

## 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](http://www.globalreporting.org).



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

KPMG was 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 pages 266-267 for the scope of assurance and detail of the work performed.

### MATERIAL ASPECTS AND BOUNDARIES

Material Aspects (G4-19)	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
<b>1. Economic</b>					
<b>Economic Performance</b>	–	●	●	Our economic performance is relevant to our investors and communities.	pp. 21
<b>Market Presence</b>	–	●	●	Our market presence is relevant to our communities.	pp. 101-103
<b>Procurement Practices</b>	–	●	●	Our procurement practices are relevant to our communities and suppliers.	pp. 92-99
<b>2. Environmental</b>					
<b>Energy</b>	B2, B3 B3.1	●	●	Our energy consumption is relevant to all stakeholders including the communities where we operate.	pp. 79-84
<b>Water</b>	B2, B3 B3.1	●	●	Our water stewardship is relevant to all stakeholders including the communities where we operate.	pp.79, 84-86
<b>Emissions</b>	B1, B3 B3.1	●	●	Our emissions from operations are relevant to all stakeholders including the communities where we operate.	pp.79-84
<b>Effluents and Waste</b>	B1, B3 B1.6 B3.1	●	●	Our handling of effluents and waste is relevant to all stakeholders including the communities where we operate.	pp.86-87
<b>Compliance</b>	–	●		Environmental compliance is relevant to all stakeholders including the communities where we operate and our investors.	pp.59, 84

<sup>1</sup> Key Performance Indicator A3.2 of the ESG Guide is partially covered in the current disclosure. Breakdown of average training hours by employee category was not available.

Material Aspects (G4-19)	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
<b>3. Labour Practices and Decent Work</b>					
<b>Employment</b>	A1, A4	●		Our employment practices are relevant to our investors and communities.	pp. 70-77
<b>Labour and Management Relations</b>	–	●		With 18.6% of our workforce covered by collective bargaining agreements, labour and management relations are relevant to our investors and communities.	pp. 70-77
<b>Occupational Health and Safety</b>	A2, A2.3	●		Occupational health and safety is relevant to our investors and communities.	pp. 76-77
<b>Training and Education</b>	A3	●		Training and education is relevant to our investors and communities.	pp. 70, 72-77
<b>Diversity and Equal Opportunity</b>	A1	●		Diversity and equal opportunity is relevant to our investors and communities.	pp. 76
<b>4. Human Rights</b>					
<b>Investment</b>	–	●	●	Our investment in human rights is relevant to our employees, suppliers, guests, communities, investors and prospective business partners.	pp. 76, 95, 99
<b>Non-discrimination</b>	–	●		Non-discrimination practices are relevant to our guests, investors and communities.	pp. 76
<b>Freedom of Association and Collective Bargaining</b>	–	●	●	The protection of freedom of association and right to collective bargaining is relevant to our suppliers, guests, investors and communities.	pp. 76, 95, 99
<b>5. Society</b>					
<b>Local Communities</b>	D1, D1.1	●	●	Local community impacts are relevant to all stakeholders, particularly the communities where we operate.	pp. 100-105
<b>Anti-corruption</b>	C3	●	●	Anti-corruption is relevant to our communities, investors and guests.	pp. 76
<b>Compliance</b>	–	●	●	Compliance with local laws and regulations is relevant to our communities, guests and investors.	pp. 59
<b>6. Product Responsibility</b>					
<b>Customer Health and Safety</b>	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. 88-89, 94-97, 134
<b>Customer Privacy</b>	C2.5	●	●	The protection of customer data privacy is relevant to guests and investors.	pp. 76, 151, 173
<b>Compliance</b>	C2	●	●	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. 59

## GENERAL STANDARD DISCLOSURES AND PERFORMANCE INDICATORS

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>I. General Standard Disclosures</b>					
<b>Strategy and Analysis</b>	G4.1	–	Statement from the most senior decision-maker about the relevance of sustainability and organisation's strategy	pp. 14, 21	✓
<b>Organisational Profile</b>	G4-3	–	Name of the organisation	pp. 2	✓
	G4-4	–	Primary brands, products, and services	pp. 2-3	✓
	G4-5	–	Location of the organisation's headquarters	pp. 271	✓
	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. 254-255	✓
	G4-11	–	Percentage of total employees covered by collective bargaining agreements	pp. 254-255	✓
	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	The reporting scope expanded to include The Peninsula Residences in Shanghai and The Peninsula Paris since it became operational on 1 August 2014.	✓
	G4-14	–	Whether and how the precautionary approach or principle is addressed by the organisation	pp. 60-61	✓
	G4-15	–	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	pp. 96	✓
	G4-16	–	Memberships in associations and national/international advocacy organisations	pp. 63	✓

<sup>2</sup> Refer to the external limited assurance statement on pages 266-267 for the assurance scope and the detail of the work performed.

