

Global Reporting Initiative Content Index and Accreditation

To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Global Reporting Initiative G4 disclosure framework, which is an internationally recognised set of indicators for economic, environmental and social aspects of business performance. GRI guidelines help companies select material content and key performance indicators. For more on GRI, please see www.globalreporting.org.



The GRI Content Index also includes references to Key Performance Indicators of the Hong Kong Stock Exchange (HKEx) Environmental, Social and Governance Reporting Guide (ESG Guide)¹.

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. Please refer to the report from KPMG on page 263 for the scope of assurance and detail of the work performed.

Material Aspects and Boundaries

Material Aspects (G4-19)	HKEx ESG Guide	Material to HSH's operation (G4-20)	Material to HSH's value chain (G4-21)	Remarks (The following information support the disclosure requirements of G4-18 and G4-21)	References on DMA
1. Economic					
Economic Performance	–	●	●	Our economic performance is relevant to our investors and communities.	pp. 16-21
Market Presence	–	●	●	Our market presence is relevant to our communities.	pp. 93-94
Procurement Practices	–	●	●	Our procurement practices are relevant to our communities and suppliers.	pp. 83-89
2. Environmental					
Energy	B2, B3, B3.1	●	●	Our energy consumption is relevant to all stakeholders including the communities where we operate.	pp. 70-74
Water	B2, B3, B3.1	●	●	Our water stewardship is relevant to all stakeholders including the communities where we operate.	pp. 74-75
Emissions	B1, B3, B3.1	●	●	Our emissions from operations are relevant to all stakeholders including the communities where we operate.	pp. 70-74
Effluents and Waste	B1, B3, B1.6, B3.1	●	●	Our handling of effluents and waste is relevant to all stakeholders including the communities where we operate.	pp. 76-78
Compliance	–	●		Environmental compliance is relevant to all stakeholders including the communities where we operate and our investors.	pp. 99-101

¹ Key Performance Indicators A3.1-3.2, B2.5, C1.1, C2.1 and C2.4 of the HKEx ESG Guide are not covered in the current disclosure as relevant data are not available or the indicators are not material to the nature of our business.

Material Aspects (G4-19)	HKE ESG Guide	Material to HSH's operation (G4-20)	Material to HSH's value chain (G4-21)	Remarks (The following information support the disclosure requirements of G4-18 and G4-21)	References on DMA
3. Labour Practices and Decent Work					
Employment	A1, A4	●		Our employment practices are relevant to our investors and communities.	pp. 64-69
Labour and Management Relations	–	●		With 12.9% of our workforce covered by collective bargaining agreements, labour and management relations are relevant to our investors and communities.	pp. 64-69
Occupational Health and Safety	A2, A2.3	●		Occupational health and safety is relevant to our investors and communities.	pp. 68-69
Training and Education	A3	●		Training and education is relevant to our investors and communities.	pp. 64-69
Diversity and Equal Opportunity	A1	●		Diversity and equal opportunity is relevant to our investors and communities.	pp. 65-66
4. Human Rights					
Investment	–	●	●	Our consideration of human rights in making investments is relevant to our guests, communities, suppliers, investors and prospective business partners.	pp. 65-66, 87, 89
Non-discrimination	–	●		Non-discrimination practices are relevant to our guests, investors and communities.	pp. 65-66
Freedom of Association and Collective Bargaining	–	●	●	The protection of freedom of association and right to collective bargaining is relevant to our suppliers, guests, investors and communities.	pp. 65-66, 87, 89
5. Society					
Local Communities	D1, D1.1	●	●	Local community impacts are relevant to all stakeholders, particularly the communities where we operate.	pp. 90-97
Anti-corruption	C3	●	●	Anti-corruption is relevant to our communities, investors and guests.	pp. 65
Compliance	–	●	●	Compliance with local laws and regulations is relevant to our communities, guests and investors.	pp. 99-101
6. Product Responsibility					
Customer Health and Safety	C2	●	●	Customer health and safety, particularly food safety and indoor air quality, is relevant to all stakeholders, most notably our guests. In our materiality assessment, food safety was the topic of highest stakeholder concern.	pp. 78-79, 86-89
Customer Privacy	C2.5	●	●	The protection of customer data privacy is relevant to guests and investors.	pp. 65, 158-159, 170
Compliance	–	●	●	Compliance with laws and regulations concerning the provision and use of products and services within our hotels and commercial properties, clubs and services divisions is relevant to our guests and investors.	pp. 99-101

