Retention

By providing our employees with the right development opportunities, our people can cultivate their abilities and grow within the Group. They can gain experience via cross exposure programmes and job rotations in different aspects of our business, and we provide training programmes that help refine and build on our people’s expertise. These programmes are catered toward the operational know-how and long-term professional development of our people. Despite challenging economic circumstances in some of our markets, we remain committed to the growth of our people and did not compromise on training and development initiatives, spending close to HK\$ 24 million in 2016.

Newly launched this year was a redesigned Learning and Development Pyramid. This is a strategic framework that focuses on the four areas of: Operational Development, Leadership Development, Management Development and Personal Effectiveness. This segments training needs to better allow for the holistic development of our people.

In 2016, we rolled out a series of global learning and development programmes:

- One-day, bespoke “Art of Peninsula Hospitality” circuit programme which focused on the art of providing luxury and personalised service to our guests.
- Dedicated to our management teams, we offered a programme on refining negotiation skills for successful and confident discussions.
- Our e-learning platform called “Learning KEY” was introduced this year featuring videos, toolkits, and bespoke training courses, with more capabilities to be launched in 2017. This blended learning approach enables our people to take initiative of their own self-learning.



Loyal and dedicated staff have worked with us through decades of service across our markets, with at times multiple generations of a single family working for the Group. This work and commitment is rewarded through training opportunities, career progression and continued care, which attracts and retains loyal staff. The average tenure for an employee in the Group is 7.4 years. We saw an improvement in the retention of young employees, with turnover for the under 30 age group at 34.3%, a decrease of 2.6% in comparison to the previous year. We consider this still a high rate and recognise that more needs to be done. We are committed to continue working on this issue.

As part of our agreement with Cathay Pacific Airways Limited to end the management contracts for the Cathay Pacific Lounges at Hong Kong International Airport from 1 May 2016, and separately, the major renovations of Butterfield's which began in mid-October 2016, we implemented a number of initiatives to support affected staff in their job search and transition either within the Group or where applicable, to the new operator, in the case of the Cathay Pacific Lounges. In total, more than 50 employees were recruited by various operations within HSH. While at The Peninsula Beijing, despite our renovations, we decided not to implement lay-offs, and instead focused on developing and training staff such as cross-exposure programmes to other hotels.



“I have found my happiness here.”

I am happiest when a guest returns to our hotel and asks to see me. Throughout my 36 years in The Peninsula Manila family, this has never ceased to make me smile. I have genuinely enjoyed looking after our guests and do my best to take care of them so that they can relax and feel at home as they arrive. I always say that if you love your job, there is no reason to quit, and I have found my happiness here.

Looking back, what has not changed is the warmth, care, and hospitality shown by The Peninsula to all our guests and also to its employees. There have been many opportunities, and I have been so grateful for these as they have enabled me to grow and to continue providing for my family. My eldest son recently completed his master's degree at one of the country's best schools and is now working in the city. There's nothing that makes a father prouder than to be able to see his children succeed.



Eddie Melo

Room Attendant,
The Peninsula Manila



Our Work Environment

Diversity

The diversity of our people is a strength that allows us to better connect and communicate with our guests. We are committed to providing an inclusive and harmonious workplace which provides equal opportunity to all employees regardless of gender, age, nationality, religion, sexual orientation, disability, or other aspects of diversity. For example, in 2016, we employ over 50 employees with disabilities who wholeheartedly contribute to the business⁶.

To ensure that our staff meet our expectations on this topic, we have a policy and processes in place to ensure that discrimination grievances are heard and handled in a fair and appropriate manner. In 2016, we received 6 grievances of discrimination, which were lodged, investigated and dealt with in accordance with the Group's policy.

Health, Safety and Security

It is a priority that we ensure the health and safety of guests and employees at our hotels and clubs. Many nations across the globe, including some in our operating regions, deal with issues such as terrorism and/or social unrest, we aim to maintain effective systems and policies to safeguard both our employees and guests.

This year we updated both our travel policy and travel protection programme for our business travellers. We also plan to upgrade our physical security systems starting in 2017. Throughout our operations, we encourage our employees, through constant communication, to escalate any risks promptly so that they can be addressed as they arise.

To standardise procedure for handling any security concerns, we have developed an operational risk manual to align the principles of ISO 31000⁷, which will be rolled out to our operations beginning 2017. The Group will have enhanced resilience and an improved response in a crisis by adopting the security and risk industry's best practice.

All operations have their own health and safety committees which meet on a monthly basis to review performance and implement improvements where necessary. As the OHSAS 18001⁸ is being revamped into a new standard called ISO 45001, some delays are expected in meeting our Vision 2020 commitment. Gap analysis and certification plans are still ongoing for 2017 and 2018.

- In 2016, HSH employees across the Group completed 26,210 hours of health and safety training for employees to understand procedures and protocols to safeguard guests and reduce workplace injury. For 2017, we aim to increase safety training by 5% with annual safety training attendance at more than 75%.



6. The Peninsula Shanghai (PSH) contributed to the Shanghai City Government's "Disabled Persons' Employment Security Fund" in lieu of having less than the required number of disabled employees in the year. PSH continues to work on increasing the number of disabled employees to meet the city's requirements.

7. ISO 31000 provides principles and guidelines for the design, implementation and maintenance of risk management processes throughout an organisation.

8. Occupational Health & Safety Assessment Series 18001 is an internationally recognised occupational health and safety management standard.

- The overall injury rate for 2016 was 8.3 (per 200,000 hours worked), an increase of 5.8%, although majority of these were minor workplace injuries such as cuts or bruises. However, we saw a decrease of 22.7% from 2015 to our total lost days at 3,819 for the year. For 2017, we aim to reduce major staff injuries by 5%.



Our Wellness Programmes

We care for our people, and firmly believe that their happiness and health is essential to our own success. Across our Group we provide activities for fitness that are both fun and engaging, from Zumba classes at The Repulse Bay to a running club at The Peninsula New York, employees are encouraged to stay active and fit.

This year we also launched the new staff gym at The Peninsula Shanghai, and hoped to motivate and inspire our employees with their own fitness goals by inviting Mr. Chen Penbin, China's first international ultra-marathon champion to the inauguration ceremony to speak with our staff.

A healthy work life balance allows for greater productivity, and we encourage employees to take time to unwind, offering yoga classes and even free head and shoulder massages at our Head Office and The Peninsula Paris.

We understand how important wellness is for our staff, to this end, we will be implementing our global wellness strategy to all operations in 2017.



PROGRESS ON VISION 2020 AMBITIONS

Strengthen executive and leadership development

- ➔ *Expanded succession planning to about 500 of our management-level staff from 200 in 2015.*

Attract new talent and retain quality employees

- ➔ *Ongoing*

Implement the competency framework across the Group

- ➔ *Competency Framework rolled out*

Introduce "Ambassadors for Good" Training Programme

- ➔ *Incorporated Vision 2020 into our e-learning orientation module*

Empower operations' CRS champions through training

- ➔ *E-learning modules provided to CRS Champions in operations*

Target zero work fatality or incident resulting in permanent disability

- ➔ *No work fatality and incident resulting in permanent disability for 2016*

Minimise occupational health and safety incidents

- ➔ *Ongoing*

Achieve OHSAS 18001 for all operations

- ➔ *Gap analysis and certification plans are still ongoing for 2017 and 2018.*

Establish a global talent management system

- ➔ *Elements of the system completed and others in progress*

OPERATIONS

Scott Berger

Resident Manager,
The Peninsula Beverly Hills



Drought continues to affect California, and we choose to do our part. At The Peninsula Beverly Hills, we came up with a number of water saving solutions such as appropriate frequency for washing our driveways, and reducing the water that we used for irrigation. This helped to reduce our water usage by 20%, but we wanted to take our efforts a step further.

We learned that a typical car wash uses almost 47 gallons of water, and considering that we have nine cars in our fleet, plus our guests' cars, that can add up to quite a lot! We began to explore alternative solutions which led to our partnership with ENVi, an organisation that offers a car "wash" and detailing service that uses only environmentally friendly chemicals and no water. ENVi also employs the hearing impaired, and so contributes to inclusive employment opportunities in the local community – a dual CRS initiative! The best part is that the detailing is excellent, it's a shine that lasts, and the process so seamless!

To deliver our products and services to the highest standards of luxury and quality, we rely on an array of resources ranging from the energy and water that we use, to the ingredients in the food that we serve. We consider each of these aspects to ensure that they are both sustainable, cost effective, and above all beneficial to the health and experiences of guests. Where feasible we also rely on international frameworks and procedures to reinforce our already robust food safety and air quality standards. This commitment to detail, quality and care also extends to the effective management of the waste that we produce.

Climate Change and Energy

As inclement weather increases in frequency across the globe and in the cities where we operate, we remain focused on responding to the impact of climate change. We are committed to reducing our carbon emissions and making our business more resilient. Climate change poses a particular risk to food productivity, as well as the quality and availability of water. Within this context we are aware that our ability to deliver our service and products will be challenging, with fluctuations in cost posing possible disruptions to our business operations. Many of our operations are already responding to these risks in their efforts to be more efficient in their use of natural resources.

