

INTRODUCTION

We are fully aware that the future of our business will depend on how well prepared we are for it. Dwindling natural resources, aggressive demand for talent, as well as an increasingly competitive market make it necessary for any responsible business to take a hard look at sustainability measures.

That was why, two years ago, we made the decision to broaden our sustainability management system to include a longer term vision that would allow us to better integrate our sustainability practices and principles with our businesses across the Group.

In this section of the Annual Report, we focus on specific environmental and social issues that contribute to the sustainable development of HSH and are of interest to our stakeholders. We report on the progress and challenges we had in delivering the HSH Sustainable Luxury Vision 2020.

After consultation with our stakeholders, assessing macro trends shaping our business landscape and benchmarking best practice in the industry, we came up with a framework that would set the stage for our sustainability efforts in the long term and we were proud to roll out our Sustainable Luxury Vision 2020 in 2013.

The framework of our Sustainable Luxury Vision 2020 comprises 7 pillars: Guest Experience, Employees, Community, Supply Chain, New Build and Refit, Operations, and Governance and Management. While many of the pillars encompassed what we are already doing as a Group, the new Vision 2020 will allow us to incorporate sustainability into decision-making processes at an early stage and provide our employees with a more defined context and direction of where we are heading.

We continue to build up both customer and employee loyalty, through enticing bespoke programmes for the former and rewarding training courses for the latter. We also maintain our close engagement with the communities in cities which we call home.

At the operations level, we continue to make strides in our efforts to improve on our energy performance and carbon footprint. Despite business growth, we used 3% less energy and 4% less water in 2013, than we did in 2008. Across the Group, we are also prioritising responsible sourcing as a standard practice.

We have reaped early rewards for our efforts with The Peninsula Chicago receiving its inaugural EarthCheck Silver Certified status and the Leadership in Energy and Environmental Design (LEED) Gold Certification for the renovation of the de Ricou apartments at The Repulse Bay Complex.

SUSTAINABLE LUXURY

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THE SUSTAINABLE LUXURY VISION 2020

HSB ASPIRES TO DELIVER THE HIGHEST STANDARD OF LUXURY IN
A SUSTAINABLE WAY AND CONTINUE TO GROW
RESPONSIBLY AND SUSTAINABLY.

GUEST EXPERIENCE



We strive to offer unique experiences, timeless glamour and exquisite surroundings and facilities, all designed to enrich, enhance and create everlasting memories for our guests while respecting the environment and preserving our heritage. Our service is genuine, personalised and innovative, and we are committed to quality in everything we do.

EMPLOYEES



We create a culture of engaged and loyal employees who are proud of our heritage and are passionate in delivering service. This is achieved in a family environment that promotes honesty and respect for each other, where we are recognised as a genuine and caring employer that continually grows and develops our own talent. We are committed to the health and safety of our employees and endeavour to nurture them to make a positive impact on our customers, our community and the environment.

COMMUNITY



Respectful to our environment and our community, we will engage with our communities to respond to their needs in a strategic, relevant and focused way.

We also seek to integrate our aspirations for supporting the development of our communities with our core operations.

OPERATION



We strive to deliver high standards in the most sustainable and cost-effective way.

We commit to implementing robust sustainability management and practices and to delivering continuous improvement through discipline, creativity and applying the right technology.

NEW BUILD & REFIT



We strive to design and deliver our hotels and properties to meet the highest sustainability criteria whilst providing an exceptional level of comfort. These high design standards support superior service delivery in the future and provide the foundation for efficient energy, water, waste and safety management.

SUPPLY CHAIN



We seek opportunities to delight customers, whilst controlling cost. We will address the sustainability risks in our supply chains, with the goal of minimising the negative environmental and social impacts of our procurement decisions. Whilst meeting our financial and quality requirements, we will make preference to source locally and from sustainable sources in order to support the local communities and environment and, in the process, reduce our carbon and water footprints.

GOVERNANCE & MANAGEMENT



We meet local laws and regulations and ensure that our business is conducted in accordance with professional, ethical and moral standards, as outlined in our code on corporate governance, so as to achieve sustained, healthy and long term growth.

We consult and share our sustainability performance with our key stakeholders and balance their interests with the Group's objectives.

Reporting Scope¹

This section focuses on HSH's businesses in the hotels division and commercial properties division, as well as other businesses including the Thai Country Club, Quail Lodge & Golf Club and Tai Pan Laundry in the clubs and services division where HSH has operational control. It covers 94%² of the Group's business portfolio. HSH employees working for Peninsula Merchandising Limited and Peninsula Clubs & Consultancy Services (PCCS) are included in the workforce statistics. However, facilities managed by PCCS or Peninsula Boutiques operating outside Peninsula hotels are not included in the environmental data as HSH does not own these facilities nor has sole control of their policies. The Peninsula Paris is not included in the report as it is still under construction.

Reporting Standards and Assurance

We have used the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) G4 and the Hong Kong Stock Exchange's Environmental, Social and Governance Guides (ESG Guides) in the development of this report. GRI and ESG references can be found on pages 256-262. The report meets GRI G4 Core Level compliance and is verified by GRI on Materiality Matters.

KPMG were commissioned to conduct assurance of this report in accordance with the International

Standard on Assurance Engagements 3000 (ISAE 3000) and to provide an independent limited assurance opinion on whether the reported information complies with GRI G4 as detailed on pages 256-262. The report from KPMG is set out on page 263.

Materiality and Defining Report Content³

The content reported in this section covers the calendar year of 2013. In line with G4's materiality principles, our process for defining report content is guided by the most significant and relevant sustainability issues identified by the Group's Corporate Responsibility Committee and through a materiality process involving both external and internal stakeholders. Details of HSH Sustainability Materiality Matrix can be found on page 100.

In the Report, disclosures of management approach for material GRI aspects and topics are mapped to the pillars within our Sustainable Luxury Vision 2020. The Sustainability Data Statements section supplements the discussion with detailed performance data. (See pages 251-255.)

In line with our commitment to transparency and accountability, we report not only our achievements, but also areas where we need to improve. We welcome feedback from readers and contact details can be found on page 267 of this report.

¹ GRI G4 Material Disclosure: G4-17

² Based on the Group's annual revenue in 2013.

³ GRI G4 Material Disclosure: G4-18, 27

 Sustainability Scorecard	 Guest Experience	 Employees	 Community
2020 Ambitions	<ul style="list-style-type: none"> Expand our customer base, particularly the 30s-50s age groups, and nurture their loyalty through our authentic service culture and the use of innovative technology Attract family travellers by providing facilities and services that cater to their needs Attract senior travellers by providing facilities and services that cater to their needs Engage our customers in preserving our heritage for future generations Provide Green Meeting options to corporate clients Continue to create memorable guest experiences through impeccable service, applying the right technology, leveraging on the resources of the cities we operate in, and creating an environment that supports our guests' lifestyle choices, such as healthier and more sustainable lifestyles 	<ul style="list-style-type: none"> Strengthen executive and leadership development Attract new talent and retain quality employees Implement the competency framework Introduce "Ambassadors for Good" Training Programme Empower Operations' CRS champions through training Target zero work fatality or incident resulting in permanent disability Minimise occupational health and safety incidents by improving the processes and system to support the management, planning and disclosure needs on health and safety Achieve OHSAS 18001 for all operations Establish a global human resources system to support human resources management, planning and disclosure needs 	<ul style="list-style-type: none"> Contribute 100K hours of community service by 2020 Engage 10% of employees in community service Develop Group "Impact" programmes on global and regional levels All hotel operations have at least one "Impact" programme. All hotel and property operations to annually organise at least one cause marketing campaign to engage their customers in contributing to communities where we operate. Empower disadvantaged youth and marginalised groups in communities where we operate with the skills and opportunities for livelihoods while building the pipeline for our future workforce needs The Peninsula Academy provides opportunities for guests to appreciate and care for the local community and environment.
2014 Commitments	<ul style="list-style-type: none"> Enhance online guest experience Continue to add meaningful guest experiences that appeal to guest of all ages to the programme offering of Peninsula Academy 	<ul style="list-style-type: none"> Roll out refreshment programmes for the Code of Conduct training Develop Human Resource tools to support HSH competency framework Conduct global employee engagement survey Develop new employee e-learning module on Sustainable Luxury Vision 2020 All operations to develop action plans for achieving HACCP certification Enhance injury and illness prevention programme through more robust post-incident investigations Establish more vigorous discipline of conducting emergency drills to enhance our emergency preparedness Implement a new health and safety reporting template to support the monitoring of health and safety performance across the Group 	<ul style="list-style-type: none"> Implement the renewed HSH Group community investment and engagement strategy and framework Introduce the Group community impact programme Honing Skills in Hospitality across all operations
Progress Against 2013 Targets	<ul style="list-style-type: none"> ➔ Further integrated sustainability considerations in the delivery of guest experience 	<ul style="list-style-type: none"> ✓ Built a competency framework for the Group ✓ Developed a human resources manual and toolkit for hotel pre-opening ➔ Enhanced our support for employee wellness and work-life balance ✓ Launched a new module of the Executive Development programme targeting the next generation of leaders ➔ Expanded the Peninsula Scholarship programme ➔ Rolled out a new health and safety reporting template to improve the monitoring of Group operations' performance on training and reducing incidents ➔ Hotels division to continue to implement the Operational Risk Manual 	<ul style="list-style-type: none"> ➔ Rolled out a renewed HSH Group community investment and engagement strategy and framework ✓ Rolled out new Group community development initiatives that strategically align with the needs of our business and our communities ➔ Continued to actively engage with the local communities where we operate

Operation

New Build and Refit

Supply Chain

Governance and Management

Using the 2006-08 average baseline

- Achieve 10% absolute carbon emission reduction
- Achieve 30% carbon intensity reduction
- Achieve 25% energy intensity reduction
- Achieve 25% water intensity reduction
- Achieve 25% reduction on waste intensity from 2012 baseline
- Achieve 60% waste diversion rate through recycle, reuse and donation
- Achieve excellent rating in IAQ assessment for all operations
- Provide self-bottled water for guestrooms and meetings to reduce plastic waste
- All hotel operations achieve HACCP certification
- Operations located in water stressed regions to be “water neutral” by efficient use of water and replenishing sources near our locations

- In countries where qualified contractors are available, all main contractors appointed are ISO 14001 certified.
- In countries where qualified contractors are available, all main contractors appointed are OHSAS 18001 certified.
- All new built and major refit meet international green building standards.
- All paints used for indoor environment are free of VOCs.

- All operations continue to enforce the group-wide ban on shark fin.
- Paper products will be from certified sustainable sources by 2017.
- Critically endangered species are removed from our food and beverages offerings.
- Strive to source 50% perishable produce locally
- Guestroom amenities are made of uncompromising quality and sustainability materials.
- More than 50% cleaning products used in operations will be chemical-free or biodegradable.
- Tea, coffee and chocolate we sell are from certified ethical sources.
- Our luxurious furnishings meet uncompromising quality and sustainability criteria.
- Strive to have all procurement contracts in compliance with HSH Supplier Code of Conduct and verified by sample audit
- Rejuvenate “Naturally Peninsula” as the choice for sustainable, organic, and healthy options

- Build robust succession planning framework for senior leadership
- Introduce Leaders for Good Training Programme for Management
- Establish a robust framework to track and manage financial, operational and ESG risks the Group is exposed to
- Engage stakeholders on wider sustainability issues through a process that is meaningful and adds value in advancing the Group’s sustainability commitments
- Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals
- Meet international and local sustainability disclosure requirements relevant to HSH

- Achieve an overall 18.5% energy intensity reduction against the 2006-08 baseline
- Achieve 16% water intensity reduction against the 2006-08 baseline for hotels division and 7% reduction for commercial properties, clubs and services division
- Carry out water management assessment across the Group
- Continue to seek opportunities to improve waste diversion
- All operations carry out employee awareness programme on environmental conservation.

- Begin to implement the renewed Sustainable Design Standards for new build and major refit projects

- Conduct sustainability review on the seafood offering across operations
- Introduce supplier pre-qualification process which incorporates HSH Supply Chain Code of Conduct requirements
- Implement a new reporting template to measure our performance on responsible sourcing practices
- Develop protocols to incorporate HSH Supply Chain Code of Conduct compliance assessment as part of supplier visits
- Develop sustainable procurement guidelines

- All operations develop action plans and define the associated goals contributing to Sustainable Luxury Vision 2020.
- Develop communication tools to support the leadership teams of all operations to cascade localised Vision 2020 plans to the wider workforce
- Implement the two-year stakeholder engagement plan to support the rollout of Sustainable Luxury Vision 2020
- Continue to expand employee engagement effort on corporate responsibility and sustainability
- Continue to improve the robustness of the Group’s sustainability management system

- ✗ To achieve an overall 18% energy intensity reduction against the 2006-08 baseline
- ✓ Further reduced water intensity of our hotels division
- ➡ Conducted a pilot building re-commissioning project
- ➡ Continued to improve the robustness of monitoring waste management performance
- ✓ All catering operations completed their gap analysis on compliance with HACCP as a Group standard.