General Standard Disclosures and Performance Indicators

Material Aspects	GRI Indicator	HKEs ESG Reference	Description	Remarks and References	External Assurance ²
I. General Standard Disclosures					
Strategy and Analysis	G4.1	–	Statement from the most senior decision-maker about the relevance of sustainability and organisation's strategy	pp. 14, 20	✓
Organisational Profile	G4-3	–	Name of the organisation	pp. 2	✓
	G4-4	–	Primary brands, products, and services	pp. 2-5	✓
	G4-5	–	Location of the organisation's headquarters	pp. 267	✓
	G4-6	–	Number of countries where the organisation operates	pp. 2-5	✓
	G4-7	–	Nature of ownership and legal form	pp. 2-5	✓
	G4-8	–	Markets served, and types of customers and beneficiaries	pp. 2-5	✓
	G4-9	–	Scale of the organisation	pp. 2-5	✓
	G4-10	A1.1	Total number of employees by employment contract, gender and region	pp. 252-253	✓
	G4-11	–	Percentage of total employees covered by collective bargaining agreements.	pp. 252-253	✓
	G4-12	–	Description of supply chain	As an owner, developer and manager of hotels, commercial and residential properties as well as a provider of transport, club management and other services, HSH's supply chain is comprised of thousands of suppliers of products and services. Significant procurement categories include those related to building materials; furniture and fittings; restaurant, spa and guest amenities; transportation fleet and information technology systems.	✓
	G4-13	–	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Quail Lodge & Golf Club re-opened its hotel portion in March 2013 following a resort-wide renovation.	✓
	G4-14	–	Whether and how the precautionary approach or principle is addressed by the organisation.	pp. 101	✓
	G4-15	–	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	pp. 86	✓
	G4-16	–	Memberships in associations and national/international advocacy organisations	pp. 100	✓

² Refer to the external limited assurance statement on page 263 for the assurance scope and the detail of the work performed

Material Aspects	GRI Indicator	HKEx ESG Reference	Description	Remarks and References	External Assurance ²
Material Aspects and Boundaries	G4-17	–	All entities included in the organisation's consolidated financial statements or equivalent documents	pp. 2-5, 57, 251	✓
	G4-18	–	Process for defining the report content and the Aspect Boundaries; and how the organisation has implemented the Reporting Principles for Defining Report Content.	pp. 57, 100, 256-257, 260-262	✓
	G4-19	–	All the material aspects identified in the process for defining report content.	pp. 256-257	✓
	G4-20	–	The aspect boundary for each material aspect within the organisation and whether the aspect is material for all entities within the organisation	pp. 256-257	✓
	G4-21	–	Whether the aspect boundary for each material aspect outside the organisation	pp. 256-257	✓
	G4-22	–	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	None during the reporting period except as stated in footnote 8 on pp. 255.	✓
	G4-23	–	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None from previous reporting period.	✓
Stakeholder Engagement	G4-24	–	List of stakeholder groups engaged by the organisation.	Stakeholder groups include guests and tenants, investors, employees, communities, suppliers and contractors and industry associations.	✓
	G4-25	–	Basis for identification and selection of stakeholders with whom to engage.	We identify and engage with stakeholders at the Group, regional and local levels in consideration of shared social, environmental and economic impacts, concerns and opportunities.	✓
	G4-26	–	Organisation's approach to stakeholder engagement	Engagement with guests, tenants, employees, suppliers and contractors typically occurs on a daily basis. Investor, community, and industry engagement occurs regularly. Additional information on engagement can be found in the Sustainability Review (pp. 67-68, 87, 89, 91, 93, 99-102) and Governance Report (pp. 162-163). In 2012, HSH also engaged with stakeholders to conduct a materiality assessment that informed the development of the 2013 Sustainability Review and the Group's Sustainable Luxury Vision 2020.	✓
	G4-27	–	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	pp. 57, 98-102 Additional information can be also found on pp. 60-79, 84-97	✓