The Group also seeks to proactively address this risk by managing and reporting on our carbon emissions. Details of our approach are disclosed in the publically available Carbon Disclosure Project (CDP)⁹ response. Going forward, we will continue to re-assess our environmental targets and goals, as well as implement strategies to further reduce our overall environmental footprint. We have also developed policies and procedures as outlined in our energy conservation manual and water management guide. These documents help us to both instruct employees and standardise approaches on the effective management and conservation of these resources. All operations report on their energy and water performance on a regular basis, and are reviewed by the Group Corporate



DID YOU KNOW?



Everyone loves fresh linens and fluffy towels.

There is a lot that goes behind the scenes to provide this small luxury in an environmentally friendly way.

From The Peninsula Beijing in 2013, five of the seven hotels where we manage laundry have now implemented a low-temperature laundry programme which uses less energy and water, coupled with using biodegradable chemicals, helping to maintain our standards for luxury.

Responsibility and Sustainability Department throughout the year¹⁰. The Group Chief Engineer also performs operational inspections twice a year. These site inspections help to identify areas for improvement and facilitate communication and collaboration between local teams.

We aim to reduce our energy usage through our continued implementation of appropriate technology and engineering solutions. Data from across our operations helps us to better identify and manage any inefficiencies in consumption. Further reductions will require a concerted effort, one that is supported by newer technology and continued behavioural change.

9. CDP is a not-for profit that runs a global disclosure system for companies, investors, cities, states and regions, to manage and report on their environmental impact, response can be found on www.cdp.net.

10. Due to ongoing renovations at The Peninsula Beijing in 2016, it is likely that carbon, energy, water and waste data during this period may skew comparisons against past data. This should be noted when making comparisons.

Reducing the energy that we use helps us to be more efficient as a business, lowering both operational costs and carbon footprint. In 2016, we consumed 865,849 GJ of energy across our Group, a 2.9% decrease from 2015. We continue to be more efficient in our operations, increasing energy efficiency intensity by 2.9% from 2015, amounting to a 19.8% reduction to the baseline¹¹. This was due to continued efforts on energy reduction such as installation of LED lights, system/heat pump and chiller upgrades/optimisation, resulting in estimated savings¹² of HK\$ 6.6 million. We continue to explore ways to achieve reductions, such as sharing best practice with engineering teams group-wide through the internal magazine Tech Watch, to encourage achievement of energy saving goals.

Our Carbon Footprint

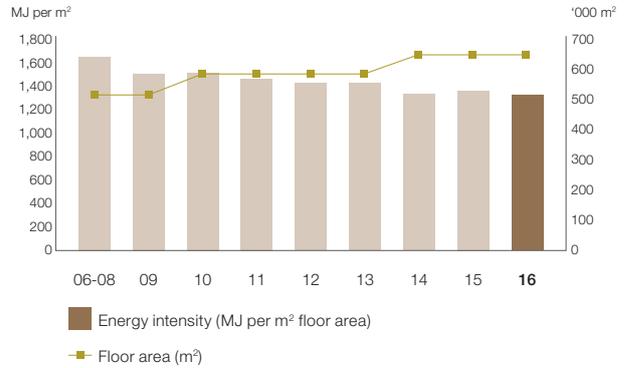
In 2016, our operations generated a total of 103,058 tonnes of CO₂e, a decrease of 11.9% from baseline and a 3.5% decrease from 2015. Group carbon intensity was 158 kg of CO₂e per m², a 30% reduction from baseline in line with our Vision 2020 ambition.

Using Water Efficiently

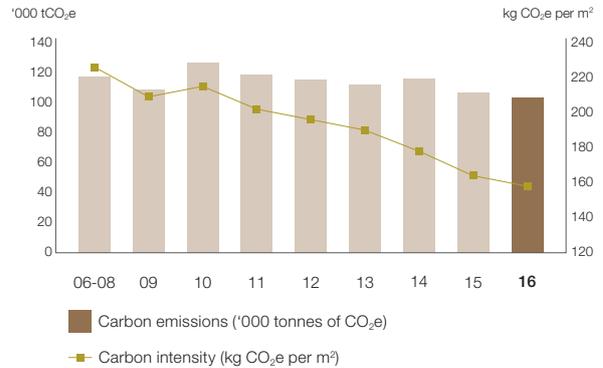
Water is an essential commodity that has applications throughout our business, and we take care to use this resource efficiently. As drought continues to affect our operating regions, particularly those in California and China, it is essential that we are committed to reducing water usage while trying to influence and inspire our partners on water management.

To standardise our approach across operations, we published a bespoke water management guide, to spur innovative solutions and approaches to water reduction. We encourage self-assessments on performance and have incorporated a self-assessment questionnaire that is part of the biannual inspections by the Group Chief Engineer.

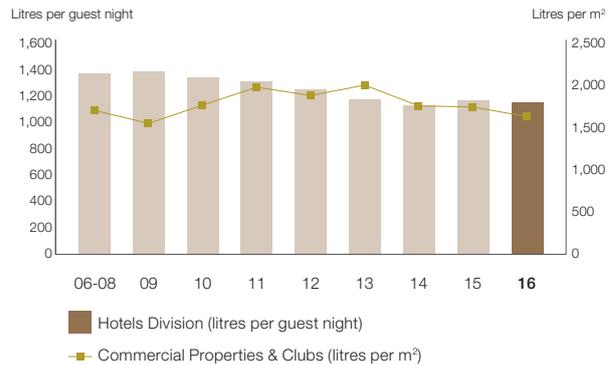
Group Energy Intensity



Group Carbon Footprint



Group Water Intensity



 See Data Statements for more performance information

11. Baseline for energy, carbon emissions and water is based on average use from years 2006-2008
 12. Based on a linear regression calculation correlating the different factors that could lead to changes in energy use – weather data, food cover, room nights, guest nights and presence of in-house laundry operations.

In 2016, total water consumption was at 1,775,653 m³, a 6.5% reduction from 2015. For hotels, this translated to 1,154 litres of water per guest night (includes all water uses in the hotels), a 1.2% decrease from 2015 and reduction of 15.9% compared to baseline. While for properties and clubs (excluding Tai Pan Laundry)¹³, it is at 1,638 litres of water per m³, a decrease by 6.5% compared to 2015 and a 4.4% decrease compared to baseline.

The decreases in water intensity for both hotels and properties were due to continued implementation of water saving measures. In 2016, water efficiency efforts included sand bottles displacement in toilet cisterns, more conscious use of water in kitchen operations and low temperature laundry programmes that also led to decreased water use. We also continued to check the optimal functioning of equipment and encouraged water efficient behaviours during our regular technical visits to all operations.

While we have seen an improvement in water use, we continue to face challenges due to a lack of public awareness on the need for water reduction, coupled with the low value of water in many of our markets which sometimes works as a disincentive to our reduction efforts. Such challenges have also constrained our ambition to be “water neutral” in water stressed regions, a commitment we are re-assessing for practicality and effectiveness. We continue to address this concern by raising awareness on the need for water saving solutions among our engineers, and in discussion of best practices through our publications and policies.



Managing Waste Thoughtfully

Population growth has resulted in an increase in the amount of waste generated, and with landfill space diminishing, raised the need for inventive waste management solutions. This is a challenge faced by many of our markets, as inadequate waste management practices can be a concern to the environment and health of the community. Our Group also proactively manages increasing regulation imposed by local governments in response to these issues.

Given the lack of suitable product or service alternatives, the nature of our operations produces waste that needs to be effectively managed. It is important that we reduce and manage the waste that we produce, encouraging both concepts of recycling and upcycling throughout the Group's operations.

In 2016, we developed a waste management manual to better monitor and manage our waste. This manual provides recommendations on first reducing and then diverting the waste that the Group produces. Best practice recommendations have been developed considering the various operational aspects, as well as possible costs and benefits for each recommendation. A waste management checklist was also included as part of the manual to assess yearly performance.

13. Water intensity of Tai Pan Laundry (15.76 litres per kilogram washed in 2016, slightly decreased from 16.14 in 2015) is excluded as its intensity is measured on different metrics from that of properties and clubs.

Food waste presents both social and environmental concerns, with this waste filling up landfills and producing methane, a significant greenhouse gas linked to climate change. To reduce and ensure the proper handling of food waste, we have initiated a number of measures:

- In The Peninsula Bangkok, we set up a partnership with the Scholars of Sustenance who pick up food waste on a daily basis and turn this into compost on their farm. This is then used to grow vegetables and food to support those in need.
- At The Peninsula Hong Kong we partnered with Food Link and Food Angel to donate surplus food, while a contractor collects and sends food waste to the Eco-Park for recycling.
- At The Peninsula New York, and Chicago, we installed on-site food waste recycling machines, while the Quail Lodge & Golf Club entered into a partnership for the composting of all its food waste.

We are pleased to note that five of our hotels and two of our clubs were successful in recycling or converting almost all of their food waste into other useful resources in 2016.

In 2016, our operations generated a total of 7,746 tonnes of waste, with waste diversion rate from landfills or incinerators at 42.2%, 0.4% increase from last year.

As we progress in the integration of sustainability throughout our operations, we now have a better understanding of the context and the challenges that we face. Our initial ambition was to reduce waste intensity by 25%, with waste metrics showing dry waste decreasing to around 3.3% from 2015 but an increase of 11.4% from baseline¹⁴ and wet waste increased to about 0.6% from 2015 and decreased 3.3% from baseline. These trends reflect the challenges we are facing on waste. For example, we are making our waste monitoring methodologies more consistent to ensure that data is robust and comparable across the Group. More fundamentally, we are committed to improving our efforts,

but are often constrained by a lack of public awareness and city-wide infrastructure in reducing waste and increasing recycling at some of our locations. We will continue to look into this issue and understand how we can implement effective solutions moving forward.