- ✓ Reviewed the Sustainable Design Standards

- ➡ Implemented a new reporting template for the Group to measure our performance on responsible sourcing practices
- ➡ Incorporated the requirement of complying with HSH Supply Chain Code of Conduct into the day-to-day procurement practices
- ➡ Introduced a best practice of conducting regular supplier visits to assess compliance with the HSH Supply Chain Code of Conduct
- ➡ Explored ways to promote sustainable seafood consumption

- ✓ Developed a longer-term sustainable business vision and define the associated goals
- ✓ Continued to work on building a longer-term roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues
- ✓ Developed a new Group employee engagement programme on sustainability issues
- ➡ Continued the rollout of the revamped sustainability management system
- ✓ Assessed the implications of new international and local sustainability disclosure requirements at HSH

✓ Achieved ➡ On Plan ➡ Behind Plan ✗ Objective missed



GUEST EXPERIENCE

Our Mission

We strive to offer unique experiences, timeless glamour and exquisite surroundings and facilities, all designed to enrich, enhance and create everlasting memories for our guests while respecting the environment and preserving our heritage. Our service is genuine, personalised and innovative, and we are committed to quality in everything we do.



Our 2020 Ambitions

- Expand our customer base, particularly the 30s-50s age groups, and nurture their loyalty through our authentic service culture and the use of innovative technology
- Attract family travellers by providing facilities and services that cater to their needs
- Attract senior travellers by providing facilities and services that cater to their needs
- Engage our customers in preserving our heritage for future generations
- Provide Green Meeting options to corporate clients
- Continue to create memorable guest experiences through impeccable service, applying the right technology, leveraging on the resources of the cities we operate in, and creating an environment that supports our guests' lifestyle choices, such as healthier and more sustainable lifestyles

Building on our reputation as a purveyor of timeless luxury, HSH is as committed to defining the future of luxury as we have been to preserving our magnificent heritage of the past. Our Sustainable Luxury Vision 2020 focuses on refining and evolving luxury in tandem with the changing needs of our guests.

We understand that there is a perceived divide between the notion of luxury and the principles of sustainability. To bridge this divide is not without challenges. However, our attention to detail and persistent quest for superior quality often lead us to new opportunities for innovation – in delivering luxury and quality to our customers in the most sustainable ways, or enhancing standards by making sustainability part of the appeal of our luxury offering.

Tradition Well Served

See pages 124-125 for the feature story about our tradition and heritage.



Understanding and Exceeding Guest Expectations

A key element of The Peninsula experience is our bespoke products and services, from our custom car fleet to our personalised technology. To this end, we provide our employees with hospitality training and a family culture that equips and empowers them to anticipate customer needs and to surpass customer expectations.



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Measuring guest satisfaction

We tactfully solicit feedback from guests through our interactions with them, as well as through optional surveys available in the guest rooms. To gain a deeper understanding of our guests' experience, we also partner with a mystery-shopping firm to interact with our properties and employees.

The programme provides thorough and quantifiable analyses on how well we meet our standards. It covers the entire journey of guest experience from making a reservation to departure, assessing the quality of services such as housekeeping and laundry, pools and fitness centres as well as our restaurants, lobbies, boutiques and other guest areas. Detailed reports with performance charts, scoring summaries, and executive analyses provide insights into how we can continuously improve. In 2013, key results from these guest satisfaction reports for our hotels did not reveal any fundamental, endemic gaps that we need to address but instead showed a series of specific, tactical improvement opportunities we could attend to on a property-by-property basis.



The Peninsula brings each destination to our guests with style, sophistication and elegance



The Peninsula Academy supports the rebuilding of heritage and customs in danger of dying out

Crafting Unique Guest Experiences

The cities in which The Peninsula Hotels are located are as iconic and memorable as the hotels themselves. We want our guests to fully explore and enjoy the cities we call home as well as get to know the communities we cherish. We want to share with our guests the rich culture, history and heritage, as well as individuality of each of these cities.

Touches of Tradition

Each of the Group's hotels reflects local culture through the use of local materials and artwork, such as Thai silk and teak in Bangkok, Art-Deco styling in Shanghai, traditional Japanese design and artwork in Tokyo, and indigenous crafts and adornments in Manila.

Experience our cities, Peninsula-style

To engage with our guests and customers online, PenCities was developed in partnership with stylish travel guide LUXE City Guides to provide an up-to-date, online luxury lifestyle journal. Since its launch at the end of 2012, PenCities has been showcasing the best of each Peninsula destination, with a tightly edited selection of informed recommendations, covering the latest openings, classic favourites, special events, seasonal celebrations, plus emerging new luxury lifestyle and travel trends.

Peninsula moments

In 2013, we continued the roll-out of our new, global brand campaign *Peninsula Moments*, using short films and photography to illustrate how The Peninsula brings the outstanding aspects of each destination to our guests with style, sophistication and elegance. Conceived and developed in-house, each short film and photograph showcases the magic that the Peninsula team brings to our guests, going behind the scenes to tell each hotel's story and featuring the special memories created by staff members.

Curating the guest experience

During the year, we also re-launched The Peninsula Academy with a refreshed collection of carefully curated programmes to delight our guests with unforgettable experiences, as well as to introduce the rich culture and tradition of each city to our guests. These programmes focus on history and heritage, art and lifestyle, and family experiences unique to each of our cities, and are designed to be enjoyed by guests of all ages.

The Peninsula Academy has also created a platform to marry guest experiences with preserving the cities' heritage for our future generations. For example, in Hong Kong, our guests can uncover disappearing crafts such as paper-tearing, Chinese shadow-puppet mastery and the art of *qipao* knotted flower-button crafting. Guests can also meet the artisans and learn the history

“ Innovation is part of The Peninsula’s DNA and the guest-focused technology we unveiled with the re-launch of The Peninsula Hong Kong has elevated guest stays to a whole new echelon of experiential luxury”



Mr. Peter Borer
Chief Operating Officer



behind their chosen vocations. In Beijing and Shanghai, kite-making and flying classes allow children and accompanying adults to learn the ancient art of kite-making that originated in China over 2,000 years ago. More than a learning experience, these programmes support these traditional crafts by contributing to their sustainability through education and awareness building. We hope that these strategically crafted guest experiences support the rebuilding of heritage and customs in danger of dying out.

Setting New Standards of In-Room Technology

We believe that HSH is the only hotel company in the world which develops its own high-tech in-room solutions in-house and is renowned as an industry leader in the research and development of in-room technology. The latest in-room technology we unveiled in 2013 as

part of the landmark room enhancement programme of The Peninsula Hong Kong set new standards for personalised in-room experience. All information of interest to our guests and full control of all in-room functions, from streaming terrestrial TV, lighting control to valet call and privacy option, are now available on the new customised, interactive tablets. The tablets can be preset to one of 11 languages to suit guest preference. We believe that guest-focused and intuitive technology can enrich guest experiences and help us stay relevant.

We are also leveraging on technology to enable community engagement. The Peninsula Tokyo was the first within the Group to offer complimentary, interactive iPod walking tours of the hotel’s art collection and its neighbourhood. In 2013, along with celebrating The Peak Tram’s 125-year legacy, The Peak Tower launched the *Hong Kong Sky Tour*, a personal and interactive touch screen audio guide available in six languages, to help visitors explore Hong Kong’s history, architecture and neighbourhoods while enjoying the spectacular views from Sky Terrace 428.



Refer to Sustainability Scorecard
for 2014 Commitments

MORE THAN CHILD’S PLAY

In addition to inspiring cooking classes, The Peninsula Kids’ Academy programmes range from origami classes and making wind chimes in Tokyo, Thai-style painting in Bangkok, to firehouse excursions in Chicago and New York. These programmes aim to provide our younger guests with fun insights into the tradition and culture of our cities as well as a delicious and educational time with our chefs.





EMPLOYEES

Our Mission

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This is achieved in a family environment that promotes honesty and respect for each other, where we are recognised as a genuine and caring employer that continually grows and develops our own talent.

We are committed to the health and safety of our employees and endeavour to nurture them to make a positive impact on our customers, our community and the environment.



Our 2020 Ambitions

- Strengthen executive and leadership development
- Attract new talent and retain quality employees
- Implement the competency framework across the Group
- Introduce "Ambassadors for Good" Training Programme
- Empower Operations' CRS champions through training
- Target zero work fatality or incident resulting in permanent disability
- Minimise occupational health and safety incidents by improving the processes and system to support the management, planning and disclosure needs on health and safety
- Achieve OHSAS 18001 for all operations
- Establish a global human resources system to support human resources management, planning and disclosure needs

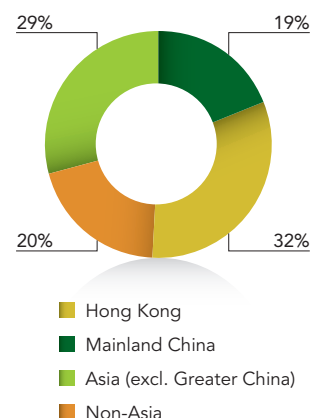
Our people are at the heart of our business and our brand. Behind every life-long memory our guests take away is the passion and love of service embodied by our employees. Their dedication, commitment and creativity to go above and beyond the expectations of our customers define the excellence that HSH stands for.

We place great value and pride in being a genuine and caring employer. We want our employees to reach their full potential for the growth and success of our business. The unique family culture that runs deep throughout the Group's 148-year history is what engages and empowers our employees. We also treasure a loyal relationship with our employees. The long-service employees' experience and deep understanding of our corporate values make them best placed to provide the exceptional level of customer service that our brand is known for.



Refer to the Sustainability Data Statements section

More than 8,000 Employees Worldwides



Reinforcing an Ethical Culture

We are committed to providing an environment that promotes integrity, respect and diversity. Maintaining strong corporate governance and ethical standards supports business sustainability and is what our stakeholders expect from us.

Our Code of Conduct and Equal Opportunities outlines the standards of behaviour that we expect at all times from employees on a range of ethical issues, including anti-bribery, fair competition, equal opportunities and protection of customer privacy. It broadly acknowledges and recognises the principles outlined in the United Nations' Universal Declaration of Human Rights, including among others denouncing all forms of child exploitation, forced or bonded labour, as well as recognising the basic right of workers in forming and joining trade unions to protect their interests⁴.

It is a compulsory requirement for all employees to undertake the two modules of Code of Conduct training

programme⁵, covering anti-corruption and bribery and equal opportunities which is an important aspect of human rights issues relevant to our operation. All employees who handle customer information are required to also undertake training on customer data privacy⁶. In the coming year, while continuing to have new employees complete the Code of Conduct training, we will also be rolling out a refreshment programme for all HSH employees. In 2013, out of the Group's workforce of over 8,200 employees, 7 grievances of discrimination were lodged, investigated and dealt with in accordance with the Group's policy, and there were no reported breaches of anti-corruption practices.

United in Our Differences

Diversity at HSH is more than an obligation; it is a business strength that we celebrate. We have a gender-balanced workforce⁷ and this diversity offers our employees the opportunity to learn from one another and effectively connect with our customers from around the world.

⁴ In 2013, 12.9% of our employees were covered by collective bargaining agreements.

⁵ Most existing employees undertook these trainings when they were launched in 2011. In 2013, 26% of the total workforce undertook anti-corruption training, 25% undertook equal opportunities training. The participants included all new recruits and existing employees who were not able to attend the training modules previously. These represented a total of 1,080 hours of training on anti-corruption, 1,030 hours on equal opportunities.

⁶ The customer data privacy module of the Code of Conduct training, rolled out in late December 2012, is designed to be undertaken by all management as well as general employees who handle guest information in functions such as guest services, food & beverage, front-office, sales and marketing. These included 1,804 employees. 7% completed the training in 2012 and another 91% in 2013. 1,516.5 training hours on protection of customer data privacy were recorded in 2013.

⁷ The gender split of our workforce: In both our overall workforce and management team, we employ 41% females and 59% males. Our full time workforce is 40% female and 60% male and our part time workforce is 54% female and 46% male. Permanent employees are 41% female and 59% male, while fixed term/temporary contract employees are 54% female and 46% male. In Asia, we employ 41% females and 59% males. Outside of Asia, we employ 43% females and 57% males.

The Group is committed to providing an inclusive, non-discriminatory workplace which gives opportunities of continuing development to all employees as well as fair consideration to all applicants regardless of gender, age, nationality, religion, sexual orientation or disability. At our operations across the world, we employ people with disabilities to perform duties that can effectively draw on their talents and skills. Unfortunately, our hotel operations in Shanghai and Bangkok will be paying a total of HK\$346,392 to their respective local governments for not meeting the required legislative quota for employing people with disabilities in 2013. This was mainly due to natural attrition. Both properties are searching for the right candidates to fill the vacant positions.