Material Aspects	GRI Indicator	HKEs ESG Reference	Description	Remarks and References	External Assurance
Report Profile	G4-28	–	Reporting period for information provided.	Calendar year 2013	✓
	G4-29	–	Date of most recent previous report	2012 Annual Report, which included the Sustainability Review and Data Statements, covered calendar year 2012.	✓
	G4-30	–	Reporting cycle	Annual	✓
	G4-31	–	Contact point for questions regarding the report or its contents.	pp. 267	✓
	G4-32	–	GRI Index with “in accordance” option chosen and references to External Assurance Reports	pp. 256-263	✓
	G4-33	–	Organisation’s policy and current practice with regard to seeking external assurance for the report	pp. 263	✓
Governance	G4-34	–	Governance structure of the organisation, including committees of the highest governance body and those responsible for decision-making on economic, environmental and social impacts.	pp. 99, 140-149, 151, 157	✓
Ethics and Integrity	G4-56	–	Describe the organisation’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	pp. 65-66, 87, 89	✓
		C3.2	Whistle-blowing procedures, how they are implemented and monitored.	pp. 158	
		A4.1, 4.2	Measures to avoid child and forced labour in employment practices.	pp. 65-66 No reported incidents.	
II. Performance Indicators					
1. Economic					
Economic Performance	G4-EC1	D1.2	Direct economic value generated and distributed	pp. 251, 254-255	✓
	G4-EC3	–	Coverage of the organisation’s defined benefit plan obligations	pp. 220-223	✓
Market Presence	G4-EC6	–	Proportion of senior management hired from the local community at significant locations of operation	pp. 252-253 Senior management includes management level staff at corporate office and operations, as well as department heads of hotel operations.	✓
Procurement Practices	G4-EC9	–	Proportion of spending on local suppliers at significant locations of operation	pp. 89 Indicator is partially reported. In 2013, HSH developed a responsible sourcing tool to enable full reporting on G4-EC9 in subsequent years.	✓
2. Environmental					
Energy	G4-EN3	B2.1	Energy consumption within the organisation	pp. 254-255	✓
	G4-EN5	B2.1	Energy intensity	pp. 254-255	✓
	G4-EN6	B2.3	Reduction of energy consumption	pp. 70, 72-73, 79 Energy reduced was entirely due to anticipated reduction in electricity requirements, with the exception of a small project for reducing natural gas consumption which contributed less than 0.1% of reduction in energy consumption. Calculations were based on vendor estimates and assumptions according to expected efficiency gains.	✓

Material Aspects	GRI Indicator	HKEs ESG Reference	Description	Remarks and References	External Assurance ²
Water	G4-EN8	B2.2	Total water withdrawal by source	pp. 254-255	✓
	–	B2.4	Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	This is not a material issue to HSH operations given the location where we operate. Details on water management can be found on pp. 74-75.	✓
Emissions	G4-EN15	B1.1	Direct greenhouse gas (GHG) emissions (Scope 1)	pp. 254-255 Greenhouse gases included in the emissions calculation included CO ₂ , CH ₄ and N ₂ O as a result of the consumption of fuel oil, diesel, petrol, natural gas, town gas and Tokyo gas. Fugitive emissions in CFCs and HCFCs from the consumption of refrigerants were also included in the calculations. All greenhouse gases are reported in CO ₂ equivalents.	✓
	G4-EN16	B1.1	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 254-255	✓
	G4-EN18	B1.2	Greenhouse gas (GHG) emissions intensity	pp. 254-255	✓
	G4-EN19	B1.5	Reduction of greenhouse gas (GHG) emissions	pp. 72-74, 251 Greenhouse gas reduction was entirely due to anticipated reduction in Scope 2 purchased electricity requirements, with the exception of a small project for reducing Scope 1 emissions which contributed less than 0.1% of reduced emissions. Calculations were done by applying an emissions factor used for each property during the reporting period to the estimated energy saving of each energy reduction project.	✓
	G4-EN20	B1.1	Emissions of ozone-depleting substances (ODS)	pp. 254-255	✓
Effluents and Waste	G4-EN23	B1.3–1.4	Total weight of waste by type and disposal method	pp. 76-77, 254-255	✓
Compliance	G4-EN29	B1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines or non-monetary sanctions for non-compliance recorded in 2013	✓

3. Labour Practices and Decent Work

Employment	G4-LA1	A1.2	Total number and rates of new employee hires and employee turnover by age group, gender, and region	pp. 252-253	✓
	G4-LA3	–	Return to work and retention rates after parental leave, by gender	pp. 252-253	✓
Labour and Management Relations	G4-LA4	–	Minimum notice periods regarding operational changes	In the case of any significant operational changes that would substantially affect our employees, we keep them informed well in advance, typically with a minimum notice period of two to 12 weeks and this is specified in collective agreements where they apply.	✓

