

## CORPORATE AND SOCIAL RESPONSIBILITY

### EMPLOYEE DEVELOPMENT AND BENEFITS

HSH is an equal opportunities employer and is committed to providing a workplace for employees free from any form of discrimination, harassment or victimisation.

The company endeavours to keep open communication lines with staff to ensure that their opinions, ideas and concerns are properly channelled and reflected within the group, and that conversely, staff are made aware of the successes, issues and challenges affecting the company. This is intended to promote a collegial spirit and strengthen teamwork.

Currently, the healthy business environment in the hospitality industry has put pressure on companies not only to find the best and brightest executives but to ensure that they are motivated and retained. Competitive terms and conditions of employment form the base line in any effort to attract talented staff. However, in order to develop a dedicated and professional team, the company believes in offering training, advancement and cross-exposure within its business units where and when possible, and makes every effort to ensure that significant contributions to the group's success are recognised.



Group Professional Development Programme class in progress

To ensure that its workforce is equipped with the skills necessary to the smooth operation of their units and ultimately to the benefit of the company, HSH has continued to implement group-wide training initiatives throughout 2005. During the year, an alumni meeting of 18 executives, who were the first graduates in 2004 of the Group Management Development Programme, participated in an extension programme that included a business and financial board game and media skills training. The first intake of 35 staff undergoing the 18-month-long Group Professional Development Programme successfully completed the course that began in early 2004 and finished in the summer of 2005. The course comprised a mixed mode of learning including on-line modules and classroom teaching sessions facilitated by Cornell University faculty members. The Group Front Line Management Development Programme, open to junior and front-line managers on a continuous basis, is facilitated by each operation's training manager. 150 staff successfully completed the six-module programme during 2005. The second programme in this series is now under way.

Whilst 19 participants from the above programmes have already been promoted to greater responsibilities, the motivational value of the educational programmes in advancing career and personal goals, on both an individual and collective level, is clear. Strong bonds have been formed between executives of different operations, who continue to share experiences on an informal basis after their courses are completed. These programmes have also proved effective in reducing staff turnover.

Two tools have been introduced by group human resources. The award-winning "Portraits of Hongkong and Shanghai Hotels" orientation CD was issued to all existing staff for re-orientation and has been adapted for new employee orientation. The

Peninsula Behavioural Standards animated training CD was devised to assist in-house training managers to facilitate orientation training for new, and refresher training for current employees, placing special emphasis on the 41 behavioural standards universally applied across all departments of The Peninsula Hotels.

At operations level, there is a continuous effort to extend the skill sets of all levels of staff. Employees in each hotel have undergone training on the company's Behavioural Standards and its parallel Service Standards modules. These reinforce the Peninsula culture from top to bottom throughout the workforce and help staff, especially those on the front line, deal professionally with the customer base.

Additional training activities range from individual tertiary education at establishments such as Cornell University and the American Management Association to seminars, management workshops and development programmes suited to groups as small as 2 or 3, or as large as 150, while at Quail Lodge Resort, there are tuition reimbursement programmes for staff taking courses on their own initiative.

A sample of the subjects addressed include strategic planning, business and leadership skills, performance management training, product training, human resources skills and interview techniques, through to product and sales training modules. Extensive and continuous English language training is undertaken in the Asian properties, and as an example of its extent, at The Peninsula Palace Beijing, some 350 employees completed courses at various levels of competency.

Looking to the future, the company has selected 20 future hospitality graduates from four universities in Japan to form a core part of The Peninsula Tokyo's team when it opens in 2007. The company has already conducted an orientation programme for the chosen candidates during 2005. Prior to embarking on intensive training in The Peninsula Hong Kong and The Peninsula Bangkok, the students will meet for further induction sessions during 2006.

HSH's commitment to the industry in general is exemplified by the number of internships it offers to students from Hong Kong and international hospitality schools in various of the group's hotels. Upwards of 48 students benefitted from placements in 2005, giving them the opportunity to gain valuable practical experience in a number of areas of hotel operations.

The company subscribes to ethical employment standards and conditions within the countries in which it operates. It contributes to retirement funds for employees in the owned businesses in its different operational jurisdictions, complying with the statutory laws in each country. These schemes are variously mandatory or optional, with some staff choosing not to participate. Below is a summary of the current numbers of staff eligible to participate in these benefits.

	Hong Kong	Other Asia	United States Of America	Total
Participating	1,359	2,156	780	4,295
Non-participating	-	151	291	442
	1,359	2,307	1,071	4,737

## COMMUNITY RELATIONS

The company is committed to being a responsible corporate citizen and as such is involved in the lives of the communities in which it operates. To that end, it supports a number of organisations at both corporate and operations level, covering a wide spectrum of causes,

raising monies through event participation, fund-raising activities, cash donations, and in-kind gifts such as vouchers for hotel rooms and dining, or product.

A notable effort between the corporate office and operations occurred early in 2005, in aid of victims of the tsunami disaster in Asia. HSH donated HK\$1,000,000 for relief operations to the Hong Kong Red Cross, World Vision and Adopt SriLanka.com whilst The Peninsula Hotels raised a further HK\$666,000 for the Red Cross through contributing US\$1 for every room night sold over the months of January and February in 2005. Individual hotels in New York, Chicago and Bangkok contributed extra amounts through additional initiatives, with donations channelled to the American Red Cross and the Thai Tsunami Relief Fund. Hurricane Katrina prompted similar action from The Peninsulas in New York and Chicago, with funds raised totalling US\$49,000.