Bringing Our Values to Life

The values of HSH as a company and as a brand are exemplified every day by our employees. Their passion, commitment and creativity are what make HSH special to our customers and what lead our business to

achieve our ambitions for sustainable growth. Hence, attracting, developing and retaining the right talents are fundamental to our success.

Investing in the future

Each year, we update our learning and development programmes based on the annual analysis of training needs across the Group. In light of the Group's business development plan, a series of new executive development programmes were introduced in the past three years to ensure our aspiring leaders were well equipped and poised to support the Group in expanding its foothold to new frontiers. The new module rolled out in 2013 engaged 12 selected executives across the Group in a range of business simulation exercises, a 360° review, and an action learning project whereby the participants would work in small teams for six months to tackle one of the ambitions under the Group's Sustainable Luxury Vision 2020. The module was aimed at helping the participants refine their management skills and leadership presence



SILENT SUCCESSSES

The Peninsula Manila's chocolatiers were both born deaf but did not let their disabilities get in the way of success. From the Philippine School for the Deaf, they apprenticed at the hotel and are responsible for creating thousands of chocolate truffles and pralines every day to delight our guests.

At The Peninsula Beijing, the hotel not only provides training to its employees with hearing disabilities, but also organises training courses on sign language to facilitate fellow colleagues to communicate with them more effectively.

while broadening their perspectives to prepare them for stepping up in their leadership roles within the HSH portfolio.

The Group also runs scholarship programmes which provide funding support and summer internship to students studying hospitality. In 2013, scholarship support was provided to students in Manila and Hong Kong. We intended to expand the programme to other cities and began the process of selecting the right candidates in Paris, New York and Beijing for 2014.

The cornerstone for people development

We began the journey of building a global competency framework in early 2012 to help us define the desired behaviours at different job levels and the link to driving business success for the Company as a whole. The competency framework reflects not just present needs but also what the future may require of us in delivering sustainable luxury to our customers and sustainable growth for the Company.

In 2013, through interviews, focus groups and online questionnaires, we obtained input from close to 800 employees to help us sketch out the core and critical competencies for staff members from support level to senior management and executive levels. In the coming year, we plan to roll out the competency framework with tools to support its application during performance management conversations, learning and development programmes and be integral part of the recruitment process.

Emphasising dialogue and engagement⁸

From town hall meetings for updating employees on priority business issues to less formal gatherings that encourage employees to express their concerns and expectations, Group operations use different forums to ensure their teams are informed and heard.

Building Local Talent

The Peninsula Shanghai partnered with UK-based Institute of Hospitality and the Vocational Training Centre in Hong Kong to launch an 18-month part-time diploma course in hotel management to give its locally-hired managers an opportunity to deepen their knowledge on different topics of hotel management, such as business management, marketing and sales, human resources, finance and business planning. The first in-take of 20 managers graduated in the summer of 2013, with the second batch of another 20 starting their study in November.



DISCOVER OUR JOURNEY

In 2013, the Group released a new video *The Journey to Sustainable Luxury*. The five-minute video shares with our employees the Group's commitment to responsible and sustainable practices and highlights the progress we collectively achieved over the past five years. It will also be included in the orientation of new recruits. We hope our employees will be encouraged by the success and the positive spirit highlighted in the video, and be inspired to take individual actions in making a difference. The video serves well to help us reflect on our journey thus far and prepare us to turn to a new page with our new vision for 2020.

In 2011 and 2012, we undertook an employee engagement survey at 11 Group operations. More than 4,200 employees participated, representing over 50% of the Group's total workforce. The survey confirmed that our employees were proud to be associated with HSH and to advocate the HSH brand. The findings also showed that there was room for us to improve on employee recognition and two-way communication. From writing a personal note to recognise a staff member to dedicating a week each year to celebrate the hard work for a certain function, from managers making time for one-on-one coffee session with their staff members to instilling the discipline of hosting a monthly departmental meeting, the 11 operations developed over 400 action plans to address the feedback gathered from the survey. At the Group level, we took action to strengthen our performance management process and develop a global competency framework. A global engagement survey is scheduled for 2014 and will cover all full-time HSH employees with over six months' service to ensure their needs and feedback are heard.

A handy toolkit

During the year, a human resources manual and toolkit for hotel pre-opening was developed. It provides a valuable resource, with preparations now in Paris and London in the medium term. Before a Peninsula hotel

opens its doors to a city, an incredible amount of work goes into engaging the potential workforce, building skills and competencies through training programmes, and instilling HSH's strong ethical culture and unique service standards. The new manual would help formalise and reinforce this important work.



Refer to the Sustainability
Data Statements section

Health and Safety is a Priority

Making sure our hotels and properties are safe for our customers and our employees is of highest priority to HSH and our stakeholders. To ensure the welfare of our employees and minimal disruption to our business, we place strong emphasis on taking a preventive approach through health and safety training and incident management.

In 2013, HSH began to introduce a new workplace claims management programme with accompanying policies and procedures across all operations to formalise the reporting of workplace incidents. This new system helps improve internal controls and injury prevention measures. All operations also have a Health and Safety Committee, which meets regularly to review performance and devise the appropriate improvement

Safety First

In 2013, we continued to focus on employee training in reinforcing a safety culture. A total of 19,382 hours of health and safety training were delivered across our operations, a 14% increase from 2012. Fire safety remained the predominant training topic during the year, followed by training in other areas such as food safety and hygiene as well as manual handling.

The Peninsula Tokyo splashed some fun to its fire safety training by participating in a firefighting contest among businesses based in the Marunouchi district, competing on the response speed of firefighting, the use of firefighting equipment and teamwork.



The Peninsula New York organised a wellness day where all employees were invited to visit different health awareness stands, including podiatry, dentistry, acupuncture, general medicine and fitness. The de-stress corner with two massage chairs proved to be very popular. Employees could also have basic health checks and enjoy a selection of healthy food.

plans. These measures have helped us continue to reduce the Group's injury rate. In 2014, we aim to enhance our injury and illness prevention programme through more robust post-incident investigations. We will also continue rolling out a new health and safety reporting tool to improve the monitoring of Group operations' performance on training and incident reduction.

Supporting Employee Wellness

The health and wellbeing of our employees is vital to our continued business success. We believe that healthy and happy employees contribute to a healthy company and happy customers.

Across the Group, we strive to increase the wellness of our workforce by setting up staff fitness centers on premises or partnering with local health clubs in offering discounted memberships to our employees. Many also organise sports and wellness programmes to help employees adopt a healthy lifestyle, from runners' clubs in Manila and Hong Kong, yoga classes in Shanghai, to golf lessons at Thai Country Club and a dedicated staff wellness team at The Landmark Vietnam bringing fruit, water and energizing exercises to their fellow colleagues. We have also become more conscientious in providing not only tasty, but also healthy and balanced meals at staff cafeterias. To better support employee work-life balance, The Peninsula Hong Kong, Peninsula Merchandising Limited, Global Customer Services Centre and The Peak Complex implemented 5-day and 5.5-day work weeks in 2013.

Caring for the HSH family

Within the Group, 148 employees took parental leave during the year. Among the employees who took parental leave in 2012, 84% were still working with us a year on. During the year, we began to introduce across our Hong Kong operations a series of employee benefits, such as a three-day paternity leave, four-week adoption leave, full remuneration for maternity leave as well as extending annual comprehensive medical examination benefits to all permanent employees.

How We Did in 2013

- ✓ Built a competency framework for the Group
 - ✓ Developed a human resources manual and toolkit for hotel pre-opening
 - ➡ Enhanced our support for employee wellness and work-life balance
 - ✓ Launched a new module of the Executive Development programme targeting the next generation of leaders
 - ➡ Expanded the Peninsula Scholarship programme
 - ➡ Rolled out a new health and safety reporting template to improve the monitoring of Group operations' performance on training and reducing incidents
 - ➡ Hotels Division to continue to implement the Operational Risk Manual
- ✓ Achieved ➡ On Plan ➡ Behind Plan ✗ Objective missed



Refer to Sustainability Scorecard for 2014 Commitments



OPERATION

Our Mission

We strive to deliver high standards in the most sustainable and cost-effective way.

We commit to implementing robust sustainability management and practices, and to delivering continuous improvement through discipline, creativity and applying the right technology.



Our 2020 Ambitions

- Using the 2006-08 average as baseline:
 - Achieve 10% absolute carbon emission reduction
 - Achieve 30% carbon intensity reduction
 - Achieve 25% energy intensity reduction
 - Achieve 25% water intensity reduction
- Achieve 25% reduction on waste intensity from 2012 baseline
- Achieve 60% waste diversion rate through recycle, reuse and donation
- Achieve excellent rating in IAQ assessment for all operations
- Provide self-bottled water for guestrooms and meetings to reduce plastic waste
- Achieve HACCP certification for all hotel operations
- Operations located in water stressed regions to be “water neutral” by efficient use of water and replenishing sources near our locations

HSH develops and manages a portfolio of prestigious hotels and premium properties. Our reputation as one of the leading hotel companies in the world is built upon the exemplary customer service, superior facilities and thoughtful technology we offer. Whilst we are committed to providing the highest standard of luxury products and services to our customers, we are conscious that buildings account for about 40% of global energy and 25% of global water use⁹, with significant impact on the world's carbon footprint as well as energy and water demands. Buildings are also a prime origin of municipal solid waste which is expected to double in volume over the next 10 years, presenting grave environmental and social challenges. This makes energy, water and waste management a clear priority in our operations. These are also issues of keen interest to our stakeholders.

We have made good progress in reducing our environmental footprint over the past few years. In 2013, we used 3% less energy and 4% less water than we did in 2006-2008 despite our business growth over the years which included the addition of The Peninsula Shanghai in 2009. To drive continuous improvement on our environmental performance while meeting our unwavering luxury standards is not without challenge. However, we believe that this is a challenge that we have to embrace if HSH wants to be a part of the solution.

The Group's Sustainable Luxury Vision 2020 sets out our commitments and provides a clear framework for driving continuous improvement. We have found that as we increasingly look at our operation through a sustainability lens, it opens up new opportunities for driving innovation, efficiency and cost reduction while further enhancing the standard of our services and products by making sustainability part of the appeal of our luxury offering.

⁹ The United Nation's Environment Programme's Sustainable Building and Climate Initiative (UNEP-SBCI) (www.unep.org/sbc)

A Nod to Our Commitment

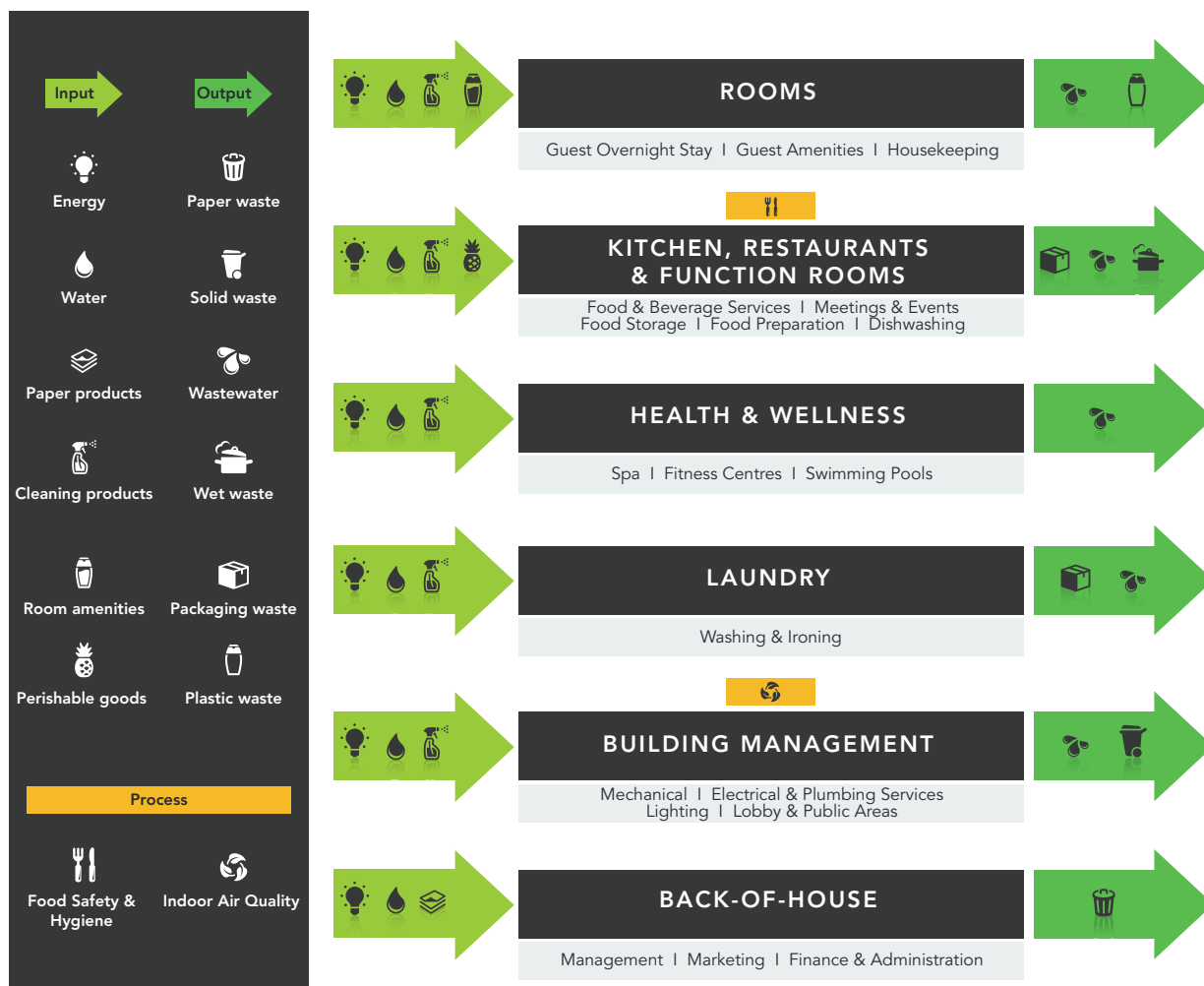
The Peninsula Chicago received its inaugural EarthCheck Silver Certified status in 2013 in recognition of its robust environmental management process and its commitment to continuous improvement. EarthCheck is a leading international sustainability benchmarking and certification programme for the hospitality sector.