Sustainability Data Statements

Material Aspects	GRI Indicator	HKEs ESG Reference	Description	Remarks and References	External Assurance ²
Occupational Health and Safety	G4-LA6	A2.1–2.2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	pp. 252-253 No fatalities or occupational diseases during the reporting period. Rates not yet reported by gender during the reporting period. Gender information will be collected in 2014 as we begin to implement the new reporting template developed in 2013.	✓
Training and Education	G4-LA11	–	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	pp. 252-253	✓
Diversity and Equal Opportunity	G4-LA12	A1.1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	pp. 152, 252-253 Data not reported per employee category and according to minority group membership because they are not relevant to the nature of our business.	✓
4. Human Rights					
Investment	G4-HR2	–	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	pp. 65	✓
Non-discrimination	G4-HR3	–	Total number of incidents of discrimination and corrective actions taken	In 2013, seven grievances of discrimination were lodged, investigated and dealt with in accordance with the standards set forth in the Group's Code of Conduct.	✓
Freedom of Association and Collective Bargaining	G4-HR4	–	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No known significant risks identified within our operations. We strive to mitigate all potential supply chain risks within our sphere of influence through our Supply Chain Code of Conduct.	✓
5. Society					
Local Communities	G4-SO1	–	Percentage of operations with implemented local community engagement, impact assessments, and development programs	All operations had local community engagement programs during the reporting period.	✓
Anti-Corruption	G4-SO5	C3.1	Confirmed incidents of corruption and actions taken	None during the reporting period.	✓
Compliance	G4-SO8	–	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Except as stated on page 66, no non-compliance with law that resulted in significant fines or sanctions identified during the reporting period.	✓
6. Product Responsibility					
Customer Health and Safety	G4-PR1	–	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Health and safety impacts are assessed for improvement for all significant products and services.	✓
Customer Privacy	G4-PR8	C2.2, 2.5	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	pp. 159	✓
Compliance	G4-PR9	C2.2, C2.3	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No significant fines during the reporting period.	✓
		C2.3	Practices relating to observing and protecting intellectual property rights	Our Code of Conduct outlines our commitment to IPR protection.	✓

INDEPENDENT ASSURANCE REPORT

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited to provide limited assurance on the Sustainability Review and Data Statements 2013 (further referred to as "The Report") for the year ended 31 December 2013.

Responsibilities of the Directors of The Hongkong and Shanghai Hotels, Limited

The Directors of The Hongkong and Shanghai Hotels, Limited ("HSH") are responsible for the preparation and presentation of The Report for the year ended 31 December 2013 in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index of The Report, for determining the content and statements contained therein, and for establishing sustainability reporting guidelines and maintaining appropriate records and internal control systems from which the reported sustainability information is derived.

Responsibilities of the independent assurance provider

Our responsibility is to express our conclusions to HSH on the findings of our work referred to below. Our independent limited assurance report is made solely to HSH in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of HSH those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than HSH for our work, for this independent limited assurance report, or for the conclusions we have reached.

Scope of work

Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report is in all material respects fairly stated in accordance with the reporting criteria described below. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Basis of our work

We conducted our work in accordance with ISAE 3000¹, with a team of specialists in auditing sustainability information and with experience in similar engagements. This standard requires that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain limited assurance about whether the information presented is free from material misstatement. HSH uses the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4), as detailed in the Section of Reporting Standards and Assurance of the Sustainability Review. It is important to view the performance data in the context of this explanatory information.

Work performed

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- An evaluation of the results of HSH's stakeholder consultation processes and their methodology for determining the material issues for key stakeholder groups;
- Media analysis and an internet search for references to HSH during the reporting period;
- Conducting interviews across the business concerning sustainability strategy and policies for materials issues and their implementation;
- Conducting interviews with management and other personnel at HSH to obtain an understanding of the information collection process;
- Examining and testing of the systems and processes in place to generate, aggregate and report the sustainability performance information. We also tested the reliability of underlying sustainability information at the local operations selected for a site visit.
- Visits to a risk-based selection of four local operations;
- Checking the GRI Content Index on pages 256-262 to ensure consistency with G4 reporting guidelines in meeting Core disclosure level and The Environmental, Social and Governance Reporting Guide (ESG Guide) Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- Reading the information presented in The Report to determine whether it is in line with our overall knowledge of the sustainability performance of HSH.

Conclusion

Based on the work performed described above, nothing has come to our attention that causes us to believe that The Report of HSH for the year ended 31 December 2013, is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4) as described on pages 256-262 of the Report.

KPMG

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17 March 2014

¹ International Standard on Assurance Engagements 3000: Assurance engagements other than audits or reviews of historical information, issued by the International Auditing and Assurance Standards Board.