Food Safety

The safety and well-being of our guests and employees is of utmost importance to us. We have always prioritised food safety and have implemented robust systems to ensure compliance to our high standards. Where appropriate, we have sought to achieve food safety certifications such as the Hazard Analysis and Critical Control Points (HACCP)¹⁵ guidelines or its local equivalent in our operations.

This year, The Peninsula Paris achieved the HACCP+, which is a specification from its local certification agency. Six of our hotels, two of our clubs and The Repulse Bay currently hold certifications aligned with HACCP, with The Peninsula Bangkok also receiving the Food Safety System Certification 22000 and ISO 22000:2005¹⁶, the first in the Group to achieve all of these certifications.



14. Baseline for waste intensity is based on data from 2012.

15. HACCP is a system that helps to ensure food safety by examining the entire food preparation process and not simply the final product.

16. The Food Safety System Certification 22000 is based on the ISO 2200 standards encompassing the food safety requirements of the whole food supply chain.

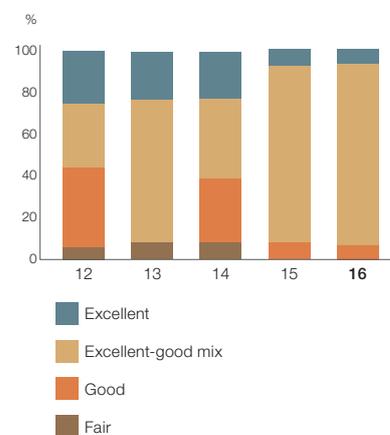
Healthy Indoor Air Quality

We closely manage the quality of air at our indoor spaces to maintain an environment that is conducive to the health and well-being of our guests and employees. Maintaining air quality standards can be challenging in cities with high levels of pollution, yet our systems and procedures ensure that our standards are consistently met. We address all air quality concerns by

installing specialist filters, conducting regular maintenance and controlling our ventilation systems. We also use less hazardous paints and cleaning products to create a healthy and comfortable working and living space.

A Group Indoor Air Quality (IAQ) was devised in 2012 and mandates that all operations assess their IAQ performance on an annual basis. In 2016, majority of our results were categorised at least at the Excellent-good mix.

Indoor Air Quality Assessment



PROGRESS ON VISION 2020 AMBITIONS

Achieve 10% absolute carbon emission reduction¹⁷

➔ 2016: at 11.9% reduction

Achieve 30% carbon intensity reduction

➔ 2016: at 30.0% reduction

Achieve 25% energy intensity reduction

➔ 2016: at 19.8% reduction

Achieve 25% water intensity reduction

➔ 2016: at 15.9% reduction for Hotels and at 4.4% for Properties and Clubs

Achieve 25% reduction on waste intensity from 2012 baseline

➔ 2016: at 11.4% increase for dry waste and 3.3% reduction for wet waste

Achieve 60% waste diversion rate

➔ 2016: at 42.2%

Achieve excellent rating in IAQ assessment for all operations

➔ 7% at excellent
➔ 87% at excellent-good rating

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

➔ Assessing feasibility and options

Achieve HACCP certification for all hotel operations

➔ 60% of hotels achieved HACCP/related certification

Operations located in water stressed regions to be "water neutral"

➔ Assessing feasibility and options

17. Baseline for carbon, energy and water is based on average of 2006-2008.

NEW BUILD & REFIT



Projects Group, HSH



In the beginning, it was very challenging for us to incorporate sustainability considerations into our already high quality and luxury standard requirements. Where would we start? How would we do it? Who can help us? Through research and collaboration with suppliers and partners, we managed to make progress, little by little. And now, we have become more intentional in the way we choose our materials.

It is satisfying to see that we are improving project-by-project in finding better approaches to solving technical issues. We started with two projects: the renovations of The Peninsula Hong Kong and Chicago. Then, we moved to The Peninsula Beijing renovation project where we followed similar principles and on top of that adopted the BREEAM scheme. We also went beyond what the Design Standards required, particularly in sourcing sustainable materials, and gained familiarity and hands-on experience with their applications.

What has been rewarding is seeing the team's work and renovated hotels transformed and come to life. We learn something new every single project and we will be bringing this knowledge to our future projects like Istanbul, London and Yangon.

Our hotels and other developments are constructed to appeal to a timeless aesthetic, one that showcases both our heritage and the traditions and culture of the cities where we operate. We also aspire for our properties to be iconic, built from materials that are both sustainable and enduring. As such, we pay close attention to design specifications and product standards in any new constructions or renovations to ensure that our high standards are met. This includes examining the fittings and furnishings, to ensure that they are luxurious, and where possible, sustainable, and resource-efficient.

Our Design Standards

We adopt the Building Research Establishment Environmental Assessment Method (BREEAM), one of the world's leading standards on green buildings, to mitigate our environmental impact. BREEAM is an assessment framework that allows us to better understand the environmental implications of our decisions, and provides us with guidance on how to create effective management processes and control systems. These procedures enable us to better monitor resource use during the construction phase, creating operational efficiencies in the use of energy, water, and waste.

During the design and construction phases we also continue to look for creative approaches to reduce waste, for example at The Peninsula Beijing, we upcycled waste marble and leather into coasters and other memorabilia.



📺 DID YOU KNOW?

Our philosophy has always been to design properties that are timeless in their style and are elegant, and The Peninsula Beijing has been no exception. Showcasing both modernity and a touch of tradition, some of China's renowned artisans were commissioned to contribute to the hotel's new design using timeless and luxurious materials inspired by Beijing's opulent imperial palaces. The hotel lobby was crafted to mirror Beijing's modern transformation, with guests entering through a traditional Chinese pailou archway – once only reserved for royalty – and are greeted by artworks from renowned Chinese artists such as Qin Feng and Zhang Du.



📺 Watch Our Video: [Unveiling The New Peninsula Beijing](#)



Working With Our Vendors

Our furnishings are bespoke and are designed to be both luxurious, sustainable, and long lasting. Given these unique requirements, it is not always easy to find ready-made products available for purchase, and hence we formed partnerships with trusted vendors and artisans. This helps to better align our suppliers with our needs, with site visits, physical checks and quality inspections conducted to ensure that all products meet the Group's high standards. Through our engagements we hope to drive continuous improvement and innovation amongst suppliers.

It is our aim to work with ISO 14001¹⁸ and OHSAS 18001 contractors if available in the countries where we have new build and refit projects.

Applying Sustainable Materials

In the use of interior furnishings, we aim to consider the entire product lifecycle and work closely with our design and procurement partners to emphasise that our products must be comfortable, luxurious and where possible, sustainable. For example, majority of the wood work and furniture that we used in The Peninsula Chicago and Beijing were sourced from sustainably managed forests¹⁹. Also for most applications we used low emitting volatile organic compound (VOC) glues, paints, wall coverings, and carpeting in our recent renovations in The Peninsula Beijing for a healthier indoor space. We aim to continue implementing these initiatives in future developments.

Our projects group and other teams conduct research to better understand the environmental impact of a product, also considering the mode of transport, and the production process to determine whether a selected item is sustainable. This helps us to make an informed choice when it comes to product selection. The materials that we choose must meet our high environmental and safety standards, contributing to the well-being and comfort of our guests. We aim to continue building on our research with sustainable materials and incorporate more recycled items in our interior finishes.



PROGRESS ON VISION 2020 AMBITIONS

All new buildings and major refits meet international green building guidelines

➔ *The Peninsula Chicago referred to BREEAM; targeting to receive certification for The Peninsula Beijing.*

In countries where qualified contractors are available, all main contractors appointed are ISO 14001 and OHSAS 18001 certified.

➔ *Included in initial supplier assessments*

All paints used for indoor environment are free of VOCs

➔ *As part of BREEAM implementation*



DID YOU KNOW?