The certification is a part of the hotel's continued sustainability efforts and a reflection of the strong commitment across all levels of The Peninsula Chicago team in embedding sustainability principles and practices into its operation.



Our Sustainability Footprint



An Ongoing Focus on Energy and Carbon Reduction

In 2013, we continued the pursuit of improving our energy performance and carbon footprint through implementing a variety of environmental engineering projects, such as LED lamp replacements, chiller upgrades and improving the efficiency of our air

handling units. We also launched a building re-commissioning project at The Peninsula Hong Kong to achieve energy and emission savings through optimising the performance of our machinery and equipment. The project was planned for completion in 2014. Our completed 2013 emission reduction projects are estimated to result in annual energy and carbon emissions reductions of 9,850 GJ and 1,447 tonnes of

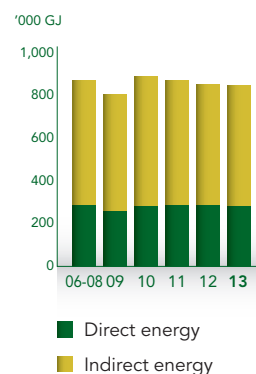
CO₂ equivalent respectively. Over the past five years, our environmental engineering projects brought about an estimated saving of 94,383 GJ, which is enough energy to power more than 1,000 homes in Hong Kong for four years¹⁰. The saving in energy also meant a saving of HK\$23 million on our recurring annual operational cost.

In 2013, both our overall energy intensity and energy use were at similar levels as 2012 despite our business growth. However, compared to the baseline of 2006-2008 average consumption, the current energy intensity of 1,440 per floor area was still 3.5% shy from our 18%

reduction target for 2013.

This was mainly due to increased energy demand by Quail Lodge & Golf Club. The energy intensity of Quail Lodge & Golf Club increased by 63% from 653 MJ per floor area to 1,064 MJ per floor area after it reopened its hotel portion, featuring 93 guestrooms, in March 2013. Despite being more

Group Energy Use



Illuminating Sustainable Luxury



In 2013, The Peninsula Tokyo replaced more than 5,000 halogen lamps in the guestrooms with LED lights, reducing the energy demand by 90%. It would generate an estimated annual saving of JPY11 million (HK\$805,703) in electricity cost and 2,365GJ of energy, which is equivalent to the average annual electricity consumption of nearly 300 Japanese households¹¹. It also meant a reduction of 274 tonnes of carbon emissions. Although LED replacements can be an effective measure for cost and energy reduction, it was an area that we undertook with great caution. To ensure the lighting quality met our strict luxury standards, The Peninsula Tokyo team commissioned a supplier to tailor-make LED lights for our needs and conducted extensive trials before introducing these LED lights to the guestrooms.

The Peninsula Tokyo team also put on their creative hats and used LED lights to build a stunning Christmas tree to light up the holiday season. The 6-meter tall tree took three days to install and was the result of a year-long planning process. Thoughtfully designed with reusable materials, the tree could be fully dismantled and stored in wait for the next Christmas season.

¹⁰ According to Energy Efficiency Office, Electrical & Mechanical Services Department, HKSARG (www.emsd.gov.hk/emsd/e_download/pee/HKEEUD2012.pdf), 55,501TJ energy was used in residential sector in 2010. Housing Authority, HKSARG recorded 2,359,000 households (www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf).

¹¹ Based on World Energy Council 2010 estimates that the average Japanese household consumers 2,241 kilowatt hours of electricity annually.

efficient in energy use than before, the increased energy demand inevitably affected the Group's overall energy performance. In the coming year, we will work even harder to identify opportunities for improvement.

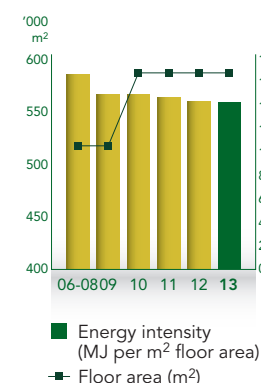
The increasing impact of climate change is evident in the cities where we operate. These cities are seeing increasing incidents of extreme weather events which poses greater potential risks of disrupting our business operation and supply chain. The Sustainable Luxury Vision 2020 contains elements of our approach to managing climate risk and making our business more resilient to this.

In 2013, our energy consumption¹² generated a total of 112,024 tonnes of CO₂ equivalent, 5,286 tonnes less than the previous year, while our Group carbon intensity reduced by 4.5% to 190 kg per floor area. The carbon intensity of our hotels division was 113.3 kg CO₂e per occupied room per day¹³, a 9.7% reduction from 2012 which was 125.5 kg CO₂e per occupied room per day.

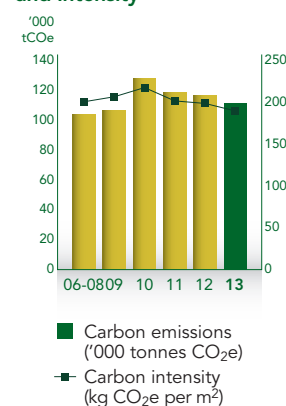
Minimising Our Impact on the Ozone Layer

Older air-conditioning systems in our hotels and properties are the main sources of our ozone-depleting substances (ODS) emissions. ODS have a detrimental effect on the ozone layer, damaging the Earth's protection against excessive levels of solar radiation. The Montreal Protocol regulates the phase-out of CFCs, halons, and other ozone-depleting chemicals internationally. We strive to replace all ozone-depleting refrigerants in use by the Group by the end of 2015. Through investing in chiller replacement and retrofit

Group Energy Intensity



Group Carbon Emissions and Intensity



of chiller refrigerants, we reduced our estimated ODS emissions from 167 kg CFC-11 in 2009 to 68 kg equivalent in 2013.

Pushing Ourselves Further on Water Stewardship

Across the Group, we used 1.9 million m³ of water, 4% lower than that in 2006-2008. The water intensity of our hotels division in 2013 was 1,187 litres per guest night, 7.3% lower than 2012 and 15.9% lower than the 2006-2008 baseline. However, the water intensity of commercial properties, clubs and services division saw a year-on-year increase by 6.6%. This was mainly due to the re-opening of the hotel at Quail Lodge & Golf Club and St John's Building and The Repulse Bay switching to water cool chillers which increased the demand for water.

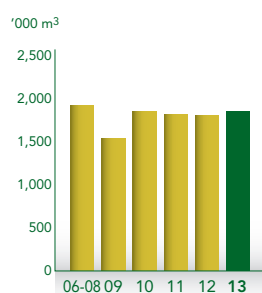
Studies have shown that more than 40% of the world's population will be living in water-stressed areas¹⁴ by

¹² Direct energy is the energy we use in our operations such as gas for heating. Indirect energy is energy consumed to provide the energy we use, for example the fuel burned in power stations to generate our electricity. In 2013, the split of our direct energy consumption by sources were: 61.9% gas, 29.1% diesel oil and vehicle fuel 9.1%, whilst our indirect energy consumption were mainly from electricity (91.6%) and steam (8.4%).

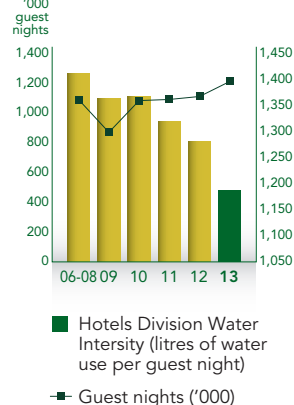
¹³ Based on the carbon accounting methodology of Hotel Carbon Measurement Initiative developed by International Tourism Partnership and World Travel and Tourism Council (www.tourismpartnership.org and <http://www.wttc.org>), our group-wide hotel HCMI 2012 figure restated, reflecting the change in the calculation method to include a value for hotels with outsourced laundry and limit the boundary to hotel properties only.

2030. Beijing, Shanghai and California, where our properties are located, are among the world's most water-stressed places. Compared to the 2006-08 baseline, The Peninsula Beijing and Shanghai saw a 17% and 24.8% reduction in their water intensity in 2013 while The Peninsula Beverly Hills and Quail Lodge & Golf Club also lowered theirs by 21.5% and 8.8% respectively. We are conscious of the financial and operational risks of operating in these water-stressed areas, and endeavour to contribute our best in water conservation to support the sustainability of these communities.

Group Water Consumption



Hotel Division Water Intensity



Since we began our environmental programme in 2008, our water savings initiatives have saved 185,972m³ of water (equivalent to 929,860 bathtubs¹⁵). In 2013, our Group Corporate Responsibility Committee reviewed a selection of best practices within the Group for water conservation and endorsed these practices to be adopted group-wide and in new projects where appropriate. For 2014, we seek to achieve 16% water intensity reduction against the 2006-08 baseline for

A COOL SOLUTION

The Peninsula Tokyo adopted a new process using a specialist volcanic rock known as silica to help reduce water use of its cooling tower. Silica can only be found in certain thermal geological places in Japan. The process involves using small particles of silica as a filter system for cooling tower which would effectively lower the water and energy demand of the cooling tower, generating financial, labour and environmental savings in the long run. The hotel would be able to save more than 1,000 cubic meters of water (equivalent to over 5,300 bathtubs) and close to JPY1 million each year with the application of the silica filter system.

Over
920,000
bathtubs saved

hotels division and 7% reduction for commercial properties, clubs and services division so as to bring the water intensity back to the 2012 level despite its business growth. We will identify further reduction opportunities through a water management assessment to be carried out across the Group.



Refer to the Sustainability Data Statements section

¹⁴ Managing Water For All: An OECD Perspective on Pricing and Financing – Key Messages for Policy Makers © OECD 2009, www.oecd.org/env/42350563.pdf

¹⁵ Reference made from Chinawaterrisk.org

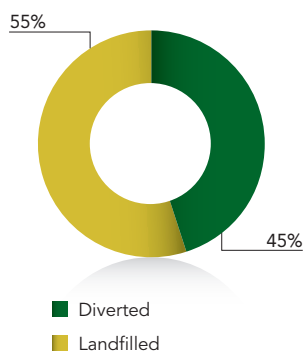
Wastefulness is not Luxury

We recognise that if waste is not properly managed, it can lead to a host of environmental, social and health issues in the community. We endeavour to reduce the waste we produce and divert as much waste as possible from landfills by managing our resources more wisely and cutting down on wastage. At HSH, we believe that luxury is not about drowning our guests with excess, but about pampering our guests with the finest, being thoughtful to their needs and delighting them with unique experiences that last for a lifetime.

All Group operations report their waste management performance on a quarterly basis. This discipline has helped us improve our understanding of the nature and quantities of the resources we use and the waste generated. Waste disposal methods vary across our operations, largely due to available solutions and infrastructure in the communities where we operate.

In 2013, The Peninsula Beverly Hills and The Peninsula Manila led in their waste diversion efforts within the Group, recycling more than 85% of the waste generated from their operations.

What happened to our waste in 2013?