Party in aid of Camp Quality, at The Repulse Bay

Another joint corporate and operations effort at Christmas is the annual Tree of Hope initiative in aid of the Make-A-Wish Foundation which assists terminally-ill children to fulfil a dream. Each hotel contributed the funds raised to their local chapter of the organisation.

Staff participation in community events is common. During 2005, The Peninsula Hong Kong fielded two teams in the gruelling Trailwalker event in support of Oxfam, for which considerable training must be undertaken prior to running. Not only did the teams raise HK\$253,000 for the charity, they were awarded two prizes: Fundraising Champion – Tourism, and an Outstanding Fundraiser Award.

On a different tack, The Peninsula New York, together with renowned photographer Annie Leibovitz, hosted “The City”, an exhibition of the work of 30 promising young photographers to benefit ICP at the Point, an arts-based community centre in the Bronx. Through ticket sales, print sales, donations and auction items, approximately US\$70,000 was raised for the centre. The US\$10,000 cost of hosting the event was underwritten by the hotel.

Each operation supports entities in the fields of education, medical research, the arts, and the underprivileged, among many worthy causes. These include Camp Quality and the Matilda Sedan Chair Race Charities Fund in Hong Kong; the Special Children’s Village in Shunyi County, Beijing; the Bangkok branch of Unicef; Harris Music and Dance Theatre in Chicago; Children’s Action Network in Los Angeles; Hospice Care in Carmel; Ky Quang Orphanage in Ho Chi Minh City; and the Cerebral Palsy Foundation in the Philippines.

The company is able to spread support to a host of smaller entities through the distribution of in-kind gift vouchers. In total, their value amounts to significant sums of money – for example, The Peninsula Hong Kong donated the cash equivalent of HK\$1,500,000 using this avenue, during 2005.

In addition to direct donations, company executives take a leadership role in various business, educational and charitable organisations. Chief executive officer Clement Kwok is a board member of the Hong Kong Community Chest, chief operating officer Peter Borer is an adjunct associate professor in the School of Hotel Management, Chinese University of Hong Kong; Ali Kasikci, managing director of The Peninsula Beverly Hills, lectures at Cornell University’s School of Hotel Administration; and Zuleika Mok, HSH’s general manager, human resources, serves on the Advisory Board of the Hong Kong

Polytechnic University's School of Hospitality and on the Youth Services Committee of The Hong Kong Federation of Youth Groups.

## THE ENVIRONMENT

The company fully appreciates that commitment to the environment extends beyond waste management, energy and water conservation within its properties, that there are wider responsibilities to the well-being of the community. Hong Kong is faced with a number of well-documented challenges to its environment, some of which are beyond its direct control. However, one of the city's greatest natural assets, its harbour, is under threat from superfluous reclamation and over-development.

HSH is a charter member of the Harbour Business Forum, a coalition of leading Hong Kong businesses founded in 2005 specifically to promote efforts to protect and enhance this anchorage. The Forum has already commissioned an independent evaluation of harbour-front planning, taking into account other environmental factors such as pollution. Its next step, based on findings in the study, is to launch a public design competition to enlist the community in putting forth its vision of harbour-front development.

The Peninsula Hong Kong supported "Harbour Day", a community-wide initiative to emphasise the harbour's attributes and its potential as a civic facility, as well as highlight the danger of losing these.

At the micro level, the company continues to encourage its business units to identify and implement environmentally-friendly practices.

Despite rising volumes of guest business, most hotels achieved savings in energy and water consumption, as well as reducing their energy bills by, cumulatively, several hundred thousand Hong Kong dollars.

At The Peninsula Palace, for example, the installation in mid-2005 of new cooling systems is expected to save energy consumption by the hotel's air-conditioning system of up to 25% on an annual basis. The Peninsula Hong Kong replaced high heat lighting in the guest corridors with low power consumption flexible light cards, conserving energy and reducing the annual electricity bill by nearly HK\$100,000. The Peninsula New York has reduced its bill by a similar amount.

Water conservation, particularly in Bangkok with its extensive grounds, is a major concern. The hotel has decreased its water usage by 7.5%; waste water is treated in the hotel's sewage treatment plant and is then used for irrigation of the grounds. After treatment, solid waste is used for fertiliser. Oil usage decreased by 8% also. Quail Lodge has taken an innovative approach to water conservation by exploring the use of drought-resistant plantings in its landscaping.

In Manila, consumption of diesel and gas has dropped significantly, by 12% and 15% respectively. A supporter of the Clean Air Acts law passed by the government, The Peninsula Manila has submitted to independent testing on boiler cleaning air emissions, indoor air quality, and carbon monoxide concentration at the basement car-park and has passed all tests.

The hotels make every effort to avoid using genetically modified (GM) foodstuffs or ingredients derived from genetically modified crops, with the caveat that in jurisdictions where there is no mandatory labelling, the hotels are not able to give an unconditional guarantee that food will be entirely GM-free. Similarly, the hotels try to ensure that endangered species do not appear on the menus, for example as China is a signatory to the recommendations of CITES, Hong Kong fully complies on endangered species imports.