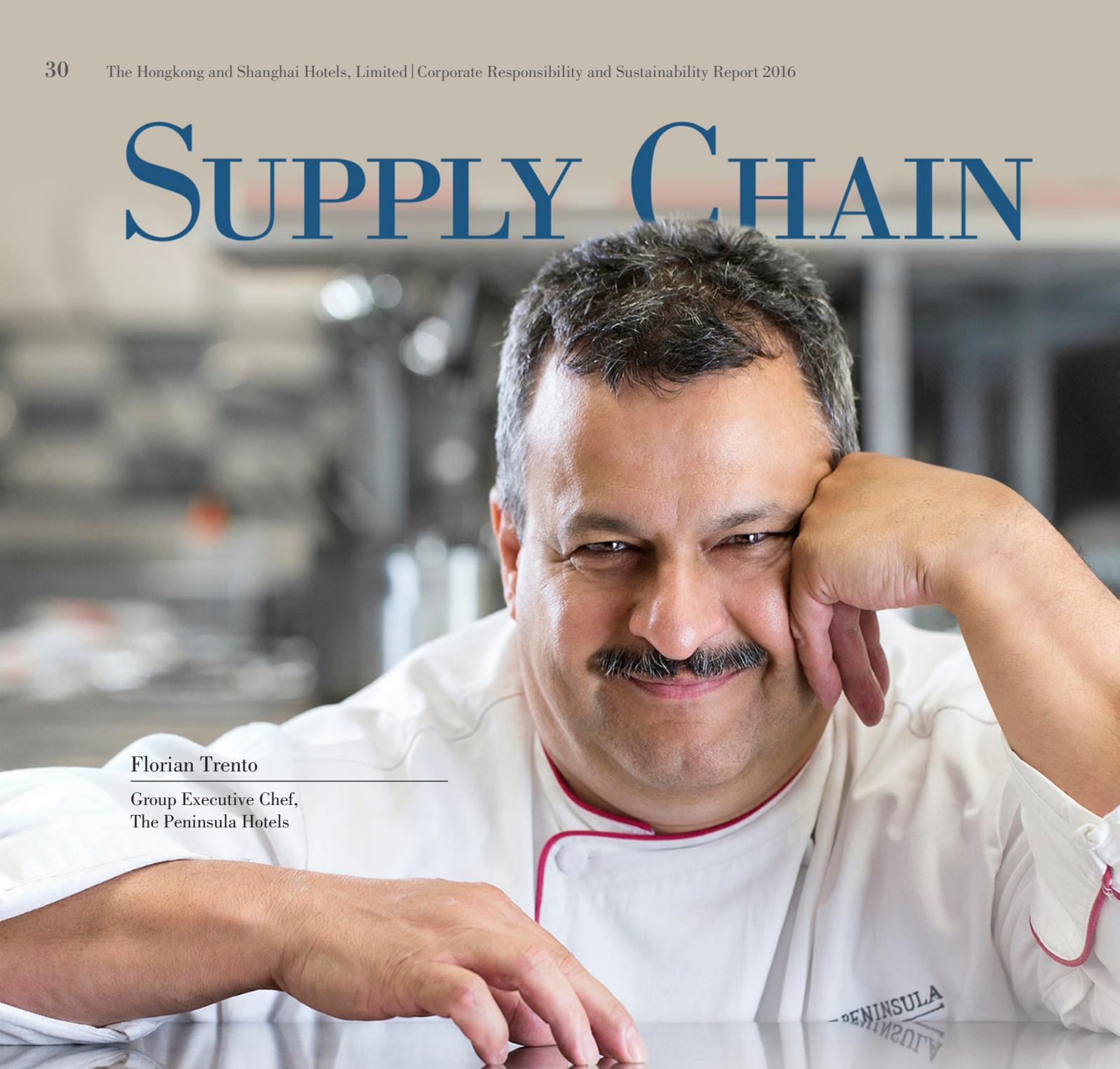
Our renovation of 21 Avenue Kléber in Paris, which is expected to be completed in the summer of 2017 has achieved international BREEAM Excellent class and the HQE Outstanding environmental certifications, which are the highest level of sustainable building certification and assessments in Europe.



18. ISO 14001 is an internationally recognised environmental management standard

19. Hardwood used on upholstered furniture is certified by SFI (Sustainable Forestry Initiative) while the supply of all the wood and medium density fibre board used in the mill-worked furnishings are certified by FSC (Forest Stewardship Council), the doors used in The Peninsula Beijing were certified to PEFC (Programme for the Endorsement of Forest Certification Schemes).

SUPPLY CHAIN



Florian Trento

Group Executive Chef,
The Peninsula Hotels



Food brings us together, and there is a lot of tradition in the way we eat and serve food, particularly in Asia. Yet if an item is simply not available, then there's no way that we are going to be able to serve it. It was my suggestion to remove the Humphead/Napoleon Wrasse from the menu in Spring Moon at The Peninsula Hong Kong; I noticed over a period of years that they were becoming smaller and smaller as they were being caught and sold without even reaching full maturity! It also goes without saying that sustainable sourced food is better, not just for the environment but also the local communities where these come from. I think it is important that we do not lose sight of the bigger picture with our food.

We try to procure from sustainable sources wherever possible, and work with our partners to identify and prepare sustainable seafood dishes that are just as beautifully crafted and sumptuous. It is certainly getting easier, there is more transparency and reliable certification with sustainable foods, while the resources available to us continue to grow. The progress made in just the last ten years has been immense and the future certainly looks encouraging.

Our aim is to make thoughtful and responsible choices to achieve and create luxurious and sustainable experiences for our guests. We work with our suppliers to identify and source services and products that not only are cost-efficient, but also demonstrate the idea of sustainable luxury, contributing to the effort of making sustainability desirable to our guests.

Given the nature of our business and our desire to maintain high standards, a significant portion of our impact lies in the food that we purchase. Where possible we aim to procure from local and sustainable sources so that we are empowering local communities, preserving ecological diversity within the natural environment, and reducing our indirect carbon and water footprints. To achieve these aims, we are developing a sustainable procurement guide outlining procurement principles and suggested alternatives for a variety of raw materials. Our HSH Supply Chain Code of Conduct also details the Group's expectations regarding the minimum responsible and sustainable business conduct of supply chain partners. This helps to mitigate supply chain risks within our sphere of influence. Elements of this code are included as part of our Purchasing and Tendering Procedures in procurement contracts in all operations across the Group.



Serving Food From Sustainable Sources

Food from sustainable sources can be grown and harvested with their environments in mind, considering the impact on biodiversity and the well-being of local communities. Some seafood dishes in particular are ingrained in the culture and heritage of communities in Asia, and we believe we must take a responsible approach to preserving marine ecosystems despite the challenges associated with cultural beliefs and traditions surrounding particular seafood items. Through our collaborations with WWF and the Monterey Bay Aquarium, as well as seafood suppliers, we seek to raise awareness and discover sustainable alternatives with the aim of contributing to the preservation of biodiversity and species for future generations.

DID YOU KNOW?

Over-fishing of certain species can lead to extinction and the disruption of our fragile marine eco-systems. As part of our Vision 2020, we are committed to removing critically endangered seafood species from our food offerings. In partnership with WWF, we are completing sustainability assessments of our seafood at our hotels based in Asia and The Repulse Bay in Hong Kong to better understand the conservation status of the seafood we serve. This exercise has raised our awareness of unsustainable fishing methods, and provided us with the opportunity to create a menu that is both sustainable and delicious.



HSH also acts to support the well-being of supplier communities through ethically sourced products. In partnership with Teesta Valley tea estate in India, HSH launched a range of Fairtrade certified The Peninsula signature tea blends. While it was an initial challenge to procure fair trade certified tea due to a general lack of certified products in the market, we hope to launch these line of teas in 2017. We have also introduced certified ethically sourced coffee at our hotels in Beijing, Beverly Hills, Hong Kong, New York, and Tokyo, as well as Quail Lodge & Golf Club and The Repulse Bay. We are also seeing progress in our certified²⁰ offerings for chocolate and classic tea.



Naturally Peninsula

Aligning with our sustainable luxury philosophy, *Naturally Peninsula* cuisine provides for our guests who want to live a balanced lifestyle, but do not want to compromise on taste. Through *Naturally Peninsula*, our chefs have applied their culinary artistry to develop a range of delicious, natural and sustainable modern dining options. The *Naturally Peninsula* menu follows nine principles that guide our chefs to a holistic view of healthy dining.



[Visit our website for more details](#)

One of the principles of the *Naturally Peninsula* philosophy is to be mindful of the food source and only use sustainable products. Ingredient origins have become increasingly important to our guests. We seek to address these concerns through our gardens found in suitable locations or local partnerships known as *Naturally Peninsula* farms to source locally grown and sustainable produce. Majority of our hotels now have these gardens or collaborations in place.

20. We refer to certified as those receiving certification from recognised standards such as Fairtrade, Rainforest Alliance, and other certifications accepted by local counterparts.

Working With Our Tea Supplier

Afternoon tea is a signature feature at our hotels worldwide. To align this long-observed ritual with our Sustainable Luxury ambitions, HSH sought to partner with tea suppliers that share our sense of consciousness, care and integrity. These common values underlie our business relationship with our business partner, the Teesta Valley Tea Company, one of India's oldest companies. Over the last 16 years, Teesta Valley has continued to provide us with high quality tea, produced to the standards of care and craftsmanship that we enjoy providing our guests.

Teesta Valley's care extends to its employees and communities. At their estates in rural India, they provide free housing to all permanent employees

and schooling for their workers' children. They also built health care facilities at each of their estates, where workers can benefit from complimentary treatments and medicines. Earning Fairtrade Certification was a natural next step, and a well-deserved acknowledgement of what our valuable partner was already doing.

Being able to contribute to our partner's positive impact on their local community demonstrates our commitment to sustainable luxury.



PROGRESS ON VISION 2020 AMBITIONS

Enforce the group-wide ban on shark fin

➔ Ongoing since 2012

Certified sustainable sourced paper products by 2017

➔ 2016: at 89.5%²¹

Remove critically endangered species from our food and beverages offerings

➔ In progress

Source 50% perishable produce locally

➔ 2016: 62.8%²²

Guestroom amenities made of sustainable materials

➔ Oscar de la Renta bathroom amenities are made from sustainable materials²³

>50% cleaning products used in operations are biodegradable

➔ 2016: at 89.9%

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

➔ In progress

Furnishings meet uncompromising quality and sustainability criteria

➔ Ongoing, as part of new build and refit ambitions

Procurement contracts comply with HSH Supplier Code of Conduct and verified by sample audit

➔ In progress

Rejuvenate Naturally Peninsula

➔ Achieved in 2015

21. Measured as a % dollar spent on paper, perishable goods and cleaning products

22. "Local sourcing" is currently defined as sourced nationally or in-country, including those represented by local distributors.