Some of our operations send their waste to contractors designated by the municipal government for single stream waste segregation and recycling. Others work with various waste management vendors and charities to manage their waste. In 2013, some 3,341 tonnes of wet waste and 2,719 tonnes of dry waste were generated from our operations around the world. Of this 50.9% of wet waste (including used cooking oil) and 37.4% of dry waste were diverted from landfill for reuse and recycling. Compared to 2012, we reduced the waste we generated by 211 tonnes and improved the waste diversion rate by about 7.4 percentage points to 44.9%, meaning 2,719 tonnes of waste was recycled – the weight of more than 600 elephants¹⁶!

In 2013, we also recorded the disposal of 14,690 kg of hazardous waste, such as fluorescent tubes, paints, solvents and dry cleaning chemicals. The disposal of our hazardous waste is regulated by local authorities and handled by specialist contractors.

A Commitment to Safety

Making sure our operation is safe for our guests and employees is of utmost importance to HSH and its stakeholders. From the food we serve to the indoor air quality, we remain committed to safeguarding the well-being of our guests and employees.

Safety before taste

Our food and beverage operation is an important aspect of how we plan to deliver sustainable luxury, which begins with our longstanding commitment to food safety and hygiene – an area rated by our stakeholders as the number one priority corporate responsibility issue for HSH in our materiality study. Our operations strictly adhere to local food safety standards. To further raise the bar on safeguarding food safety and hygiene, our ambition is to have all our food and beverage operations go beyond their local regulatory requirements to achieve Hazard Analysis and Critical Control Points (HACCP)¹⁷ certification by 2020.

¹⁶ According to an online database of animal natural history and classification of the University of Michigan (<http://animaldiversity.ummz.umich.edu/site/index.html>), the average size of an adult African elephant is around 4,500kg.

¹⁷ Hazard Analysis & Critical Control Points (HACCP) is an internationally recognised food safety and hygiene standard for commercial kitchens. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

A Delicate Balance

In Hong Kong, where HSH is headquartered, the city is facing a mounting problem in managing municipal solid waste as its existing landfills are set to be full by 2018. About 3 million tonnes of municipal solid waste, with more than a third being food waste, are disposed to landfill each year. We all need to play a part in managing our waste responsibly.

Deliciously sustainable

The Peninsula Hong Kong operates eight food and beverage outlets which produced around 2,900 kg of food waste per day in 2013. The hotel worked hard in reducing its food waste by curating its food presentation thoughtfully as well as a series of campaigns for raising employee awareness on treasuring food.

The hotel offers sumptuous buffets at its Verandah restaurant. Unlike many buffets which often serve food in big trays, The Verandah serves a wide selection of gourmet food presented delicately in small quantities. This not only helps reduce wastage of food by the end of a buffet, but it also enables our guests to sample more variety of dishes and enjoy the food from the buffet table while they are still fresh and tender, enhancing the quality of our food offering.



As urban Hong Kong offers limited space for food composting, The Peninsula Hong Kong invested in two bio-digesters to turn food waste into wastewater in order to reduce the pressure on Hong Kong's landfill capacity. In 2013, the hotel also began to donate vegetable trimmings from its Chinese and banquet kitchens to local non-profit organisation Food Angel, which cooks them to serve the homeless and others in need. Our chefs only use the finest part of a vegetable in creating a dish, so this new partnership enabled the hotel to divert its vegetable trimmings for a good cause.

Turning waste into resources

In a metropolitan city like Hong Kong, what visitors and tenants admire most about The Repulse Bay is often its lush garden. Twigs, branches and cuttings from the pruning and maintenance of the garden are by-products which previously ended up in landfill. The Repulse Bay invested in a compost grinder to make its own mulch for the flower beds. It not only reduced the refuse sent to landfill, but also made the garden more lush as the layer of mulch helped inhibit weed growth and increased the organic content of the soil. These by-products also made excellent firewood for the fireplace in its Reading Room, keeping the guests warm during the traditional and popular fondue evenings in winter.





In 2013, we made significant strides with The Peninsula Hong Kong and The Peninsula Manila – the two oldest hotels in the Group – becoming HACCP certified. Both hotels reviewed all aspects of their catering operations, from food provenance and storage, to serving practices and training, and worked closely with their suppliers over a two-year process to meet HACCP requirements. The process also involved close to 5,000 hours of food safety and hygiene employee training. During the year, all HSH operations also completed a gap analysis to identify the required steps for complying with HACCP. The study provided useful reference for each operation to develop its action plan for closing the gaps before 2020.

Healthy indoor air quality

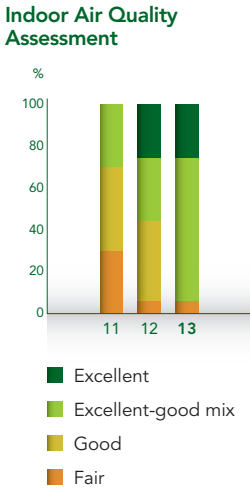
Ensuring safe and healthy indoor air quality on our premises is core to our accountability to our guests and employees. To deliver on this commitment, we carefully manage indoor environments through cautious control of ventilation and water systems, as well as well-timed maintenance work and the use of less hazardous paint and cleaning products.

We introduced a Group Indoor Air Quality (IAQ) Policy in 2012 to further strengthen our emphasis on safeguarding indoor air quality. Whilst IAQ assessment is not a regulatory requirement in most of the locations where we currently operate, our Group IAQ Policy mandates all operations to annually assess their IAQ standards. From arcades to guest rooms, spas to

bars, and restaurants to back-of-house offices, the assessments reached all corners of our properties. IAQ assessments at all locations were confirmed to be satisfactory with more achieving “excellent” ratings when compared to 2012.

More properties achieving excellent grade of indoor air quality.

We have set a goal to achieve excellent air quality rating in all our properties. This should not be difficult to attain in locations where the outdoor air quality is good; however, air pollution at some of the cities that we operate, such as Beijing and Shanghai, is posing a challenge to public health. It makes safeguarding our indoor air quality an important undertaking.



How We Did in 2013

- ✗ To achieve an overall 18% energy intensity reduction against the 2006-08 baseline
- ✓ Further reduced water intensity of our hotels division
- ➡ Conducted a pilot building re-commissioning project
- ➡ Continued to improve the robustness of monitoring waste management performance
- ✓ All catering operations completed their gap analysis on compliance with HACCP as a Group standard

✓ Achieved
 ➡ On Plan
 ➡ Behind Plan
 ✗ Objective missed



Refer to Sustainability Scorecard for 2014 Commitments



NEW BUILD & REFIT

Our Mission

We strive to design and deliver our hotels and properties to meet the highest sustainability criteria whilst providing an exceptional level of comfort. These high design standards support superior service delivery in the future and provide the foundation for efficient energy, water, waste and safety management.



Our 2020 Ambitions

- In countries where qualified contractors are available, all main contractors appointed are ISO 14001 certified
- In countries where qualified contractors are available, all main contractors appointed are OHSAS 18001 certified
- All new build and major refit meet international green building standards
- All paints used for indoor environment are free of VOCs

The Group's portfolio of prestigious hotels and properties were designed to deliver an exceptional level of experiential luxury to our guests and tenants. Our design is thoughtful, sophisticated and relentless in attention to detail. We use the finest materials and craftsmanship in our construction process. Nonetheless, the Company embraces innovation and is keen to make our properties more sustainable while preserving their historical characteristics.

We are keenly aware that building design has vital implications on ongoing energy and water efficiency, waste and safety management as well as operating costs. Our Sustainable Luxury Vision 2020 sets out our commitment to keep sustainability considerations in mind from the onset of any project. It demands us not only to design and deliver our new development projects or major renovation works to the highest standard of quality and comfort, but also to lay the foundation for lower-impact operations.

Redefining Luxury

In 2013, we completed the revitalisation programmes of The Peninsula Hong Kong and The Repulse Bay Complex. The significant investment in these two important assets, which combine more than 200 years of history in Hong Kong, is a powerful expression of both the Group's heritage and our commitment to the future.

The landmark HK\$450 million room enhancement programme of the Group's flagship hotel, The Peninsula Hong Kong, saw all 300 of the hotel's guestrooms transformed to define the future of



A Cool Investment

The Repulse Bay Complex invested in a new water-cooled chiller system which could bring about 35% saving in energy use and produce less greenhouse gas emissions and contaminants to the environment when compared to the conventional air-cooled chillers. In 2013, the new system generated a year-on-year energy saving of 1,902 GJ, which is enough energy to power 80 households in Hong Kong for a year. It also meant a saving of 417 tonnes of carbon emission. The new system unavoidably increased the water demand but the team is proactively looking into water saving opportunities.



experiential luxury stay. The enhancement programme not only ushered in revolutionary in-room technology while preserving the hotel's magnificent heritage, but also looked into using FSC-certified timber for all non-finished surfaces and LED lights in the corridors of guestroom floors. The extensive HK\$300 million renovation programme of The Repulse Bay Complex brought a significant upgrade to all the public areas of the apartment towers and a complete reconfiguration of its de Ricou apartments. The renovation also embedded different sustainability attributes, from the installation of a new water-cooled chiller system and application of energy-saving T5 tubes and LED lights, to using tables and chairs made from leftover ship vessel planking and recycled elm wood at the breakers café.



A LEED IN SUSTAINABLE LUXURY

The Repulse Bay team proudly received the Leadership in Energy and Environmental Design (LEED) Gold Certification for the renovation of de Ricou apartments, which is the first residential property in Hong Kong to earn this international accolade for an Alterations & Additions (A&A) project. This award comes as a result of a comprehensive renovation meticulously planned and carried out over 18 months. It also marks an important milestone in the Group's long-term commitment to sustainable luxury.

Sustainable Site

The de Ricou apartments is part of The Repulse Bay Complex, which boasts a magnificent 23,000-square foot lush garden that accounts for over 60% of the site. A variety of services and essential amenities, such as sports facilities, restaurants, pre-schools, shops and clinics, are located on the doorstep of its residents, enhancing their lifestyle while fostering community. The provision of an Euro-5 standard shuttle service and easy access to public transportation connects the residents to other parts of the city conveniently.

Energy and Atmosphere

To optimise energy performance and reduce unwanted solar heat gain, all apartments were fitted with low-E double glazing window to reduce the indoor greenhouse effect and keep the apartment cool during Hong Kong's hot summers. The design has thoughtfully maximised the use of natural light for both the apartments and public places. The use of high solar-reflectance index roof coatings further

reduces the "heat island" effect by reflecting daylight, ensuring comfort and improving environmental performance.

Water Efficiency

The use of rainwater for irrigation, water-saving sanitary fittings, and innovative wastewater technologies involving the use of bleed-off water from the cooling tower for flushing contribute to a substantial reduction in water consumption.

Indoor Environment Quality

By using high quality, energy efficient air-conditioning system, low-emitting volatile organic compounds (VOC) as well as optimising air exchange to eliminate airborne pollutants, we are able to maintain excellent standards of indoor air quality.

Going Beyond

Beyond the LEED Gold criteria, de Ricou apartments also demonstrate its support of sustainable forestry practices by using Forest Stewardship Council (FSC) certified wood flooring in all apartments.

"Ultimate luxury and style need not be at the expense of the environment. By attaining the LEED Gold certification, de Ricou apartments have proven that an existing or even historical property can be transformed by incorporating cutting-edge green building technologies," said Mr Palle Ledet Jensen, General Manager of The Repulse Bay. "de Ricou apartments offer not only consummate luxury and style in an enviable oceanfront location but also green living and a healthy home for discerning residents."



In both renovation projects, we engaged contractors which are ISO 14001 and OHSAS 18001 certified to ensure that the construction process adhered to sound environmental management system and adopted effective measures in controlling occupational health and safety risks.

Raising the Bar on Sustainability Standards

As we undergo exciting new developments in London and Yangon, we seek to challenge ourselves to assess how we can deliver these projects to the highest standards of quality and sustainability criteria. The renewed HSH Design Standards on sustainable building design adopted in 2013 would provide helpful guidance to this process.

The new edition of the Sustainable Design Standards was developed after an extensive research of green building standards and frameworks worldwide, and reviewing the challenges in applying the existing standards on our projects over the past three years. The new standards adopted Building Research Establishment Environmental Assessment Method (BREEAM), a UK-based certification scheme, as a benchmark, replacing the previously used benchmark which was largely based on US-based LEED. The shift to BREEAM was made in part because of its stronger emphasis on establishing proper control systems to monitor responsible usage of resources as opposed to complying with specific performance thresholds that are not always applicable in our context.

We will begin to apply, where possible, the renewed Sustainable Design Standards and will continue to look to LEED and other green building standards for sustainable design concepts and guidance. We will also constantly monitor how we can incorporate new concepts and technologies into the history and heritage of our established properties.

Every Decision Counts

We strive to make sustainable choices for every building project, big and small. For example, at The Peninsula Beijing, ecological wood was used for the decorative work in the hotel's new YUN Bar & Lounge in 2013.



