



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

Corporate Responsibility and Sustainability Statement of Approach

Introduction

Our business thrives when our people and our communities do. As such, we remain committed that we have a positive social, economic and environmental benefit on the local communities and the wider societies in which we operate. This means doing more than just the bare minimum and striving to set an example globally by meeting society's evolving expectations.

While we have communicated and documented our Corporate Responsibility and Sustainability (CRS) approach annually through the publication of the [CRS Report](#) since 2007, this separate statement of approach, which is updated on an annual basis, is written for key stakeholders who prefer receiving this information in this manner. This statement provides an overview of the CRS initiatives taken across the Group and covers all operations which are part of The Hongkong and Shanghai Hotels (HSH). For more detailed information on HSH, please see: <https://www.hshgroup.com/en/our-businesses>.

Governance

We regard the integration of sustainability as a sensible and necessary business decision that benefits the overall value of the Group in both the short and long term. Through the initiative of our Chief Executive Officer (CEO), Mr Clement Kwok, we developed our approach to sustainability, with the oversight and support of our Chairman, The Hon. Sir Michael Kadoorie and our Board.

The Group Corporate Responsibility Committee (GCRC), chaired by the CEO, has been delegated by the Group Management Board (GMB) to manage all aspects of the implementation of our sustainability approach. GMB, also headed by the CEO and comprised of other executives and senior management, is the principal decision-making body responsible for management and day-to-day business of the group and reports to the Board.

The Board oversees our management of sustainability issues through regular engagement and updates from GCRC. While we do not have a separate sustainability committee at board level, throughout the year, the Board, its committees and interested Board members review the Group's sustainability approach, strategy and performance. In 2019, the following CRS topics were discussed at Board level: CRS Report, Vision 2020 performance, sustainability communications, approach to the new strategy, materiality process and results (refer to page 10) and anti-modern slavery statement. Specifically, on our Vision 2020 progress, the Board is provided with a yearly update, with the Executive Committee receiving reports on our progress including commentary on a quarterly basis.

To enable the integration and cross-functional implementation of sustainability into the business, the GCRC is comprised of Group Champions, who are the functional heads representing different aspects of the business including finance, human resources, operations, legal, corporate affairs, sales and marketing and projects.

The GCRC is supported by the Corporate Responsibility and Sustainability (CRS) Department, headed by the Director of Group CRS, who reports directly to the CEO, to coordinate and formalise sustainability efforts across the Group. The Director of Group CRS regularly reports to the Board and GMB and updates the Group Risk Committee on environmental and social risks related to the business. The Director of Group CRS also coordinates CRS-related risk mitigation actions across the Group.

Depending on the severity of these risks, these can be escalated to the Group Risk Committee, Audit Committee and the Board for reference or action.