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>Material Aspects and Boundaries</b>	G4-17	–	All entities included in the organisation's consolidated financial statements or equivalent documents	pp. 3, 5, 57	✓
	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, 60, 258-259	✓
	G4-19	–	All the material aspects identified in the process for defining report content	pp. 258-259	✓
	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. 258-259	✓
	G4-21	–	Whether the aspect boundary for each material aspect outside the organisation	pp. 258-259	✓
	G4-22	–	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	The comparative environmental information on energy, carbon emissions and waste has been restated to conform with the current year's presentation. For details, please see footnotes 5 and 7 on page 253.	✓
	G4-23	–	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	The reporting scope expanded to include The Peninsula Residences in Shanghai and The Peninsula Paris since it became operational on 1 August 2014.	✓
<b>Stakeholder Engagement</b>	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 and local levels in consideration of shared social, environmental and economic impacts, concerns and opportunities.	✓
	G4-26	C1, C1.2	Organisation's approach to stakeholder engagement	Engagement with guests, tenants, employees, supplier 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. 60-62, 71, 95, 101) and Governance Report (pp. 164, 166). In 2012, HSH also engaged with stakeholders to conduct a materiality assessment that informed the development of the 2014 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, 60-62  Additional information can also be found throughout the Sustainability Review.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>Report Profile</b>	G4-28	–	Reporting period for information provided	Calendar year 2014	✓
	G4-29	–	Date of most recent previous report	2013 Annual Report, which included the Sustainability Review and Data Statements, covered calendar year 2013.	✓
	G4-30	–	Reporting cycle	Annual	✓
	G4-31	–	Contact point for questions regarding the report or its contents	pp. 271	✓
	G4-32	–	GRI Index with “in accordance” option chosen and references to External Assurance Reports	pp. 258-267	✓
	G4-33	–	Organisation’s policy and current practice with regard to seeking external assurance for the report	pp. 266-267	✓
<b>Governance</b>	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. 59, 150, 155-156, 163	✓
<b>Ethics and Integrity</b>	G4-56	–	Describe the organisation’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	pp. 76, 95	✓
	–	C3.2	Whistle-blowing procedures, how they are implemented and monitored	pp. 167	✓
	–	A4.1, 4.2	Measures to avoid child and forced labour in employment practices	pp. 76	✓
<b>II. Performance Indicators</b>					
<b>1. Economic</b>					
<b>Economic Performance</b>	G4-EC1	D1.2	Direct economic value generated and distributed	pp.253, 256, 257	✓
	G4-EC3	–	Coverage of the organisation’s defined benefit plan obligations	pp. 223-226	✓
<b>Market Presence</b>	G4-EC6	–	Proportion of senior management hired from the local community at significant locations of operation	pp. 254-255  Senior management includes management level staff at corporate office and operations, as well as department heads of hotel operations.	✓
<b>Procurement Practices</b>	G4-EC9	–	Proportion of spending on local suppliers at significant locations of operation	Local suppliers are estimated to account for over 70% of the overall procurement spend of the Group. More details in local sourcing practice can be found in pages 95, 97.	✓
	–	C1.1	Number of suppliers by geographical region	Asia-Pacific: 5,512; Americas: 2,292; Europe: 1,000; Others: 63	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>2. Environmental</b>					
<b>Energy</b>	G4-EN3	B2.1	Energy consumption within the organisation	pp. 80-84, 256-257	✓
	G4-EN5	B2.1	Energy intensity	pp. 81, 84, 256-257	✓
	G4-EN6	B2.3	Reduction of energy consumption	pp. 81-83  Energy reduced was mainly due to anticipated reduction in electricity requirements. Calculations were based on vendor estimates and assumptions according to expected efficiency gains.	✓
<b>Water</b>	G4-EN8	B2.2	Total water withdrawal by source	pp. 256-257	✓
	–	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. 84-86.	✓
<b>Emissions</b>	G4-EN15	B1.1	Direct greenhouse gas (GHG) emissions (Scope 1)	pp.256-257  Greenhouse gases included in the emissions calculation included CO <sub>2</sub> , CH <sub>4</sub> and N <sub>2</sub> 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 <sub>2</sub> equivalents.	✓
	G4-EN16	B1.1	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 256-257	✓
	G4-EN18	B1.2	Greenhouse gas (GHG) emissions intensity	pp. 256-257	✓
	G4-EN19	B1.5	Reduction of greenhouse gas (GHG) emissions	pp. 80-83, 253  Greenhouse gas reduction was mainly due to anticipated reduction in Scope 2 purchased electricity requirements. 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. 256-257	✓
	G4-EN23	B1.3-1.4	Total weight of waste by type and disposal method	pp. 86-87, 256-257	✓
<b>Effluents and Waste</b>	G4-EN23	B1.3-1.4	Total weight of waste by type and disposal method	pp. 86-87, 256-257	✓
<b>Compliance</b>	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 2014.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>3. Labour Practices and Decent Work</b>					
<b>Employment</b>	G4-LA1	A1.2	Total number and rates of new employee hires and employee turnover by age group, gender, and region	pp. 254-255	✓
	G4-LA3	–	Return to work and retention rates after parental leave, by gender	pp. 254-255	✓
<b>Labour and Management Relations</b>	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. This is also specified in collective agreements where they apply.	✓
<b>Occupational Health and Safety</b>	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. 254-255  No fatalities or occupational diseases recorded during the reporting period.	✓
<b>Training and Education</b>	G4-LA11	–	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	pp. 254-255	✓
	–	A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.)	17.9% management and 99.4% non-management employees received training during the year.	✓
	–	A3.2	The average training hours completed per employee by employee category	Average training hours completed per employee was 12 hours. Breakdown into employee category was not yet reported. Data collection mechanism is being considered.	✓
<b>Diversity and Equal Opportunity</b>	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.159, 254-255  Data not reported per employee category or according to minority group membership because they are not material to the nature of our business.	✓
<b>4. Human Rights</b>					
<b>Investment</b>	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. 76	✓
<b>Non-discrimination</b>	G4-HR3	–	Total number of incidents of discrimination and corrective actions taken	pp. 76	✓
<b>Freedom of Association and Collective Bargaining</b>	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 HSH Supply Chain Code of Conduct.	✓