How We Did in 2013

✓ Reviewed the Sustainable Design Standards

✓ Achieved ➡ On Plan ⚙ Behind Plan ✗ Objective missed



Refer to Sustainability Scorecard
for 2014 Commitments



SUPPLY CHAIN

Our Mission

We seek opportunities to delight customers, whilst controlling cost. We will address the sustainability risks in our supply chains, with the goal of minimising the negative environmental and social impacts of our procurement decisions.

Whilst meeting our financial and quality requirements, we will make preference to source locally and from sustainable sources in order to support the local communities and environment and, in the process, reduce our carbon and water footprints.



Our 2020 Ambitions

- All operations continue to enforce the group-wide ban on shark fin.
- Paper products will be from certified sustainable sources by 2017.
- Critically endangered species are removed from our food and beverages offerings.
- Strive to source 50% perishable produce locally
- Guestroom amenities are made of sustainable materials.
- More than 50% cleaning products used in operations will be chemical-free or biodegradable.
- Tea, coffee and chocolate we sell are from certified ethical sources.
- Our luxurious furnishings meet uncompromising quality and sustainability criteria.
- Strive to have all procurement contracts in compliance with HSH Supplier Code of Conduct and verified by sample audit
- Rejuvenate "Naturally Peninsula" as the choice for sustainable, organic, and healthy options

Central to our Sustainable Luxury Vision 2020 is the commitment to making thoughtful choices. Over the past few years, we have become more conscious of the environmental and social impact of the choices we make as a buyer. Under the Supply Chain pillar, we aim to uphold our luxury standard while looking to source ethically, sustainably and locally, and to collaborate with our suppliers in driving positive changes through our procurement decisions.

Considering Biodiversity Impact

As a business with a global supply chain, we are aware that our procurement decisions have a direct impact on the environment and the communities where our products originate. We strive to ensure that our sourcing activities do not encourage practices that have adverse effects on biodiversity or the community. In 2013, we continued to focus on driving the responsible sourcing of paper products and food items across all operations.

Forest matters

Our day-to-day business operations involve the use of a wide range of paper products. To ensure that our operational needs are not met at the expense of

exploiting the world's forest and forest biodiversity, we introduced in 2012 a policy which mandated all Group companies to purchase paper products from certified sustainable and transparent sources and to reduce the consumption of paper. It is our goal that all paper products used in all of our operations will be from certified sustainable sources by 2017.

We made great progress towards our goal during the year with 54% of our paper product purchased from Forest Stewardship Council (FSC)¹⁸ certified sources, representing close to a 20 percentage point increase



PLANTING THE SEEDS

The Peninsula Beijing, Hong Kong and Manila as well as Thai Country Club organised tree planting programmes to raise employees awareness on forest conservation.

THE WINDS OF CHANGE

After extensive research, we identified a new choice of paper that we felt could represent the Peninsula brand and offer an environmental solution. The selected paper, which is FSC-certified and manufactured using wind power, would be used for all printed matters and collaterals bearing the Peninsula brand. All hotel operations have started to implement the change upon replenishing their stock, with the goal of completing the switch by the summer of 2014.

¹⁸ FSC (ic.fsc.org) is internationally recognised as the most comprehensive certification scheme on forest management.

from the previous year. The Peninsula Merchandising, which develops and sells a range of Peninsula-branded food products, gift items and award-winning cookbooks worldwide, managed to switch more than 95% of its luxurious paper packaging to FSC-certified sources. The Peninsula Beijing and Chicago also set wonderful examples across the Group with nearly 90% of their paper needs now met by FSC-certified stock.

Making positive waves on sustainable seafood

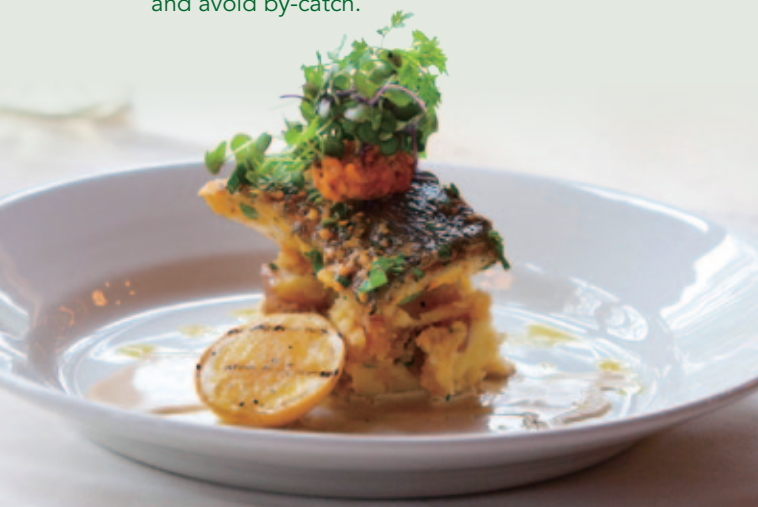
We seek to avoid serving any critically endangered species listed on the IUCN Red List of Threatened Species, and only serve seafood that is considered sustainable¹⁹. Our intention is genuine, but we acknowledge that delivering on it is not an easy

challenge, especially in our Asia operations, where certain seafood items are highly tied to local culture and customs. Despite these challenges, we remain dedicated and optimistic on realising our ambitions of removing all critically endangered species from our food offering by 2020.

An important step along this journey was the decision we took to stop serving shark fin at all of our owned food outlets since 2012. This decision was well received by our guests and other stakeholders around the world. As a public support for shark conservation, we also became a signatory of WWF's No Shark Fin Corporate Pledge. In 2013, to further our effort in sustainable seafood sourcing, we collaborated with WWF in assessing the sustainability of the wide range of seafood items offered at the Group's flagship hotel, The Peninsula Hong Kong. This pilot study provided useful pointers for us in developing our broader sustainable seafood strategy in an effort to contribute to preserving the marine eco-system for the world's future generations.

Nature's Bounty

Edgar's at Quail Lodge & Golf Club is a restaurant partner of Monterey Bay Aquarium's Seafood Watch, committed to not serving any seafood caught or farmed in ways that harm marine biodiversity. It takes care to ensure its delicious seafood comes from sustainable sources. The swordfish, for example, are harpooned, the tuna are caught by pole and line, the striped bass by rod and reel – all methods that are highly selective and avoid by-catch.



Redefining Luxury Dining

Having our produce come from reliable, sustainable and ethical sources are increasingly part of the luxury gastronomic experience that we offer to our guests. At The Peninsula New York, the *Clement* restaurant fully embraces the farm-to-table concept and offers a thoughtful menu that caters to the seasonality of the finest and freshest ingredients locally sourced from the Northeast. It has successfully added a fresh perspective to the fine dining experience in Mid-town Manhattan.

The Peninsula Manila's culinary team partnered with The Farm at San Benito to creatively curate the hotel's "360° Wellness, Naturally Peninsula" dishes which draws on eastern health philosophies and western nutritional recommendations. These exquisite dishes, available across all the dining outlets of the hotel, use the finest organic seasonal produce cooked at very low temperatures or served raw to preserve the unique and

¹⁹ Reference is made from credible sustainable seafood guides, such as WWF Sustainable Seafood Guides (wwf.panda.org) and Seafood Watch by Monterey Bay Aquarium (seafoodwatch.org).



pristine flavours of the ingredients. Guests can enjoy their meal knowing that ingredients are free of toxins and harmful chemicals and they are helping preserve the environment as well.

Edgar's, which is our restaurant at the Quail Lodge & Golf Club in Carmel, California, is one of our finest examples of embracing sustainable concept and luxury. The restaurant sources produce not genetically modified and uses the freshest ingredients harvested from local farms and ranches where possible, including grass-fed beef and free range chicken. To finish off the meal, delicious desserts are made from fair-trade chocolate, followed by coffee and tea which are also sourced from farms that follow fair trade and sustainable farming practices.

Our chefs are always on the look-out for quality produce from local, ethical and sustainable sources. We endeavour to make sustainability considerations part of the concept of luxury dining experience.

Making Responsible Sourcing a Standard Practice²⁰

Supplier relationships are an important part of our reputation and brand. We seek to buy at competitive rates, but not at the expense of labour standards, human rights or the environment. The HSH Supply Chain Code of Conduct was developed in late 2009 to articulate our expectations of suppliers and contractors on sustainable and responsible business practices.



²⁰ GRI G4 Material Disclosure: G4-26

A New Blend of Luxury

The Peninsula Tokyo introduced new coffee blends in all its restaurants in the autumn of 2013. The new blends not only enhanced the quality of coffee, for which the hotel received many compliments from its guests, but also helped to support sustainable farming practices as all the coffee are Rainforest Alliance²¹ certified.



HEALTHY CONSIDERATIONS

Bathroom amenities are one aspect of enjoying the luxury of our hotels. In 2013, in an exclusive partnership with Oscar de la Renta, a collection of brand new bathroom amenities was conceived, featuring not only a bespoke fragrance, but carefully crafted to contain no sodium lauryl sulfate, parabens, synthetic fragrance or other substances that may be harmful to human health. The custom designed bottles with rose shaped caps are recyclable and all paper packaging was FSC-certified.



²¹ Rainforest Alliance (www.rainforest-alliance.org) is an international nonprofit organisation that helps farmers and forest managers realise greater economic benefits by ensuring ecosystems within and around their operations are protected, and that their workers are well-trained and enjoy safe conditions, proper sanitation, health care and housing.

Following the launch of the Code, we surveyed our major suppliers by a self-assessment questionnaire to assess their environmental, labour, social and human rights practices as well as their compliance with the Code. The Code is part of the compliance requirements mandated by the Group's Purchasing and Tendering Procedures, which applies to all purchase of goods and services above HK\$200,000 and aims to ensure fair, responsible and robust procurement practices. In the past three years, Group operations have also progressively incorporated compliance with the Code as a standard requirement in all procurement contracts, in a bid to ensure that suppliers we work with follow responsible and sustainable business practices.

Supplier relationships are an important part of our reputation and brand. We seek to buy at competitive rates, but not at the expense of labour standards, human rights or the environment.

In addition, our Group sustainability guidelines for responsible procurement outline the recommended principles and practices of sourcing locally and sustainably. For example, in Hong Kong, where the Group's headquarters and 9 operations are located, 50% of our purchase of products and services in 2013 were through local suppliers²² in Hong Kong or China whilst meeting our financial and quality requirements. We plan to update and expand the guidelines in the coming year to better support our procurement decisions. In 2013, we reviewed our process for tracking our performance

on sustainable sourcing, with a view to gaining a better understanding of the sustainability impacts of our day-to-day purchasing decisions. A new reporting tool is being developed for roll-out in 2014 to measure our performance in this area, including our progress towards the ambitions we set for ourselves under the Group's vision for 2020. As part of this reporting tool, we will also introduce a toolkit to empower our procurement teams to communicate the Code to our suppliers and review their level of compliance.

How We Did in 2013

-  Implemented a new reporting template for the Group to measure our performance on responsible sourcing practices
-  Incorporated the requirement of complying with HSH Supply Chain Code of Conduct into the day-to-day procurement practices
-  Introduced a best practice of conducting regular supplier visits to assess compliance with the HSH Supply Chain Code of Conduct
-  Explored ways to promote sustainable seafood consumption

 Achieved
  On Plan
  Behind Plan
  Objective missed



Refer to Sustainability Scorecard for 2014 Commitments

22. Geographical categorisation of a supplier is defined by the location of the supplier entity with which the Company contracted with.



Our Mission

Respectful to our environment and our community, we will engage with our communities to respond to their needs in a strategic, relevant and focused way.

We also seek to integrate our aspirations for supporting the development of our communities with our core operations.

COMMUNITY



Our 2020 Ambitions

- Contribute 100K hours of community service by 2020
- Engage 10% of employees in community service
- Develop Group “Impact” programmes on global and regional levels
- All hotel operations have at least one “Impact” programme.
- All hotel and property operations to annually organise at least one cause marketing campaign to engage their customers in contributing to communities where we operate.
- Empower disadvantaged youth and marginalised groups in communities where we operate with the skills and opportunities for livelihoods while building the pipeline for our future workforce needs
- The Peninsula Academy to provide opportunities for guests to appreciate and care for the local community and environment

Caring for the community is a core value that stretches back more than 140 years when HSH was founded in 1866. Our Sustainable Luxury Vision 2020 cements this commitment firmly for the future. The success of our business is rooted in the success of the communities in which we operate. They provide the resources, infrastructure and markets that support our businesses. In return, we feel we have a responsibility to contribute to the needs and the development of these communities.

Community Development Strategy



Our Community Development Wheel²³ outlines the framework of our engagement work. We strive to integrate our aspirations for supporting the development of our communities with our core operations. It may be through employment opportunities, through the sales of our products, through our sourcing practices, or acting as an ambassador for the communities in which we operate. The aim is to bring lasting benefits to these communities.