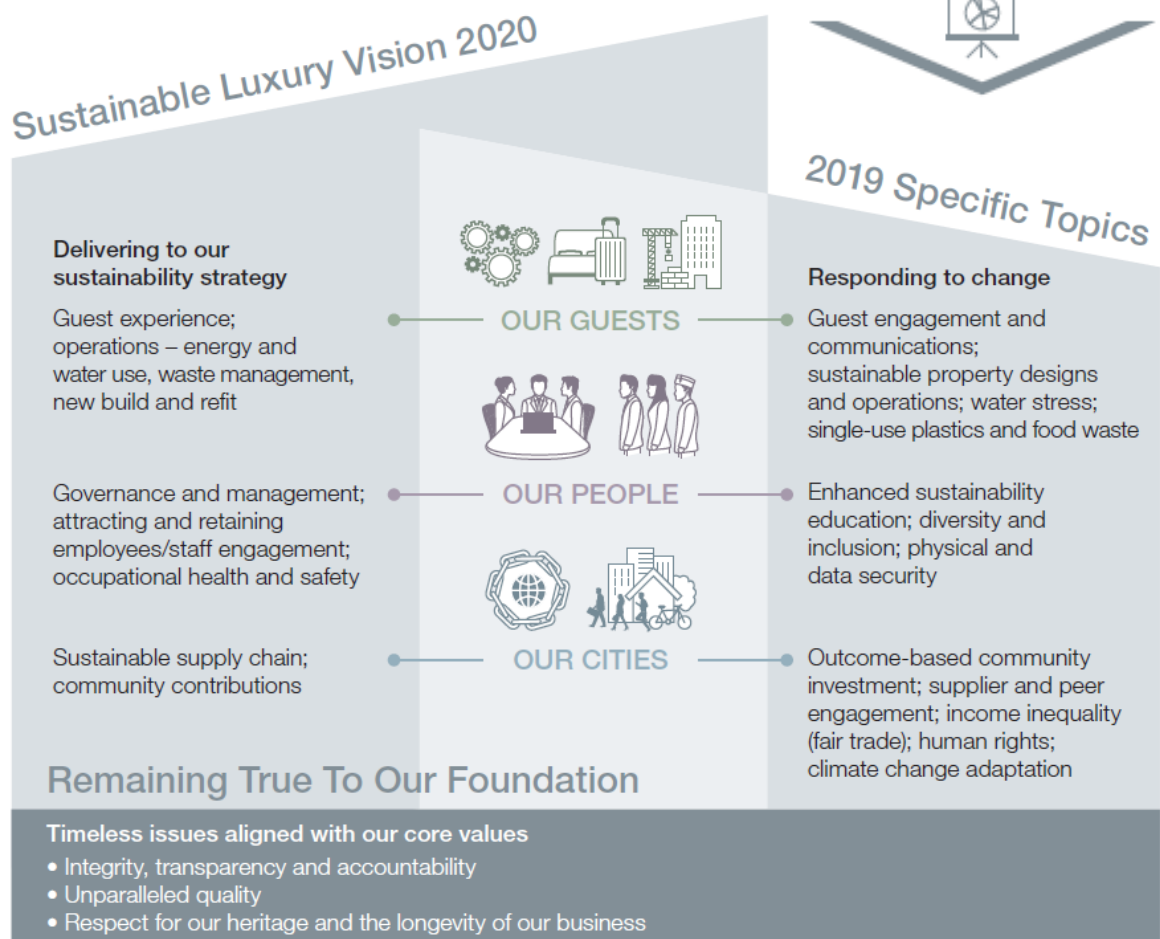
At the local level, each operation has its own committee chaired by either the General Manager or the Hotel Manager, the most senior people in the local operations; with champions comprised of functional/department heads. They meet regularly to develop and implement action plans and improve on the performance of our commitments.

Code of Conduct

The Code of Conduct clearly outlines expectations on staff conduct, particularly on anti-bribery, fair competition, equal opportunity, customer data privacy and anti-discrimination and environmental responsibility. This Code explicitly recognises and commits to international conventions and charters such as the United Nations Declaration on Human Rights. All employees undergo training on our Code of Conduct to ensure they are familiar with the Group's expectations on ethical and professional conduct. A Speak Up Policy outlines the systems that facilitate reporting of misconduct and the procedures for investigation and resolution of malpractice.

Identifying and Prioritising CRS Topics of Concern

The identification and prioritisation of key issues, carried out through our materiality approach which lists each issue deemed particularly significant on the basis of risk, volume and/or cost, provided the foundation for Vision 2020 and considered the views of our stakeholders and their differing, and sometimes competing, interests. We recognise that the materiality list is not a static document and we continue to



enhance our approach with the view of embedding corporate responsibility and sustainability considerations into every decision we make.

We continued to link our stakeholder engagement and materiality findings to our risk management process with collaboration between the CRS and Audit and Risk Management Departments. Due to this collaboration the following trends and risks, as such the rising impact of environmental and social issues to the business such as the climate crisis, social and political instability and decreasing natural resources were given Board level visibility. These trends and risks were presented and discussed regularly not only at the Group Risk Committee, but also at the GCRC on a quarterly basis.

