

CHAIRMAN'S GOVERNANCE OVERVIEW



“ We uphold our core values and principles of integrity, accountability and transparency, with a focus on the long-term future. ”

Dear Shareholders,

Building a legacy for a sustainable future

We are proud that our company, The Hongkong and Shanghai Hotels Limited, which has an exceptional heritage of 150 years, is the owner and operator of The Peninsula Hotels which is considered to be one of the world's leading luxury hospitality brands. In 2018 we celebrated 90 years of history at The Peninsula Hong Kong and this anniversary is the feature theme of this report, in which we celebrate our guests, our people, and the cities in which we live and work.

The continuous enhancement of our assets, our practices and our people is one of our key philosophies to build a legacy for a sustainable future. Our sustainability framework of “Our Guests, Our People and Our Cities” forms an integral part of the group's long-term business strategy, which is supported and endorsed by the Board. Good corporate governance is at the heart of this strategy. We uphold the core values and principles of integrity, accountability and transparency, with a focus on the long-term future. We ensure that our values permeate throughout every level of our group, with the aim that every employee lives and breathes an ethos of always “doing the right thing”. In 2018, we held a mandatory group-wide training for our updated Code of Conduct, which is entitled “Tradition of Integrity”, with the aim of instilling our values into each staff member and applying them to our business practices.

Overseeing all aspects of our strategy and enabling this culture to succeed is our dynamic Board, which has a diverse range and balance of skills, expertise and experience and works effectively and constructively in challenging the Executive Directors and management. We regularly review our governance processes, policies, procedures and practices to ensure they are in line with global regulatory requirements and best practices.

Throughout 2018 the Board monitored the progress of the London, Istanbul and Yangon projects as well as the upgrade of The Peak Tram. Driving innovation remains a key focus on our management team and in the summer of 2018 the Board endorsed the Kaleidoscope Lab, which is the first programme of its kind in the luxury hospitality sector. The programme is aimed at attracting innovative startups and is run in collaboration with SRI International (Stanford Research Institute) (more details can be read on page 115). We believe our partnership will ultimately lead to a better guest experience by enhancing our technology offering.

In 2018 the Board continued to ensure that we invest in our people by evaluating the company's succession plans as well as training and selection for key management positions. We also continuously enhanced our risk management process across the projects to improve the effectiveness of our controls. The identified principal and emerging risks facing the group and their mitigation methods were closely monitored by the Group Risk Committee and reviewed by Audit Committee and the Board. More details can be read on pages 154 to 161 of this report.

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. However, we do not review corporate governance as simply a compliance exercise but as an evolving and core discipline which underpins the success of the company. 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.

A commitment to long-term success

Overall, I am pleased with the progress we have made in 2018 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
14 March 2019