At the Group level, all Peninsula hotels showed support for Breast Cancer Awareness Month throughout October through the “Peninsula in Pink” campaign for the third consecutive year. All our hotels leveraged on their signature afternoon teas and other specially-designed pink-themed products, such as cocktails, desserts and

In Aid of Worthy Causes

In 2013, HSH supported more than 700 non-profit organisations worldwide. Our monetary donations totalled HK\$7.8 million, of which about HK\$4 million was part of The Peninsula Hong Kong’s giving programmes in celebration of its 85th anniversary. In addition to monetary donations, we also provided a variety of in-kind sponsorships to our charity partners such as hotel stays, meal coupons, spa treatments and event venues.



23 GRI G4 Material Disclosure: G4-26



Cause Marketing
Charitable Donation

spa programmes, to raise funds and awareness as well as to entice guests to enjoy our services and products. In 2013, each Peninsula hotel also introduced an organic Pink menu, with recipes available online, to promote healthy eating. A percentage of the proceeds of all these products and services go directly to our local breast cancer charity partners in each destination.

Individual Group operations continued to work with their local partners to support the needs in their local communities. In 2013, from charity concerts to sporting activities, the majority of Group operations' community giving was devoted to support healthcare, education and livelihood programmes for children and youth, and the welfare of the elderly. We also looked at what we could capitalise from our operations to benefit the community. For example, Tai Pan Laundry in Hong Kong donated unclaimed clothing and towels to support underprivileged families while Peninsula Merchandising Limited donated unredeemed mooncakes to bring some sweetness to its charity partners.

COMMUNITY WARMTH

During the winter season, The Peninsula Chicago turned its terrace into a skating rink, providing a unique winter playground for its guests and patrons in downtown Chicago. All the rink's skating earnings were donated to two children's charities in Chicago, Ann & Robert H. Lurie Children's Hospital and Hephzibah Children's Association. It raised USD22,623 (HK\$ 176,000) in the 2012-2013 winter season.



The Peninsula Shanghai hosted the third Tour de Bund Charity Cycle Ride to promote the benefits of fitness and healthy living and raise funds for Raleigh China, a charity organisation supporting youth development and education. Four hundred cyclists and guests participated in the race along the waterfront of the Huangpu River before finishing at The Peninsula Shanghai to enjoy a rewarding feast. Volunteers from The Peninsula Shanghai and other organising parties pitched in to support the smooth running and safety of the race.



Employee Volunteering
Charitable Donation

Mobilising to Support Meaningful Causes

Employee volunteering is an integral part of our community engagement strategy. It provides a meaningful way for our employees and the Company to connect with their local communities and to acquire skills and motivation while giving back to the society. In 2013, more than 830 employees across the Group devoted 7,350 hours to volunteer work. From The Peninsula Chicago serving a barbeque-themed menu to the elderly, to The Peninsula Hong Kong giving the elderly a treat at its iconic Felix restaurant; from The Landmark Vietnam's staff efforts to keep an orphanage clean, to The Peninsula Manila and Shanghai collecting books and funds to build libraries for underprivileged children; or The Peninsula New York's spa team mending towels and linens for a homeless shelter in its neighbourhood, our employees contributed skills and time and, more importantly, their compassion to serve the needs in their local communities.

Making a Lasting Impact

Working with local partners²⁴

Exploring the right opportunities to partner with social enterprises²⁵ has been a strategic focus for our community engagement work in the past two years. We purchase a diverse range of commodities and raw materials to support our day-to-day operations and we feel we can more proactively look into opportunities of sourcing from social enterprises. This will allow us to integrate support to the community with our core business activities.

²⁴ GRI G4 Material Disclosure: G4-26

²⁵ A hybrid of business and non-profit organisations, social enterprises are founded to address specific social or environmental causes and strive to achieve their missions through entrepreneurial ventures. Social enterprise generates income through business operations and reinvests its profit to support its social or environmental cause.

²⁶ Hong Kong Council of Social Service is a federation of non-profit organisations in Hong Kong. It represents more than 400 non-profit organisations in Hong Kong and engages in policy research, social services and third sector development work.

DOUBLE BENEFITS

Besides giving back to society, community service also provided a great platform for team-building. At the 2013 HSH General Managers' Conference in Bangkok, our top management team visited the children's shelter of the Foundation for the Better Life of Children, learning about the children and planting fruit-bearing trees together as a source of sustainable income for the Foundation. After their hard work, the children and the volunteers were also treated to a delicious feast by The Peninsula Bangkok team.

The Foundation provides underprivileged children with shelter, education and vocational skills. This special visit marked the beginning of The Peninsula Bangkok's partnership with the Foundation. During the year, the team also organised a garage sale and English classes to support the Foundation.



In Hong Kong, where the Group is headquartered, we partnered with the Hong Kong Council of Social Service²⁶ (HKCSS) to explore how we may support the development of social enterprises. A series of programmes, such as a bazaar for social enterprise

products, self-service kiosks offering snacks made by social enterprises, and visits to these enterprises, were organised to introduce the concept and capacity of social enterprise to employees, especially the procurement teams, across our operations in Hong Kong. We are pleased to see that step by step we have started to make headway in this area.



Social Enterprise

Leveraging on our operation to nurture future talent

The Group works with hotel schools around the world to help develop new talent for the hospitality industry by providing work exposure opportunities. In 2013, about 1,130 individuals benefited from more than 404,000 hours of training and work placement programmes with our Group operations.

Hospitality is a gateway sector into working life for many people. Our hotels and properties operations can provide valuable opportunities for them to gain access to training, develop new skills and be empowered to seek future employment opportunities.

The Peninsula Hong Kong, in partnership with Caritas Hong Kong, offers a retraining scheme to benefit middle-aged unskilled people. Some graduates were offered positions at The Peninsula Hong Kong while some were employed by other hotels in the city. The Peninsula Tokyo supports the National Re-training School for Elderly People to help the elderly re-train and find work in the hospitality industry. In the past five years, the hotel hired more than a dozen elderly students for positions in housekeeping, engineering and other front-of-house operations. These initiatives have proved a rewarding relationship: people with genuine needs were able to learn new skills and gain livelihood opportunities while we had the opportunity to develop potential new employees.

HSH Headquarters

developed a strategic partnership with Hong Kong Council of Social Service and organised a series of activities to introduce the concept and capacity of social enterprise to its operations in Hong Kong.

The Peninsula Hong Kong

- purchased hand-knitted bags from a social enterprise which provides underprivileged women who were new immigrants to Hong Kong with an opportunity to earn and helps them integrate into the Hong Kong community. The bags were offered as festive amenities to guests staying at the hotel.
- donated HK\$1 million to HKCSS in setting up an incubating fund to support the research and creation of unique and meaningful products by local social enterprises. The GoodBuy Cookies, a joint creation of three social enterprises, were the first products developed.
- received an Outstanding Partner of Social Enterprise Award by the Hong Kong government's Home Affairs Bureau in recognition of its support to the development of social enterprises in Hong Kong.



Peninsula Merchandising Limited

Almost all the cookies carried by Peninsula Merchandising Limited were packed by a social enterprise which provided employment opportunities for people with mental disabilities.

Tai Pan Laundry

Tai Pan Laundry purchased all its nylon laundry bags and covers from a sheltered workshop which provides employment opportunities to people with visual impairment.

The Repulse Bay

The Repulse Bay dedicated a specific counter to showcase products from local social enterprises to its tenants and visitors at its popular Christmas fair.



Finding a great fit for marginalised groups

In 2013, the Group launched a new community development programme to support the development of ethnic minority students in Hong Kong. The Honing Skills in Hospitality Programme is organised in partnership with Delia Memorial School (Broadway) and Hong Kong Council of Social Services (HKCSS), and involved three modules, from introduction to HSH's operations, service trainings, to a six-week internship and mentorship. Five Group operations in Hong Kong – The Peninsula Hong Kong, The Repulse Bay, The Peak Complex as well as Cathay Pacific Lounges and Butterfield's under Peninsula Clubs and Consultancy Services – provided nine underprivileged ethnic minority students, who currently take Tourism and Hospitality Studies at school, an opportunity to learn and experience the inner workings of the hospitality industry.

With keen competition in university admission and lack of mastery of written Chinese, ethnic minority youngsters



Empowering
Marginalised Groups

in Hong Kong are facing big hurdles. In addition to inspiring the students to pursue a career in hospitality, the programme also aims to make these students feel more integrated with the Hong Kong community.

A social impact assessment, based on a framework developed by the University of Hong Kong and HKCSS, evaluated three levels of impacts of the HSH programme, individual, organisational and community levels. The findings show that the programme was able to help the ethnic minority students enhance their self-efficacy and social skills, and build their aspirations for a career in hospitality and tourism industry. The programme also facilitated cross-cultural understanding, contributing to the long term process of racial inclusion in Hong Kong.

Hope for Illinois

The Peninsula Chicago, with the support of all its sister properties, created a fundraising campaign for the Illinois communities affected by the deadly tornado on 17 November. The Peninsula Chicago is only a few hours away from the affected communities and felt compelled to give back to the state of Illinois and the families in need. The hotel organised online charity auctions with travel packages from all Peninsula Hotels as well as Quail Lodge & Golf Club to raise funds in aid of the victims.

Another Earthquake in Sichuan

Five years after the massive earthquake that killed some 70,000 people in Sichuan province and its neighbouring areas in China, another powerful earthquake hit near Yan'an city in Sichuan province on 20 April, killing hundreds and leaving thousands homeless. The Peninsula Beijing and Shanghai organised to raise funds and clothing for the victims of the quake.

Responding to The Community In Challenging Times

The year 2013 saw the world facing a number of serious natural disasters. Among them were the devastating Super Typhoon Haiyan in the Eastern Visayas region of the Philippines, the tornadoes that paralysed mid-west United States in November, and the powerful earthquake that hit the Sichuan province of China in April. We operate in all these countries.

Coming together to provide Hope for the Philippines

The Peninsula Hotels launched a four-pronged Hope for The Philippines initiative in each Peninsula hotel across Asia and the US over the year-end holiday season to raise funds for the victims of Super Typhoon Haiyan. The fund-raising efforts included a donation of US\$ 5 per room night of each guest's stay, plus sales of a special Philippine-themed afternoon tea and the classic Filipino *Halo Halo* iced dessert in each of our hotels. The annual group-wide "Trees of Hope" fundraising campaign over the holiday season for 2013 was also dedicated to Hope for the Philippines, with specially created SnowPage glass ornaments for donors to take home. All the proceeds were donated to the Philippine-based Gawad Kalinga Community Development Foundation, Inc., with the stipulation that funds go directly to their mission of rebuilding homes and communities in the affected areas of Eastern Visayas. Gawad Kalinga has been a charity partner of The Peninsula Manila since 2008. The Peninsula Manila executives would oversee Gawad Kalinga's work on the Group's behalf. The Peninsula Hong Kong and The Repulse Bay also collected over 900 kg of adult and children clothing to donate to the victims.



Celebrating with The Community

The Peninsula Hong Kong celebrated its 85th anniversary in 2013 with a series of milestone celebrations during the year. Through a series of fundraising efforts in partnership with its charitable partners as well as employee volunteer work, the hotel raised HK\$1 million for each of its four designated Hong Kong-based charities. The four charitable partners include Make-A-Wish Hong Kong, which grants the wishes of children with life-threatening illnesses; St. James' Settlement Funeral Navigation Service, which assists the elderly with funeral preparations; the Hong Kong Hereditary Breast Cancer Family Registry, which provides free access to genetic screening and consultations for high-risk cancer patients and their families; and the Hong Kong Council of Social Service, through which the hotel established an incubating fund for social enterprises. The hotel also founded a Scholarship for Gastronomic Excellence in Dim Sum, created to preserve the disappearing art of making dim sum by nurturing Hong Kong's nascent culinary talent. The three young talented winners would have the chance for training and apprenticeship at The Peninsula Hong Kong, as well as cash prizes.

In addition to the annual Trees of Hope campaign over the Christmas holiday season, our operations run different initiatives locally over the holiday season. Over the Chinese New Year, The Peninsula Beverly Hills introduced a charitable component of raising funds for Operation Smile, a US-based organisation which works internationally to surgically repair and heal children born with cleft palates. The Peninsula New York donated turkey to the underprivileged during Thanksgiving while The Peninsula Chicago team shared simple acts of kindness with visitors and residents across the city of Chicago during the winter months.

Looking Ahead

We will endeavour to explore a wider variety of community development tools to bring lasting benefits to our community.

A Musical Wish

As part of the celebration of its milestone anniversary year, The Peninsula Hong Kong worked with the hotel's long-standing charity partner Make-A-Wish Hong Kong in organising a recital, creating a platform for disadvantaged children who are passionate about music to showcase their talent. The Asian Youth Orchestra also participated in this charity event.