23. Contains no sodium lauryl sulphate, parabens, synthetic fragrance or other substances that may be harmful to human health, bottle and cap packaging is recyclable, paper packaging is FSC-certified.

COMMUNITY

Winvy Lung

Director of Public Relations,
The Peninsula Hong Kong



I feel extremely privileged to be involved in The Peninsula Hong Kong community programmes as it is where the Group was founded and because of this community, we have flourished. Of all the programmes that I have been involved with, the ones focused on the elderly have made the strongest impression. One standout moment was during a small birthday celebration for the elderly. Suddenly, one of the ladies started sobbing saying that this is the best day of her life – to have someone organise and celebrate her birthday was very touching because she lives alone. Her words and tears were moving and contagious, soon we were all crying! It's the small things that we do and the response that we get that really touches my heart.

The older generation's dedication is the cornerstone to Hong Kong's success. If it wasn't for their contributions, Hong Kong could not have achieved its international success as one of the most desired travel destinations in the world. So if it was not for them, The Peninsula Hong Kong would not be where it is today.

Throughout our 150-year history, we remain steadfast in our belief that our business and operations must have a positive impact on the local communities where we operate. Taking care of our local communities is simply the right thing to do.

150 Years of Community Engagement

Since our earliest days, we have maintained a longstanding commitment to community engagement and to honour this tradition and history, HSH has organised a number of “giving back to the community” events focused on work for underprivileged children, elderly and needy communities.

In Hong Kong, HSH collaborated with over 80 partner organisations to invite more than 1,000 underprivileged children and those with special needs to a memorable day at a children’s carnival at The Repulse Bay. The Peninsula Tokyo partnered with two local wards in Chiyoda-ku to send volunteers to elderly homes. The volunteers helped make up rooms and visited the elderly. The Peninsula Bangkok challenged other Peninsula hotels, HSH, and HSH-related companies to compete in the “Run for Children” fundraising event. The vertical run to the top of a 36-storey building included 150 runners from different operations and raised funds for a scholarship programme to support 25 students for six years, or a total of 150 years of education. These initiatives are a small sample of the numerous efforts that took place throughout 2016 during this momentous year in our history. Please refer to our 150th Community Summary in the Annual Report pages 87 to 90.



Reaching Out to Our Communities

The act of giving brings many positive returns to our business. Through our activities, staff across different operations, departments, ages, and levels are brought together in a collaborative environment that helps to reinforce teamwork and break down silos. Our volunteering and community initiatives also emphasise the manner and importance of delivering care, a skill that is integral in our day-to-day work.

Caring for others is at the core of HSH and this includes nurturing our communities. We hope that through our community partnerships we are able to address pressing social needs and reinforce our commitment to enduring positive impact. Our Vision 2020 ambitions collectively guide our aim to support the social, economic and cultural development of our communities. We recognise that different communities face distinct challenges, and for this reason each hotel and property tailors their efforts to match the

particular needs of their communities through local action plans. We also leverage the skills, talent and hard work of our team to maximise our positive impact. We conduct quarterly regional conference calls to monitor progress and share best practice, allowing teams to communicate successful solutions, suggest possible improvements, and facilitate collaboration across different operations.

In 2016, 21% of our employees across all operations contributed 15,394 hours of community service. To increase staff participation, we aim to introduce engaging volunteering and community investment initiatives. For example, The Peninsula Hong Kong encourages the participation of their staff's family members, this enables a strong support network and enhances the family culture in this operations. This initiative has increased volunteer rates from 25% to 40% since 2014.

WALK FOR MILLIONS

The Hong Kong and Kowloon Walk for Millions has been an annual tradition at HSH since 2009. Our CEO leads colleagues, family and friends in this 10km charity walk to support The Community Chest, a charity which offers services for underprivileged children and families in Hong Kong.



THE LIBRARY PROJECT

Since 2011, The Peninsula Shanghai has partnered with the Library Project to improve literacy by donating 5 libraries and over 4,000 books to rural schools in Anhui, Zhejiang, and Henan provinces. Our volunteers equip teachers with necessary teaching aids and our hotel's engineering team overhauling the school's lighting system.





Our community programmes have led to the cash donation of over HK\$4 million to different charities worldwide. We also provided in-kind sponsorships such as through the provision of event venues, hotel stays, spa treatments and dining experiences to worthy fundraising causes globally.

TREE-PLANTING AT A NATIONAL RESERVE

In 2016, Thai Country Club planted 1,500 trees in Khwae Rabom Si Yat Forest, a national reserve in Tha Takiab District in Chachoengsao Province.



LI ZHI REHABILITATION CENTRE

The Peninsula Beijing is a partner of the Li Zhi Rehabilitation Centre – assisting mentally disabled individuals. The volunteer team continues to visit the centre monthly to undertake repairs and skills development. The internship programme has placed 5 individuals in the Housekeeping team.



CHRISTINA NOBLE CHILDREN'S FOUNDATION

In partnership with the Christina Noble Children's Foundation, The Landmark Vietnam volunteers including guests and residents developed an activity for young ladies at Tho Trang Park based on the "Amazing Race" with physical and mental exercises.



Our Focus Areas

While the initiatives across our operations are diverse and varied to meet the needs of the local community, we have a general commitment to three main focus areas – education, health and livelihood with three groups of beneficiaries – elderly, underprivileged children and marginalised communities. Samples of our community activities are:

Enhancing educational and career opportunities

Our Honing Skills in Hospitality programme aims to overcome the challenges faced by ethnic minority youth in Hong Kong. The programme provides a platform through which students with an interest in the hospitality industry can access practical experience in the field. Students receive training and a 5-week internship and mentorship at our Hong Kong operations. This year, 11 students graduated from the Honing Skills in Hospitality programme and were invited to apply for open positions with our operations. Since 2013, we have 43 graduates from this programme.



HOPE
for the
PHILIPPINES

Global Partnership with Make-A-Wish Foundation

Since 2003, we have a global partnership with The Make-A-Wish Foundation (MAWF), where each hotel partners with a local MAWF chapter, which aims to “grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength and joy”²⁴. Our fundraising and community activities with MAWF are centred during the festive season, such as our annual Trees of Hope campaign. For the second year, luxury art collective Papinee designed a limited edition SnowPage plush toy available for sale at our Trees of Hope Gingerbread House, along with the classic SnowPage plush toy and glass tree ornament. Our food and beverage outlets also participate through a variety of promotions including the Teas of Hope Classic Afternoon Tea and the Cocktails of Hope.

Reconstructing after Typhoon Haiyan

In 2013, some communities in the Philippines were devastated by Severe Typhoon Haiyan leaving a large number of families without homes or livelihoods. Our US and Asia based operations responded with the Hope for the Philippines campaign that raised HK\$7 million to construct new homes and communities for victims from the coastal town of San Roque in the Eastern Visayas region. In collaboration with our local partner charity, Gawad Kalinga Community Development Foundation, we identified a site near Tanauan for construction and despite delays due to two strong typhoons in early 2015, the first phase of 75 homes were built. These homes were occupied in late 2015 and early 2016.



24. From The Make-A-Wish Foundation International website: www.worldwish.org

Bringing Colour to Our Communities

The cultural development of our communities contributes to the vibrant cities where we operate. We share a passion for the arts with guests. We believe that art reflects the personality of a community and has the power to enhance its beauty.

Each of our cities is an art capital and we highlight this by inviting international artists to exhibit their work at The Peninsula hotel locations. Our art displays celebrate and feature the creativity of our dynamic cities by showcasing the works of local artists at each of our properties for guests and local communities to enjoy. At The Peninsula Hong Kong, *Love Art at The Peninsula* programme showcases art that has never been publicly exhibited in Asia before, and features compelling artistic talks, events and outreach activities surrounding both the artist and the work which aim to bring public art to the fore, while reinforcing Hong Kong's status as a burgeoning global arts hub. While at The Peninsula Beijing, the "Art Residency" programme, the first and only one of its kind in China, aims to nurture emerging artistic talents in conjunction with the Museum of Contemporary Art Beijing and provides artists with a three-month residency in Beijing, staying at a newly created apartment and studio at the hotel's 14th floor. Their works will then be showcased at the hotel's Art Gallery for public viewing.



Watch Our Videos: Love Art at The Peninsula



PROGRESS ON VISION 2020 AMBITIONS

Contribute 100,000 hours of community service by 2020

➔ *Since 2013 accumulated 46,880 hours*

Engage 10% of employees in community service

➔ *2016: at 21% of employees engaged*

Develop Group "Impact" programmes on global and regional levels

➔ *In progress*

All hotel operations have at least one "Impact" programme.

➔ *In progress*

All hotel and property operations annually organise at least one cause marketing campaign

➔ *Peninsula in Pink for breast cancer and Trees of Hope during the festive season*

Empower disadvantaged youth and marginalised groups in communities where we operate

➔ *Honing Skills in Hospitality programme for ethnic minority youth in Hong Kong*

The Peninsula Academy provides opportunities for guests to appreciate and care for the local community and environment.