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks and References	External Assurance <sup>2</sup>
<b>5. Society</b>					
<b>Local Communities</b>	G4-SO1	–	Percentage of operations with implemented local community engagement, impact assessments, and development programs	All operations had local community engagement programmes during the reporting period.	✓
<b>Anti-Corruption</b>	G4-SO5	C3.1	Confirmed incidents of corruption and actions taken	pp. 76	✓
<b>Compliance</b>	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 76, no non-compliance with law that resulted in significant fines or sanctions identified during the reporting period	✓
<b>6. Product Responsibility</b>					
<b>Customer Health and Safety</b>	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.	✓
	G4-PR4	C2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	No incident of non-compliance in the reporting year. We, however, discovered an incident with a supplier which altered some ingredients used in one of our chocolate products without informing us. Although it did not cause any adverse health and safety implications, we took immediate action to remove from the shelves all concerned products with wrong labelling. These concerned products accounted for 6.7% of the total product.	✓
	–	C2.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped were subject to recalls for safety and health reasons.	✓
<b>Customer Privacy</b>	G4-PR8	C2.2, 2.5	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No substantiated complaints regarding breaches of customer privacy recorded during the reporting period.	✓
<b>Compliance</b>	G4-PR9	C2.2	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.	✓
	–	B2.5	Total packaging material used for finished products	230 tonnes of paper were used by the Group's merchandising business for packaging finished products.	✓
	–	C2.4	Description of quality assurance process and recall procedures	Once potentially unsafe products are identified, product recall procedure would kick-start to stop the distribution and sale of the product from marketplace. The cause, extent and result of the recall would be recorded and reported.	✓



# *Independent Assurance Report*

KPMG was engaged by The Hongkong and Shanghai Hotels, Limited (“HSH”) to undertake a limited assurance engagement on the Sustainability Review and Data Statements 2014 of HSH (further referred to as “The Report”) for the year ended 31 December 2014.

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

The Directors of HSH are responsible for the preparation and presentation of The Report for the year ended 31 December 2014 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 a conclusion to the Directors of HSH based on our limited assurance procedures 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 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 conclusion we have reached.

## **Scope of work**

Our engagement was designed to provide the Directors of HSH with a conclusion on whether the information in The Report is in all material respects fairly stated in accordance with Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index of The Report.

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 3000\*, with a team of specialists in assurance on sustainability information and with experience in similar engagements. ISAE 3000 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 (G4) of the Global Reporting Initiative, as detailed in the Reporting Standards and Assurance section on page 57 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;

\* 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.

- 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;
- Checking the GRI Content Index on pages 258 to 265 for 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 our limited assurance procedures as described above, nothing has come to our attention that causes us to believe that Sustainability Review and Data Statements 2014 of HSH for the year ended 31 December 2014, is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the Section of GRI Content Index on pages 258 to 265.



## KPMG

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