

GOVERNANCE

110	Chairman's Overview
112	Our Board
118	Senior Management and Key Functions
122	Corporate Governance Report
142	Group Risk Committee Report
148	Group Corporate Responsibility Committee Report
150	Audit Committee Report
152	Nomination Committee Report
154	Remuneration Committee Report
158	Directors' Report



PASSION



PERFECTION

CHAIRMAN'S OVERVIEW



It is our dedication and commitment to high standards of corporate governance that has helped us to continue to generate sustainable shareholder value and to deliver our strategies

Dear Shareholders,

Our company celebrated a significant milestone, our 150th anniversary, in 2016. As Hong Kong's oldest registered company still in operation, today we are considered one of the leading luxury hospitality companies in the world. I believe that it is our dedication and commitment to high standards of corporate governance that has helped us to continue to generate sustainable shareholder value and to deliver our strategies, which have remained the same for more than a century.

The Board leads a governance framework which is at the heart and soul of our company culture and upholds our values and principles of integrity, transparency and accountability. We operate within a well-established framework of policies, processes and management systems that we believe will ensure the long-term success of the Group.

Improving our Governance Practices

Our objective is to continually improve our governance practices and the effectiveness of the Board. In 2016 we continued to enhance our risk management and internal control systems. We undertook a process to facilitate better comprehension of the Company's Code of Conduct, with the aim of instilling our integrity and ethical values in all employees by making the Code more user-friendly.

Sustainability and environmental and social issues continue to be integrated throughout our business strategies and are regularly considered in day-to-day decision-making at Group Management Board meetings. We established a Technology Steering Committee for the first time in 2016, which has responsibility for uploading our innovation standards and keeping our competitive edge in the fast-paced world of technology.

We also reviewed our approach to risk management, enhanced our tracking of risks and identified risk trends which was reviewed at management and Board level. We increased the accountability and transparency of risk ownership and management, and strengthened our monitoring of the Group's principal risks. Our objective was to ensure that the Group's risk management framework is robust and capable of adapting and responding to our ever-changing business environment.

Board Changes

We were delighted to appoint Mr Matthew Lawson as Chief Financial Officer on 3 May 2016. Matthew has had extensive experience with hospitality and real estate transactions, investments and financing, including joint venture negotiations and structuring. This follows the appointment of Dr Kim Winser, OBE as an Independent Non-Executive Director in January 2016. Dr Winser is recognised as one of the UK's most internationally renowned and inspirational businesswomen and has delivered valuable insights to our Board.

We believe that HSH has a dynamic Board with a diverse range and balance of skills, expertise and experience, who can work effectively and constructively in challenging the Executive Directors and management.

Compliance

As a Hong Kong listed company, we are reporting in the context of the Stock Exchange's Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules. This report sets out our approach to corporate governance, how we have applied the main principles and whether we have complied with the relevant provisions. It also shows the structure of our Board and Board Committees, the roles that they play, how they operate, and our risk management structure and processes.

Commitment to long-term success

Overall, I am pleased with the progress we have made in 2016 in the area of governance. We strive to continually improve and enhance our efforts and ensure the long-term success of the Company.



The Hon. Sir Michael Kadoorie
20 March 2017