As part of our bi-annual risk matrix exercise, each operation also identified local environmental and social risks with mitigation measures. The most common risks ranged from climate change impacts, political and social unrest and instability, energy and water efficiency and availability, evolving stakeholder expectations on CRS issues, and increasing regulation on CRS topics. In 2019, current and emerging CRS topics includes single-use plastics, food waste, sustainable agriculture and seafood, diversity and inclusion, income inequality, human rights, animal welfare, climate change adaptation and more.

Corporate Responsibility and Sustainability Strategy

In 2013, we formalised our sustainability strategy known as Sustainable Luxury Vision 2020 (Vision 2020). In 2017, to effectively deliver our Vision 2020, we revamped our approach to focus on the three key stakeholders central to the success of our business and critical to our sustainable growth: *Our Guests, Our People and Our Cities*. These focus areas are underpinned by seven pillars and specific, time-bound commitments adopting reasonable precautionary measures to reduce and mitigate any negative environmental and social impact from our operations. A summary of our strategy's progress as below. Looking beyond 2020, we are developing our next sustainability strategy with a focus on further business integration and with a regenerative and proactive approach. Our new strategy will leverage the strengths of our business, focusing on issues requiring significant and urgent attention, scaling positive benefits from our business, while effectively reducing our impact.

In this new strategy, we are considering different stakeholder expectations such as science-based targets, holistic water assessments, circular economy (in addition to our single use commitment in 2018), human rights and modern slavery due diligence, animal welfare considerations (including our commitment for all eggs globally to be cage free by 2025 and our continued work on free range and hormone free items), reducing social inequalities, increasing diversity and inclusion and implementing outcome-based community investment.



OUR SUSTAINABILITY COMMITMENTS

OUR GUESTS

- ✓ Expand customer base by providing facilities and services that cater to their ever-changing needs; multigenerational travellers; sustainable meeting options; rejuvenate Naturally Peninsula
- ✓ Engage customers in activities related to heritage preservation / nature conservation
- ⏸ Improve utility resource use whilst not compromising our luxury/service standards:
 - 25% energy intensity; 30% carbon intensity; 10% absolute carbon emission
 - 25% water intensity (hotel); 25% wet waste intensity (2012 baseline)
 - ⏸ 25% water intensity (CP); 25% dry waste intensity (2012 baseline)
- ✓ In water stress regions, support initiatives that increase water efficiency
- Achieve a majority of excellent-good ratings in IAQ assessment
- ⏸ Achieve 60% waste diversion rate
- ✓ Implement robust food safety management system, including achieving HACCP/appropriate certification
- All new build and major refit projects meet the relevant international sustainable building standards



OUR PEOPLE

- ✓ Strengthen executive and leadership development and build a robust succession planning framework for senior leadership
- ✓ Provide learning and development opportunities on CRS issues and topics to all staff in a relevant manner
- Maintain zero work fatality
- ⏸ Maintain zero incidents resulting in total permanent disability*
- Minimise OHS incidents by implementing robust safety management systems referring to relevant international standards or others where appropriate



OUR CITIES

- ✓ Contribute 100,000 hours of community service with 10% of employees engaged
- ✓ Develop group-wide community investment programmes to be implemented at all HSH operations
- ✓ Enforce shark fin ban and remove critically endangered species in our F&B offerings
- ✓ Procurement contracts comply with HSH Supplier Code of Conduct and verified by sample audit
- These products to come from sustainable materials/certified sustainable/ethical sources where relevant:
 - Paper
 - Tea, coffee, chocolate
 - ✓ Guestroom amenities
 - ✓ 50% cleaning products
 - ✓ source 50% of perishables locally or regionally



✓ Achieved
 ➤ In Progress
 ⏸ Behind Plan

To implement our Vision 2020, we developed a sustainability management process that follows the principles of Plan, Do, Check, Act:

- Plan:
 - Regular committee meetings chaired by CEO at head office and by GM/HM in local operations (at least quarterly)
 - Yearly action plans filled by operations and submitted to Director of Group CRS for approval
 - Budget reminders and directions from Director of Group CRS and other relevant senior management to GMs/HMs
- Do:
 - Implementation of Vision 2020 commitments and action plans
 - Follow CRS Concierge and CRS requirements and guidelines, including energy management and water guidelines
 - Memoranda from relevant senior management to GMs/HMs, for example in 2019 regarding our policy banning the purchase of endangered species with alignment to CITES
- Check:
 - Data reporting in SoFi database to GCRC chaired by CEO
 - Energy and water: monthly
 - All other environment data: quarterly
 - People and remaining Vision 2020 commitments: Semi-annually
 - *Data submission is signed off by either the GM/HM for each operation
 - Internal quarterly random checks by CRS Department
 - Semi-annual internal audit by Group Chief Engineer on energy and water
 - Internal audit checks by Audit and Risk Department, especially related to the Code of Conduct and Speak Up Policy
 - Annual self-assessment compliance questionnaire signed by GM and the Director of Finance of each operation
 - Annual assurance and verification by a reputable and qualified third party
 - Regular updates to GMB and Board
- Act:
 - Semi-annual updates with Director of Group CRS and CRS Department for performance improvement
 - Feedback on improvement performance as part of GCRC meetings

Stakeholder Engagement and Communications

We regularly engage a broad set of key stakeholders to gauge how we can appropriately respond to their needs – from employees, customers, regulators, lenders, shareholders and investors, to non-governmental organisations, media and others. It is important for us to capture and understand how their views change and ultimately how we can implement improvements to the business today and in the future.

For more information on our overall approach please refer to page 102 of our Annual Report 2019.

Guests

We receive feedback on sustainability issues through processes embedded in our day to day operations such as our daily briefings led by our GM/HM which discuss that day's operations, including resolving guest concerns. Other channels such as websites, direct calls, emails, comments on online travel portals, social media, etc. enable us to continuously engage and receive feedback and respond to our guests and clients in a timely manner.

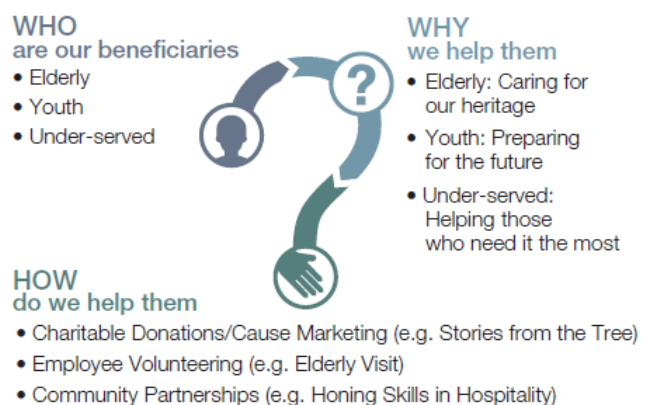
We also provide opportunities for guests to participate in CRS initiatives and programmes through our [Peninsula Academy programme](#) (each hotel has its own webpage for their specific Peninsula Academy programme – the weblink provided only refers to The Peninsula Hong Kong as an example), a selection of unique local experiences highlighting that specific location's cultural heritage, art and environmental beauty. 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.

Suppliers and partners

The Supplier Code of Conduct was published in late 2009 to help articulate our expectations of suppliers and contractors on environmental, social and ethical practices and is mandated in our contracts. In 2018, we updated this code to include alignment with international standards such as the United Nations Global Compact, the UN Universal Declaration of Human Rights, the Conventions of the International Labour Organisation and the OECD Guidelines for Multinational Companies and strengthen elements on anti-bribery, data privacy and confidentiality, human rights and modern slavery, plastics use and supplier engagement.