➔ *In The Peninsula Hong Kong and Bangkok, Peninsula Academy programmes showcase the ecological heritage and biodiversity of these locations.*



LOOKING AHEAD & BEYOND



INDEPENDENT ASSURANCE REPORT

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited (“HSH”) to undertake a limited assurance engagement on identified elements (“Identified Elements”) of the Corporate Responsibility and Sustainability Report and Data Statements 2016 of HSH (further referred to as “the Report”) for the year ended 31 December 2016 being prepared in accordance with the Reporting Criteria.

Identified Elements of the Report

The Identified Elements are as follows:

- The following data points and relevant narratives included in the Report on pages 4 to 39
- The following data points as included in the Data table on pages 43 to 47

Economic	People	Safety	Environment
Revenue (incl. interest income)	Headcount	Health and safety training	Greenhouse gas emissions
Operating costs	Turnover	Injury rate	Group carbon intensity
Employee wage and benefits	Headcount by gender	Lost day rate	Total energy use
Capital expenditure			Energy intensity
Payments to providers of capital			Direct water consumption
Tax payments to governments			Water intensity
Total floor area			Waste generated
Total number of guest nights			Waste recycled

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 Reporting Criteria, being the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx ESG Guide”) and the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”). This responsibility also includes designing, implementing and maintaining 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 as performed over the Identified Elements of the Report. 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. 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.

Basis of Our Work

We conducted our work in accordance with the 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 require the assurance team to possess the appropriate knowledge, skills and professional competencies needed to perform the assurance engagement.

Our Independence and Quality Control

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. We have complied with the independence and other requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Work Performed

Our limited assurance engagement on the Identified Elements of the Report consists of making inquiries, primarily of persons responsible for the preparation of Identified Elements presented in the Corporate Responsibility and Sustainability Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Conducting interviews with management and staff responsible for the collection and review of Identified Elements at HSH Head Office to obtain an understanding of the information collection process;
- Attending a site visit to understand the data collection processes used to gather and review Identified Elements included in the Report;

- Examining and testing the systems and processes in place to generate, aggregate and report the Identified Elements;
- Agreeing the Identified Elements, on a sample basis, to underlying calculations and supporting schedules;
- Performing an analytical review of data provided by each operation and investigating, through discussion with management, key movements compared to prior year, expectations and targets;
- Comparing the definitions as included in the HKEx ESG Guide and the GRI Standards against the definitions used by HSH to prepare the metrics;
- Reading the Sustainability Reporting Content Index on pages 48 to 52 to determine whether it is in line with our understanding of HKEx ESG Guide and the GRI standards;
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of the sustainability performance of HSH.

Conclusion

Based on the limited assurance procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Identified Elements, as described above, of the Corporate Responsibility and Sustainability Report and Data Statements 2016 of HSH for the year ended 31 December 2016, are not prepared, in all material respects, in accordance with the Reporting Criteria.



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

20 March 2017

SUSTAINABILITY DATA STATEMENTS

This section provides statistical information on the Group's sustainability performance. To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the HKEx ESG and GRI Standards.

1. Performance Highlights ⁽¹⁾

		2016	2015	2014	2013	2012	2006-08 baseline	
Economic	Revenue (incl. interest income)	HK\$m	5,668	5,797	5,903	5,554	5,234	–
	Operating costs	HK\$m	2,134	2,142	2,168	2,164	2,051	–
	Employee wage and benefits	HK\$m	2,108	2,063	2,052	1,951	1,842	–
	Capital expenditure	HK\$m	2,479	1,379	354	3,183	985	–
	Payments to providers of capital	HK\$m	239	217	211	372	227	–
	Tax payments to governments ⁽²⁾	HK\$m	410	480	458	362	437	–
	Total floor area	'000 m ²	651	651	651	588	588	518
	Total number of guest nights	'000	1,262	1,256	1,277	1,211	1,122	1,119
People	Headcount		7,985	8,447	8,728	8,216	8,006	–
	Turnover	%	22.0%	22.6%	19.9%	20.3%	19.2%	–
	Headcount by Gender	% Female	42.6%	42.8%	42.3%	41.5%	41.0%	–
	Average training spend ⁽³⁾	HK\$	3,205	3,048	2,322	2,602	2,645	–
Health and Safety	Training	'000 hours	26	32	16	19	17	–
	Health and safety training							
	Safety							
	Injury rate ⁽⁴⁾	reported incidents per 200,000 hours	8.3	7.9	7.4	7.2	7.6	–
	Lost day rate ⁽⁴⁾	reported days per 200,000 hours	45.6	57.0	75.6	77.1	52.5	–
	Absentee rate ⁽⁵⁾	reported days/total days worked	1.9%	2.0%	1.9%	1.8%	–	–
Environment	Greenhouse gas emissions	'000 tCO ₂ e	103	107	116	112	115	117
	Group carbon intensity	kg CO ₂ e per m ²	158	164	178	190	196	226
	Total energy use ⁽⁶⁾	'000 GJ	866	892	871	843	842	858
	Energy intensity ⁽⁶⁾	MJ per m ²	1,329	1,369	1,338	1,434	1,433	1,658
	Energy saved through reduction initiatives	GJ	4,522	6,644	6,517	10,383	35,711	–
	Direct water consumption	'000 m ³	1,776	1,899	1,880	1,846	1,795	1,921
	Water intensity							
	Hotels Division	litres per guest night	1,154	1,168	1,132	1,181	1,257	1,373
	Commercial Properties, Clubs & Services Division	litres per m ²	1,638	1,752	1,765	2,012	1,888	1,712
	Water recycled and other water sources	'000 m ³	613	137	124	126	122	–
Waste generated ⁽⁶⁾	tonnes	7,746	7,832	7,778	7,101	6,861	–	
Waste recycled ⁽⁶⁾	tonnes	3,270	3,294	3,219	2,772	2,559	–	
Community	Monetary Donations ⁽⁹⁾	HK\$ '000	4,232	6,273	4,197	8,900	2,843	–
	Community Outreach							
	Service hours	hours	15,394	13,160	11,124	7,350	7,332	–
	Employee volunteers		1,658	1,366	929	788	584	–

(1) Please refer to Reporting Scope on page 1 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 2016. This does not include 326 lost days of the 2 open cases from CX Lounges. 2011 and 2012 injury and lost day data did not include Quail Lodge & Golf Club.

(5) Absentee rate recorded from 2015 onward 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 2016 was 42.2%. Grease trap waste and construction waste were not included in the waste data reported.

