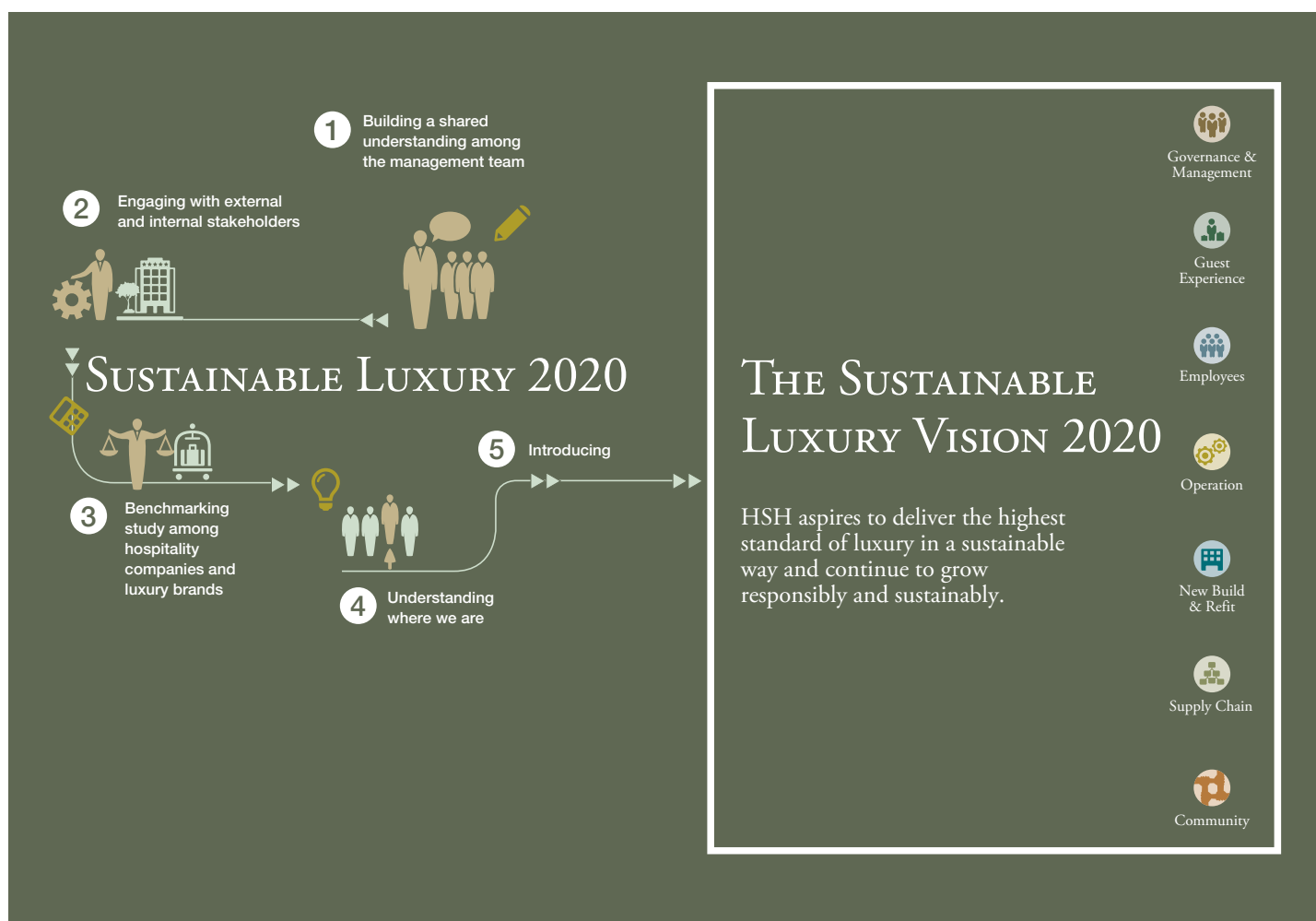


# A VISION FOR SUSTAINABLE LUXURY

The HSH Group has long been a responsible corporate citizen – supporting local communities, recycling food and linens where possible, and conscious of energy-saving. However, prior to 2007, we did not have a group-wide strategy for sustainability and were not proactive in coordinating sustainability efforts across the Group.

In 2007, our Chief Executive Officer convened a Group Corporate Responsibility Committee and challenged the executive team to find better and more sustainable ways to

continue providing the highest standard of quality and luxury to our guests. As part of a two-year exercise conducted in 2012 we engaged our stakeholders and listened to their feedback, assessed macro trends shaping our landscape, and benchmarked best practice in the industry. The result of this consultation was a framework to set the stage for the long term, in the form of our Sustainable Luxury Vision 2020, which was rolled out in 2013. We identified seven pillars incorporating every aspect of our business:



Guest Experience, Employees, Community, Supply Chain, New Build and Refit, Operations, and Governance and Management.