Community partners

Each hotel and property tailors their efforts to match community needs through local action plans. We engage and invest in our local communities in a manner that responds to their needs in a strategic, relevant and focused way.



Working with other sectors

We are members of several sectoral and industry-wide collaborations to find solutions to our shared sustainability challenges, such as:

- [World Travel and Tourism Council \(WTTC\)](#) – the global industry body for the travel and tourism sector, with sustainability as one of its main focus areas
- [Business for Social Responsibility \(BSR\)](#) – global non-profit organisation that works with business to create a just and sustainable world
- [Responsible Luxury Initiative \(ReLI\)](#) – convenes luxury sector companies to collaborate and learn about sustainability issues. Its members are some of the biggest luxury brands in the world
- [We Mean Business](#) – catalyses business action and drives policy ambition to accelerate the zero-carbon transition.
- [Mekong Club](#) – an organisation working with the corporate sector against modern slavery

Sustainability related feedback

We supplement operational feedback by conducting specific sustainability engagements, examples from recent years:

- In 2017: We conducted focus group discussions with retail tenants, guests, suppliers, environmental and social organisations and peer companies in Hong Kong, Bangkok, Manila, New York and Paris.
- In 2018: We completed one-to-one external interviews in our key markets around the world; as well as completed an internal survey with the members of our local CRS committees around the world, receiving an over 80% response rate from them.
- In 2019: We shared the proposed post 2020 strategy framework to all our champions globally, we engaged with our colleagues at our GM conference, HR conference, Finance conference and HM conference.

The results of our engagements were channelled to our materiality exercise for our CRS report, our current implementation of Vision 2020 and our post 2020 strategy.

External communications on CRS

We formally report on our CRS efforts and performance through the publication of our annual CRS Report, read together with our Annual Report. These two reports refer to several reporting standards such as the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guidelines, the Global Reporting Initiative Sustainability Reporting Standard, the International Integrated Reporting Council and the Sustainability Accounting Standards Board. We also report on a number of indicators or disclosures as recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and EarthCheck, one of the very few accredited standards under the Global Sustainable Tourism Council. The intended audience for this report is predominantly for our shareholders, with the stand-alone CRS Report also intended for CRS professionals and research organisations.

We recognise that more communications need to be provided to additional audiences, particularly to our guests. With the increasing interest of guests in our sustainability efforts, in 2019 we unveiled our sustainability video in-room and in our social media channels; as well as a dedicated page on The Peninsula Hotels website, receiving positive feedback from our guests and followers.

Internal training and awareness raising

Market intelligence in committee meetings

At each GCRC meeting, the Director of Group CRS provides an update on corporate responsibility and sustainability related emerging issues and trends that all Group Champions should be aware of. This includes, *inter alia*, discussions on future regulations, climate change adaptation, plastics, inequality, as well as on issues relating to [modern slavery](#) and human rights. The information prepared for and discussed at those meetings will also be shared with the local committees starting in 2019.

On-demand awareness videos

We aim to integrate sustainability into our business by harnessing the passion and creativity of our staff so that it is of personal relevance to them and becomes an innate aspect of our business. We produced thank you videos to showcase the impact of our community development work, and several other videos to increase awareness on our overall CRS approach, energy and water management, and food waste and single-use plastics initiatives.

CRS Guidelines

We developed several sustainability guidelines to outline the specifications and actions required to meet our commitments. These guidelines were presented as simplified decision trees and short explanatory posters. These were compiled into a PowerPoint type document called “CRS Concierge” as a one-stop resource for all sustainability guidelines and briefing notes – covering issues from sustainable sourcing to single-use plastics transition and community development. We update this resource on an annual basis.

Department and local committee trainings

The Director of Group CRS (or her delegate) conducts regular department focussed and local committee members training on an annual basis. This training not only covers an introduction to CRS, but also governance structure, strategy, CRS guidelines and emerging topics.

Contact

For questions related to this document, please contact the CRS Department at cr@hshgroup.com.