(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

	2016			2015			2014			2013			2012			
	Hotels ⁽¹⁾	Commercial Properties, Clubs & Services ⁽²⁾	Total	Hotels ⁽¹⁾	Commercial Properties, Clubs & Services ⁽²⁾	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	Hotels	Commercial Properties, Clubs & Services	Total	
Workforce Demographics	Total Headcount⁽³⁾	6,391	1,594	7,985	6,453	1,994	8,447	6,668	2,060	8,728	6,202	2,014	8,216	6,158	1,848	8,006
	by Employment Types															
	Full-time ⁽⁴⁾	6,121	1,353	7,474	6,178	1,666	7,844	6,300	1,632	7,932	5,877	1,634	7,511	5,612	1,557	7,169
	Part-time & Casual	270	241	511	275	328	603	368	428	796	325	380	705	546	291	837
	by Type of Contracts															
	Permanent or At Will contract ⁽⁵⁾	6,293	1,468	7,761	6,382	1,747	8,129	6,570	1,702	8,272	6,151	1,760	7,911	6,018	1,649	7,667
	Fixed term or temporary contracts	98	126	224	71	247	318	98	358	456	51	254	305	140	199	339
	by Geographical Locations															
	Asia	4,314	1,398	5,712	4,374	1,803	6,177	4,573	1,863	6,436	4,724	1,832	6,556	4,703	1,693	6,396
	Non-Asia	2,077	196	2,273	2,079	191	2,270	2,095	197	2,292	1,478	182	1,660	1,455	155	1,610
	by Gender															
	Male	56.5%	60.8%	57.4%	57.5%	56.0%	57.2%	58.3%	55.9%	57.7%	58.5%	58.5%	58.5%	58.3%	61.3%	59.0%
Female	43.5%	39.2%	42.6%	42.5%	44.0%	42.8%	41.7%	44.1%	42.3%	41.5%	41.5%	41.5%	41.7%	38.7%	41.0%	
by Management Role																
Management	7.7%	6.7%	7.5%	6.7%	6.1%	6.6%	6.1%	5.0%	5.8%	6.0%	5.1%	5.8%	7.5%	5.6%	7.1%	
Non-management	92.3%	93.3%	92.5%	93.3%	93.9%	93.4%	93.9%	95.0%	94.2%	94.0%	94.9%	94.2%	92.5%	94.4%	92.9%	
Management Hired from Local Community (%)	64.7%	80.4%	67.5%	70.8%	82.0%	73.3%	69.8%	86.3%	73.1%	69.2%	89.2%	73.5%	59.5%	78.1%	62.9%	
Employees Receiving Regular Performance Reviews (%)⁽⁶⁾	96.4%	97.4%	96.6%	91.0%	96.7%	92.2%	91.3%	83.9%	89.8%	93.3%	98.3%	94.4%	89.2%	96.9%	90.8%	
Employees under Collective Bargaining	21.3%	13.7%	19.8%	21.5%	10.6%	18.9%	21.2%	10.3%	18.6%	13.9%	10.0%	12.9%	13.9%	9.6%	12.9%	
Turnover	Total Staff Turnover Rate⁽⁷⁾	20.9%	26.3%	22.0%	21.1%	28.1%	22.6%	17.9%	27.8%	19.9%	18.3%	26.0%	20.3%	18.3%	21.1%	19.2%
	by Geographical Locations															
	Asia	21.0%	26.5%	22.4%	21.2%	28.7%	23.2%	18.2%	28.2%	20.7%	19.3%	24.9%	20.8%	20.3%	21.6%	20.6%
	Non-Asia	20.6%	23.8%	20.8%	21.0%	19.7%	20.9%	17.2%	22.6%	17.5%	15.2%	43.8%	17.2%	11.7%	11.5%	11.7%
	by Gender															
	Male	20.5%	25.2%	21.4%	19.5%	26.4%	21.0%	17.1%	27.7%	19.3%	16.9%	25.2%	18.9%	18.5%	18.9%	18.6%
	Female	21.4%	27.9%	22.7%	23.4%	30.5%	24.9%	19.0%	28.0%	20.8%	19.7%	29.3%	21.7%	17.8%	28.0%	19.9%
	by Age Group															
	Under 30 years old	35.1%	28.9%	34.3%	36.5%	40.1%	37.0%	31.0%	44.6%	33.0%	28.7%	44.0%	31.1%	35.6%	41.8%	36.6%
	30 to 50 years old	16.6%	23.1%	17.8%	16.1%	23.4%	17.5%	13.6%	23.6%	15.6%	14.8%	23.1%	16.6%	11.3%	18.8%	12.9%
	Over 50 years old	11.6%	30.0%	17.5%	13.3%	29.5%	18.6%	8.9%	23.9%	13.5%	9.7%	21.7%	13.9%	7.8%	15.4%	10.5%
	New Hires	Total New Hires	1,283	337	1,620	1,232	438	1,670	1,629	498	2,127	1,245	520	1,765	1,256	460
by Geographical Locations																
Asia		896	288	1,184	816	421	1,237	705	443	1,148	1,008	435	1,443	1,026	343	1,369
Non-Asia		387	49	436	416	17	433	924	55	979	237	85	322	230	117	347
by Gender																
Male		677	211	888	639	205	844	946	243	1,189	658	272	930	703	258	961
Female		606	126	732	593	233	826	683	255	938	587	248	835	553	202	755
by Age Group																
Under 30 years old		798	105	903	747	115	862	914	206	1,120	692	193	885	835	174	1,009
30 to 50 years old		448	153	601	431	225	656	642	186	828	490	239	729	397	200	597
Over 50 years old		37	79	116	54	98	152	73	106	179	63	88	151	24	86	110
Parental Leave		Took Parental Leave														
	Male	79	20	99	83	24	107	67	18	85	52	6	58	61	10	71
	Female	128	18	146	116	15	131	100	13	113	83	7	90	110	13	123
	Returned to Work After Taking Parental Leave															
	Male	91%	100%	93%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Female	65%	93%	68%	68%	87%	70%	59%	70%	60%	69%	86%	70%	87%	91%	88%
Returned and Still Employed After 12 Months																
Male	85%	86%	85%	93%	94%	93%	92%	100%	93%	89%	100%	91%	98%	86%	97%	
Female	74%	88%	76%	64%	62%	64%	80%	60%	79%	78%	88%	79%	95%	89%	95%	
Training	Average training spend (HK\$)⁽⁸⁾	3,555	1,728	3,205	3,461	1,618	3,048	2,662	1,042	2,322	3,222	690	2,602	2,974	1,197	2,645
	Employee training ('000 hours)⁽⁹⁾	88	17	104	105	13	118	90	15	105	-	-	-	-	-	-
	Health and Safety Training ('000 hours)	17	9	26	21	12	32	9	7	16	12	7	19	11	6	17
Health & Safety	Total Injury Rate⁽¹⁰⁾	9.2	5.3	8.3	9.0	4.5	7.9	8.2	4.8	7.4	7.7	5.4	7.2	8.6	4.6	7.6
	by Geographical Locations															
	Asia	5.6	4.3	5.3	5.2	3.2	4.6	5.0	3.9	4.7	5.1	4.4	5.0	6.3	4.6	5.8
	Non-Asia	18.5	18.5	18.5	19.6	24.6	19.9	19.0	19.9	19.1	18.3	25.0	18.7	17.6	-	17.6
	by Gender															
	Male	9.5	5.4	8.6	8.3	4.5	7.4	7.7	4.8	6.8	-	-	-	-	-	-
	Female	8.7	5.3	8.0	10.0	4.4	8.6	9.3	5.8	8.1	-	-	-	-	-	-
	Total Lost Day Rate⁽¹⁰⁾	45.6	45.7	45.6	49.5	79.8	57.0	64.2	109.4	75.6	67.5	116.1	77.1	41.4	85.7	52.5
	by Geographical Locations															
	Asia	27.6	48.7	33.0	34.3	84.8	49.2	49.6	113.8	68.3	54.3	120.6	69.2	28.3	85.7	45.3
	Non-Asia	93.7	7.7	88.0	91.8	0.8	85.5	113.4	39.1	107.4	122.8	27.8	117.3	93.0	-	93.0
	by Gender															
Male	39.0	60.1	43.7	23.9	56.4	31.8	45.5	85.7	55.7	-	-	-	-	-	-	
Female	55.1	22.3	48.5	87.2	113.7	93.7	91.8	145.9	105.1	-	-	-	-	-	-	
Total Absentee Rate⁽¹¹⁾	1.9%	2.0%	1.9%	2.0%	1.9%	2.0%	1.9%	2.1%	1.9%	1.8%	1.9%	1.8%	1.8%	1.9%	1.8%	
by Geographical Locations																
Asia	1.7%	2.0%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.9%	1.8%	1.8%	1.9%	1.8%	
Non-Asia	2.5%	0.8%	2.4%	2.2%	2.6%	2.2%	1.8%	5.1%	2.1%	1.8%	1.2%	1.7%	-	-	-	
by Gender																
Male	1.5%	1.8%	1.6%	1.5%	1.4%	1.5%	1.5%	1.8%	1.6%	-	-	-	-	-	-	
Female	2.4%	2.2%	2.4%	2.6%	2.7											

3. Environmental and Community Performance

		2016			2015			2014			2013			2012			2006-2008				
		Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services ⁽¹⁾	Total	Hotels	Commercial Properties, Clubs & Services	Total		
Environment	Greenhouse gas emissions⁽²⁾	'000 tCO ₂ e	83	20	103	86	21	107	95	21	116	92	20	112	95	20	115	92	25	117	
	Scope 1 emission	'000 tCO ₂ e	15	7	23	15	7	22	16	7	23	15	7	22	19	6	25	17	8	25	
	Scope 2 emission	'000 tCO ₂ e	68	13	80	70	14	84	79	15	93	77	13	90	77	14	91	75	17	92	
	Carbon intensity	kg CO ₂ e per m ²	170	122	158	176	128	164	194	130	178	206	140	190	214	142	196	244	177	226	
	Total energy use^{(3) (4)}	'000 GJ	707	159	866	725	167	892	705	166	871	689	154	843	701	141	842	705	153	858	
	Direct energy use	'000 GJ	194	85	279	194	90	284	199	88	287	197	84	281	212	73	285	214	69	283	
	Indirect energy use	'000 GJ	513	74	587	531	77	608	506	78	584	492	70	562	489	69	558	491	84	575	
	Energy intensity	MJ per m ²	1,452	967	1,329	1,489	1,017	1,369	1,448	1,011	1,338	1,542	1,091	1,434	1,568	1,003	1,433	1,865	1,097	1,658	
	Direct water consumption⁽⁵⁾	'000 m ³	1,374	402	1,776	1,467	432	1,899	1,446	434	1,880	1,430	416	1,846	1,411	384	1,795	1,536	385	1,921	
	Water intensity (Hotels Division)⁽⁶⁾	litres per guest night	1,154	–	–	1,168	–	–	1,132	–	–	1,181	–	–	1,257	–	–	–	1,373	–	–
	Water intensity⁽⁷⁾ (Commercial Properties, Clubs & Services Division)	litres per m ²	–	1,638	–	–	1,752	–	–	1,765	–	–	2,012	–	–	1,888	–	–	–	1,712	–
	Water recycled and other water sources⁽⁸⁾	'000 m ³	128	485	613	132	5	137	122	2	124	121	6	126	122	–	122	–	–	–	
	Waste generated⁽⁹⁾	tonnes	6,447	1,299	7,746	6,653	1,179	7,832	6,671	1,107	7,778	6,021	1,080	7,101	5,946	915	6,861	–	–	–	
Waste recycled⁽⁹⁾	tonnes	3,146	124	3,270	3,118	176	3,294	3,127	92	3,219	2,641	131	2,772	2,502	57	2,559	–	–	–		
Emission of ozone depleters	kg CFC-11e	26.3	7.9	34.2	37.5	8.2	45.7	65.6	5.9	71.5	50.0	18.4	68.3	57.1	15.5	72.6	157.0	141.3	298.3		
Community	Monetary donations	HK\$ '000	3,193	1,039	4,232	5,726	547	6,273	3,408	789	4,197	8,659	241	8,900	2,514	329	2,843	–	–	–	
	Company donations ⁽¹⁰⁾	HK\$ '000	2,169	243	2,413	1,973	257	2,230	1,225	285	1,510	7,725	87	7,812	1,493	44	1,537	–	–	–	
	Donations by employees and customers	HK\$ '000	1,024	795	1,819	3,753	290	4,043	2,183	504	2,687	934	155	1,088	1,021	285	1,306	–	–	–	
	Community outreach																				
	Service hours	hours	11,936	3,458	15,394	11,095	2,065	13,160	9,380	1,745	11,124	6,421	929	7,350	6,248	1,084	7,332	–	–	–	
Employee volunteers		1,294	364	1,658	1,097	269	1,366	786	143	929	705	83	788	501	83	584	–	–	–		

(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. 2016 Scope 2 GHG emissions data presented above are calculated based on the market-based method as per the GHG Protocol Scope 2 Guidance (2016 location-based Scope 2 GHG emissions was 89,483 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.