How We Did in 2013

- ➡ Rolled out a renewed HSH Group community investment and engagement strategy and framework
- ✓ Rolled out new Group community development initiatives that strategically align with the needs of our business and our communities
- ➡ Continued to actively engage with the local communities where we operate

✓ Achieved ➡ On Plan 🔄 Behind Plan ✗ Objective missed



Refer to Sustainability Scorecard
for 2014 Commitments



GOVERNANCE & MANAGEMENT

Our Mission

We meet local laws and regulations and ensure that our business is conducted in accordance with professional, ethical and moral standards, as outlined in our code on corporate governance, so as to achieve sustained, healthy and long-term growth.

We consult and share our sustainability performance with our key stakeholders and balance their interests with the Group's objectives.



Our 2020 Ambitions

- Build robust succession planning framework for senior leadership
- Introduce Leaders for Good Training Programme for Management
- Establish a robust framework to track and manage financial, operational and ESG risks the Group is exposed to
- Engage stakeholders on wider sustainability issues through a process that is meaningful and adds value in advancing the Group's sustainability commitments
- Establish a robust sustainability management system to support the management, planning and disclosure requirements on sustainability issues as well as progress towards 2020 goals
- Meet international and local sustainability disclosure requirements relevant to HSH

Over the past six years, sustainability has become an important strategic priority for HSH. Our accomplishments to date are the result of establishing rigorous governance and management processes that provide a strong foundation for our future. By continuing to evolve governance and management practices, our aspirations for Sustainable Luxury Vision 2020 across all of its pillars are enabled.

To deliver long-term value to our stakeholders, key focus areas of our work in 2013 included enhancing our Group's corporate responsibility governance and management framework by setting a long-term vision with time-bound and measurable goals, and creating continued value through stakeholder engagement, particularly on deepening and widening employee engagement on our sustainability programme.²⁷

Creating Accountability through Executive Oversight

In 2013, we began to further utilise two important governance processes – our Corporate Responsibility Quarterly Report and Corporate Responsibility and Sustainability (CRS) Budget Planner – both introduced in 2012.

The Corporate Responsibility Quarterly Report enables executive oversight on our sustainability performance across operations regularly throughout the year. The Corporate Responsibility and Sustainability Budget Planner encourages Group operations to think ahead in terms of their sustainability action plan and allows the Company to allocate appropriate resources for improving our sustainability performance. Both the Quarterly Report and Budget Planner help to identify gaps and needs where more support from Group level may be required, ensuring that material issues will be given proper attention and underpinning our commitment to integrating sustainable practices and principles across our businesses with balance and focus.

²⁷ GRI G4 Material Disclosure: G4-26, 27

How We Govern and Manage at Group Level

The Group's Corporate Responsibility Committee (CRC) provides a formal governance structure to address the wider aspects of HSH's environmental, social and ethical responsibilities. Chaired by our Chief Executive Officer, the Committee meets at least three times a year to review Group operations' sustainability performance and to discuss policies, objectives and plans for embedding sustainable practices and principles across all operations. The reporting structure and composition of the Committee is outlined on page 140 in the Governance Report.

Our Sustainable Luxury Vision 2020 guides our commitment to managing sustainability risks and opportunities and has laid out seven pillars of focus, from guest experience and employees, to operation and community. Each pillar is championed by a CRC member whose role is to provide guidance and advance work in the area with Group operations. Policies and procedural manuals as outlined in the previous sections of this report have been put in place to support the effort of the Champions.

The Chief Executive Officer is accountable for HSH's overall corporate responsibility and sustainability 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 corporate responsibility and sustainability, managing stakeholder relationships on environmental and social issues, and supporting the Champions.

Thinking Globally, Acting Locally

Most Group operations have also formed corporate responsibility committees at their level to coordinate actions and review progress for integrating sustainable practices in their day-to-day operations and ensure compliance with local laws and regulations, including those related to employment and environmental practices. These committees are often supported by specific working groups on health and safety, the environment and community engagement.

In 2013, we continued our engagement with industry advocacy groups and associations to keep ourselves informed of the latest developments on sustainability issues and to learn from other industry peers while sharing our own experience. Our Chief Executive Officer is a member of the World Travel & Tourism Council (WTTC) (www.wttc.org), and we provided time and input to support initiatives and research, which included WTTC's Tourism for Tomorrow report. We are

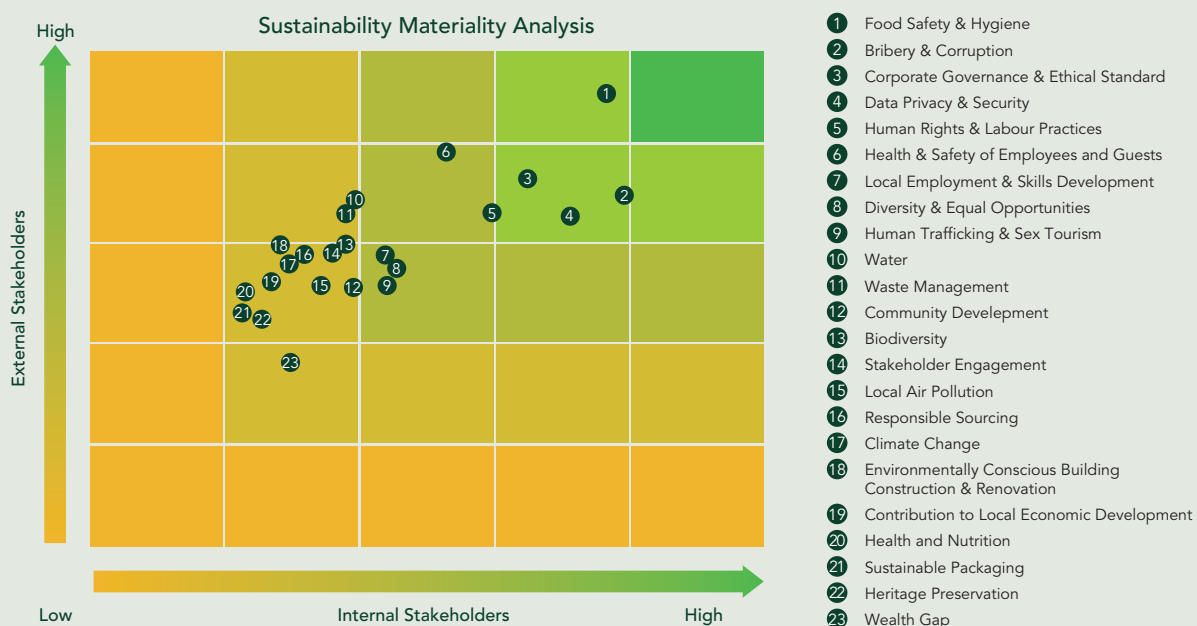
a member of International Tourism Partnership (www.tourismpartnership.org) and Forum for The Future (www.forumforthefuture.org), and participated in the Cornell Hotel Sustainability Roundtable to share best practices with industry peers. In Hong Kong where the Group is headquartered, we continued our engagement and collaboration with Hong Kong Council of Social Service (www.hkcss.org.hk) and WWF Hong Kong (www.wwf.org.hk).

OUR MATERIALITY MATRIX²⁸

In our materiality matrix, material issues are defined as the issues of highest concern to the Company and to external stakeholders. These are defined through the processes of risk assessment and stakeholder engagement involving over 100 stakeholders including the Group's management team as well as external stakeholders from 12 major stakeholder groups in Asia, Europe and the US. For the Company, priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. The two factors were multiplied to give the overall rating of an issue. For external stakeholders, prioritisation is given to the importance of the issues to society and the relevance of HSH to these issues. Additional information on the process and methodology used to develop our materiality matrix can be found in the Sustainability Review of our 2012 Annual Report, pages 65-67.

In 2013, we continued to build upon the findings of our materiality matrix. We mapped our matrix to evolving standards such as the topics covered by Global Reporting Initiative's G4 framework to establish and prioritise our disclosure of key performance indicators. Our materiality assessment along with a benchmarking study of other leading hospitality and luxury brands also provided a foundation for defining the pillars and associated commitments in our Sustainable Luxury Vision 2020.

The Matrix has combined the perspectives of external and internal stakeholders and provides a mapping of material sustainability issues to HSH.



Taking Precautionary Measures to Manage Risk

In 2013, in addition to the development of a Group Risk Register to further strengthen how we assess and manage key strategic and operational risks, we began to implement an onsite bi-annual Safety & Security Risk Assessments for all properties to monitor both crisis and safety management, reinforcing our effort in ensuring the security of our staff and guests. To bolster emergency preparedness, a global command station has been established at HSH headquarters, enabling live surveillance of all properties. In 2014, we will focus on practising emergency drills to enhance our emergency preparedness.

For more information on how we manage risk, please refer to the Governance section on pages 164 to 171.

Bringing Our Vision to Life through Stakeholder Engagement²⁹

Stakeholder engagement is central to our Sustainable Luxury Vision 2020 with dedicated pillars focused on engagement with our guests, employees, communities, suppliers and contractors. Within our vision's

Governance and Management pillar, we formalise our commitment to ongoing transparent and value-added engagement to support shared objectives between the Company and our stakeholders.

To ensure that our Sustainable Luxury Vision 2020 truly becomes a shared vision throughout the organisation, we developed a two-year, three-phased plan in 2013 focused on integrated and continuous stakeholder engagement throughout the year.

The two-year plan was developed through a process involving internal executive interviews and a review of current stakeholder engagement practice. Gaps for implementing and communicating Vision 2020 were identified, which included the need to develop local action plans for delivering Vision 2020 and the opportunity to enhance the integration of corporate responsibility and sustainability issues into mainstream communication and training programmes across the Group. The three-phased stakeholder engagement plan defined a rigorous engagement process with our internal and external stakeholders for our path forward in 2014 and 2015 toward our 2020 ambitions.

Two-year Stakeholder Engagement Plan

	Phase 1 Continue building the Vision 2020 foundations internally	Phase 2 Deepen internal alignment with Vision 2020 and start preparing for external communications	Phase 3 Sustain internal alignment and reach out to external stakeholders on more strategic basis
Vision 2020 Implementation	Localise Vision 2020	Formalise organisational set-up and share best practises	Review progress and refine targets moving forward
Internal Communications	Raise awareness and build understanding	Deepen understanding and help connect the dots	Enhance and sustain staff alignment
External Communications	Build the foundation	Prepare for strategic communications	Kick off strategic communications
	Months 1-12	Months 12-18	Months 18+

²⁸ GRI G4 Material Disclosure: G4-18, 26, 27

²⁹ GRI G4 Material Disclosure: G4-26, 27

Building local commitment to Vision 2020³⁰

As part of the two-year stakeholder engagement plan, we launched a new programme designed to assist operation teams in developing their local plans for delivering on Vision 2020. Through workshops and action review meetings with the executive committee and key department heads at each operation, we aim to build a shared understanding of key future trends that would impact our business and a shared commitment to Vision 2020 among operations' leadership team. Following the workshop, each operation will map out its local ambitions and action plans over the next six years in contributing to the delivery of the Group's 2020 ambitions.

We completed the first phase of the programme with 12 operations during the year and will complete the process in 2014.

Inspiring passion internally

In 2013, a Group corporate responsibility video-making contest was organised, using a fun and interactive way to raise employees' awareness and commitment to responsible and sustainable practices around the world. All HSH operations and corporate offices were invited to use short videos to share their best sustainability practice and be an inspiration to each other. The finalists were selected through an online voting by all employees, followed by a judging process involving the Group's senior management and representatives of environmental and social non-profit organisations.



The campaign received strong interest with 15 inspiring video entries and 5,340 employees (65% of the Group's total workforce) cast their votes for their favourite videos. The level of interest in the contest and quality of the entries demonstrated our collective potential to transform our Sustainable Luxury Vision 2020 aspirations into reality if we mobilise as an organisation.

Uniting to Meet Our 2020 Ambitions

In 2013, we created a framework to provide sustainable luxury and further embed corporate responsibility and sustainability into our operations. As we unite to meet our 2020 ambitions, we hope to provide unique, localised opportunities where our employees can know that they have made a difference. While we acknowledge the humbling challenges and opportunities ahead, we look forward to embarking on the next phase of our sustainability journey and continuing to report on our progress annually to our stakeholders.

How We Did in 2013

- ✓ Developed a longer-term sustainable business vision and define the associated goals
- ✓ Continued to work on building a longer-term roadmap and strategic framework for stakeholder engagement on environmental, social and ethical issues
- ✓ Developed a new Group employee engagement programme on sustainability issues
- ➡ Continued the rollout of the revamped sustainability management system
- ✓ Assessed the implications of new international and local sustainability disclosure requirements at HSH

✓ Achieved ➡ On Plan ➡ Behind Plan ✗ Objective missed



Refer to Sustainability Scorecard
for 2014 Commitments

30 GRI G4 Material Disclosure: G4-26, 27