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

(5) Direct water consumption refers to water obtained from municipal source; water captured directly are reported under recycled and other water sources.

(6) Includes all water uses in the hotels, not just those used by guests directly.

(7) Water intensity of Tai Pan Laundry (15.76 litres per kilogram washed in 2016, slightly decreased from 16.14 in 2015) is excluded as its intensity is measured on different metrics from that of properties and clubs.

(8) Lake water consumption and recycled water purchased from factory at Thai Country Club, as well as well water consumption at Quail Lodge & Golf Club have been included in Recycled Water and Other Water Source since 2016.

(9) Group waste diversion rate in 2016 was 42.2%. Grease trap waste and construction waste were not included in the waste data reported.

(10) Donations reported have not included HSH's yearly contribution to the Hong Kong Heritage Project which is an archive project for preserving valuable historical records of the Kadoorie family and its businesses.

SUSTAINABILITY REPORTING

CONTENT INDEX (GRI AND HKEEx ESG)

In developing this report, we followed two reporting standards, the HKEEx ESG Guide (revised in December 2015) and the Standard Disclosures from the three universal standards of the GRI (GRI Standards) (launched in November 2016). Details of the GRI Standards can be found at www.globalreporting.org/standards.

KPMG was commissioned to conduct assurance of this report and to provide an independent limited assurance opinion on whether the reported information complies with the ESG Guide and contains the Standard Disclosures of the GRI Standards. Details of its report can be found on pages 41 to 42.

In case of any discrepancy in the disclosures between the HKEEx ESG Guide or GRI Standards, the former shall take precedence due to the Company's disclosure obligation as per its listing in the HKEEx. References to the 2016 Annual Report in the page number column are abbreviated as "AR".

GRI Standards	ESG Guide	Page Number	Remarks
GRI 102: General Disclosures			
Organisational Profile			
102-1	–	2-3	
102-2 to 102-7; 102-10	–	44-45, 54, AR 4-12	
102-8	B1.1	44-45	
102-9	–	30-33	
102-11	–	8	
102-12	–	–	We are a signatory of WWF's No Shark Fin Corporate Pledge
102-13	–	7-8	
Strategy			
102-14	–	2-3	
Ethics and Integrity			
102-16	–	9	
-	B7.2, B4.1, B4.2	9	
Governance			
102-18	–	7, AR 123, AR 133	
Stakeholder Engagement			
102-40	–	AR 135-137	
102-41	–	44-45	
102-42	–	AR 135-137	
102-43	B5 B5.2	AR 135-137	
102-44	–	1, AR 135-137	

GRI Standards	ESG Guide	Page Number	Remarks
Reporting Practices			
102-45	–	1, AR 4-7	
102-46	–	1, 4-5	
102-47	–	4-5	
102-48	–	–	Restatements of information: None
102-49	–	45 (Footnote 2)	
102-50	–	1	
102-51	–	–	Date of most recent report: 2015 Corporate Responsibility and Sustainability Report
102-52	–	–	Reporting cycle: Annual
102-53	–	54	
102-54	–	–	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	–	48-52	
102-56	–	1, 41-42	

Material Issues	GRI Standards	ESG Guide	Page Number	Remarks
GRI 200: Economic				
Economic performance	103-1,103-2, 103-3	–	AR 170-224	
	201-1	B8.2	43, AR 170-224	
	201-3	–	AR 200-203	
Market Presence	103-1,103-2, 103-3	–	AR 4-7	
	202-2	–	44-45	
Procurement Practices	103-1,103-2, 103-3	–	30-33	
	204-1	–	33 (Footnote 22)	Local suppliers are estimated to account for over 70% of the overall procurement spent on the Group.
	–	B5.1	–	Number of suppliers by geographical region: Asia- Pacific: 5,381; Americas: 3,213; Europe: 839; Others: 72
Anti-corruption	103-1,103-2, 103-3	–	9	
	205-3	B7, B7.1	9	

Material Issues	GRI Standards	ESG Guide	Page Number	Remarks
GRI 300: Environmental				
Energy	103-1,103-2, 103-3	A2	21-22, 26-27	
	302-1, 302-4 302-3	A2.1, A2.3 A2.1	21-22 22, 46-47	
Water	103-1,103-2, 103-3	–	21-23, 27	
	303-1	A2.2	46-47	
	–	A2.4	22-23	
Emissions	103-1,103-2, 103-3	–	21-22	
	305-1; 305-2	A1.1, A1.2	22, 46-47	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.
	305-4, 305-5	A1.2 A1.5	22 22, 46-47	Please also refers to response to 305-1 and 305-2
	305-6	A1.1	22, 46-47	Please also refers to response to 305-1 and 305-2
Effluents and Waste	103-1,103-2, 103-3	–	21-23, 27	
	306-2	A1.3-A1.4	46-47	The total weight of waste by type and by disposal method is currently under assessment and not disclosed in this report.
Products & Services	103-1,103-2, 103-3	–	21-23, 26-29, 30-33	
Compliance (EN)	103-1,103-2, 103-3	–	6-9	
	307-1	A1	–	No significant fines or non-monetary sanctions for non-compliance recorded in 2016.

Material Issues	GRI Standards	ESG Guide	Page Number	Remarks
GRI 400: Social				
Employment	103-1,103-2, 103-3	–	14-19	
	401-1, 401-3	B1.2	44-45	
Labour and Management Relations	103-1,103-2, 103-3	–	14-19	
	402-1	–	–	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 1 to 12 weeks. This is also specified in collective bargaining agreements where they apply.
Occupational Health & Safety	103-1,103-2, 103-3	–	18	
	403-2	B2.1, B2.2	44-45	
Training and education	103-1,103-2, 103-3	–	15-17	
	404-3	–	44-45	
	–	B3.1	–	We provide training as part of one's role and training needs, regardless of gender, other diversity factors and management/non-management role.
	–	B3.2	–	Average training hours completed per employee was 13 hours. Breakdown into employee category has not yet been reported. Data collection mechanism is being considered. (Note: Training hours by gender is currently captured for health & safety training only.)
Diversity and equal opportunity	103-1,103-2, 103-3	–	18	
	405-1	B1.1	–	<p>Board Memberships Statistics:</p> <ul style="list-style-type: none"> by gender: 13% female and 87% male by age group: 93% over 50 years old <p>Employees Statistics:</p> <ul style="list-style-type: none"> by gender: Refer to page 44-45 by age group: turnover data only available for now, 2017 materiality exercise to assess whether material issue moving forward
Investment	103-1,103-2, 103-3	–	9, 15-16	
	412-2	–	9	
Non-discrimination	103-1,103-2, 103-3	–	17-19	
	406-1	–	18	

Material Issues	GRI Standards	ESG Guide	Page Number	Remarks
Freedom of Association and Collective Bargaining	103-1,103-2, 103-3	–	17-19	
	407-1	–	–	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.
Local communities	103-1,103-2, 103-3	–	13, 34-39	
	413-1	–	–	All operations had local community engagement programmes during the reporting year.
	–	B8.2	36-37	
Compliance	103-1,103-2, 103-3	–	6-9	
	419-1	B1, B2, B4		No non-compliance with law that resulted in significant fines or sanctions identified during the reporting period.
Customer Health & Safety	103-1,103-2, 103-3	–	18-19, 24-25	
	416-1	–	–	Health and safety impacts are assessed for improvement for all significant products and services.
	417-2	B6	–	No incident of non-compliance in the reporting year.
	–	B6.1	–	No products sold or shipped were subject to recalls for safety and health reasons.
Customer Privacy	103-1,103-2, 103-3	–	9	
	418-1	B6.5		http://www.peninsula.com/en/privacy-security
Compliance	103-1,103-2, 103-3	–	6-9	
	419-1	B6.2		No significant fines during the reporting period.
	–	A2.5	–	Due to change in methodology, 2017 materiality exercise to assess whether issue is material or not.
	–	B6.4		Once potentially unsafe 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.

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.
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
Carbon intensity	Amount of carbon dioxide released per unit to be normalised, eg CO ₂ per square metre
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.
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
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
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).
Injury rate	Represents the number of injuries per 100 equivalent employees per year. It is calculated based on: $\frac{\text{Total injuries}}{\text{Total hours worked}} \times 200,000^*$ <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	Represents the number of lost days per 100 equivalent employees per year. It is calculated based on: $\frac{\text{Total lost days}}{\text{Total hours worked}} \times 200,000^*$ <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>

Terms

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 companies' operations
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 engaging and informative, and we welcome your input and views: cr@hshgroup.com

For further information on our corporate responsibility and sustainability work, please visit:
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