We created a “roadmap” to roll out the Vision across the Group in three phases:

- 1. **Laying The Foundation** for the new vision: action planning, updating and building the right management processes and reporting tools to help us track our progress, developing various implementation guides and best practice references.
- 2. The **second phase** of the journey entails **Engaging the Heart and the Mind of every employee** – making everyone an owner of our Vision 2020, instigating mindset and cultural change, building professional buy-in and emotional engagement.
- 3. The **final phase** will be **Delivery and reviewing opportunities** to stretch the ambitions. By 2020, our goal is to see Sustainable Luxury as the new normal in the way we conduct our business, generating more revenue and to be recognised as a leader in Sustainable Luxury.

### A changing mindset – internally and globally

We believe we have laid strong foundations for Vision 2020 with a well-developed governance process for overseeing progress (see page 10 of the Corporate Responsibility and Sustainability Report on “How we Govern and Manage”). We are currently moving into the second phase of our roadmap and our approach to sustainability has evolved considerably. We operate not from a position of idealism or seeking to “change the world”, but rather we regard sustainability as a sensible and inevitable business decision that benefits the short, medium and long-term economic value of our group. We aspire to do this in a way that complements our heritage of quality, thoughtfulness and meticulous attention to detail.



## SUSTAINABLE LUXURY 2020





Externally, public opinion towards sustainability issues is also shifting. For the first time in over 20 years of UN negotiations, in December 2015, a universal agreement on climate change was achieved at the UN Climate Change Conference in Paris (COP21). The main aim was to keep a global temperature rise this century well below 2 degrees Celsius and to drive efforts to limit the temperature increase even further to 1.5 degrees Celsius above pre-industrial levels. Businesses will be expected to play their part in reaching the goal of net zero emissions by the end of the century.

At the consumer level, according to a study conducted by Nielsen in 2015, 66% of global respondents and 72% of consumers aged 15-20 (so-called “millennials”) are willing to pay more for products and services from companies that are committed to positive social and environmental impact.<sup>1</sup>

Against this backdrop, we believe that luxury brands such as The Peninsula Hotels have the responsibility and opportunity to adopt sustainable business practices, lower our carbon emissions and offer our guests sustainable choices without compromising on the high quality of our products and services. Our guests, particularly the younger generation, are demanding more sustainable choices and unique experiences that have a positive impact on the local society and environment, and we are well-positioned to meet this demand.

## Sustainable Luxury Vision 2020 and the IIRC “Capitals”


The seven pillars of our Group’s Sustainable Luxury Vision 2020 can be categorised against the “capitals” outlined in the International Integrated Reporting Framework in the table below. For our Group and our industry, these capitals are not mutually exclusive and some are interdependent on each other. We recognise that all our business activities draw on these capitals and lead to specific outputs and outcomes, which in 2015 we have measured in terms of progress against our strategic 2020 ambitions. More details on the seven pillars as well as the outcomes and progress against our 2020 ambitions for each pillar can be read in the Corporate Responsibility and Sustainability Report.



Sustainable Luxury Vision 2020	Corresponding “Capitals” according to IIRC Framework*	Outcomes/Progress against our 2020 ambitions in 2015
 <p><b>Guest Experience</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Intellectual Capital</li> <li>• Human Capital</li> <li>• Social and Relationship Capital</li> <li>• Financial Capital</li> <li>• Natural Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Launched The Peninsula Mobile Experience</li> <li>• New in-room technology extended to The Peninsula Beijing and The Peninsula Chicago</li> <li>• New Peninsula Academy programme to engage our guests in the notion of sustainable luxury</li> <li>• Investing in our cities’ vibrant art scene</li> </ul>

\* see page 77 for definition of IIRC capitals

1 <http://www.nielsen.com/us/en/insights/news/2015/green-generation-millennials-say-sustainability-is-a-shopping-priority.html>

Sustainable Luxury Vision 2020	Corresponding "Capitals" according to IIRC Framework*	Outcomes/Progress against our 2020 ambitions in 2015
 <p><b>Employees</b></p> <p>We create a culture of engaged and loyal employees who are proud of our heritage and are passionate in delivering exceptional 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</p>	<ul style="list-style-type: none"> <li>Human Capital</li> <li>Social and Relationship Capital</li> </ul>	<ul style="list-style-type: none"> <li>Developed a new five-year HR strategy that incorporated Vision 2020</li> <li>Identified 200 positions across the Group for building targeted succession plans</li> <li>118,000 hours invested in skills training and learning and development of employees</li> <li>Reduced lost days due to work injuries by 24%</li> <li>Thai Country Club achieved industry-leading OHSAS 18001 certification for its approach to occupational health and safety</li> </ul>
 <p><b>Operation</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>Natural Capital</li> <li>Intellectual capital</li> <li>Financial capital</li> </ul>	<ul style="list-style-type: none"> <li>9% reduction in absolute carbon emissions despite continued business growth</li> <li>27% reduction in carbon intensity</li> <li>15% reduction in water intensity by hotels division</li> <li>42% of waste was recycled</li> <li>4% reduction in food waste intensity</li> <li>5 Hotels achieved EarthCheck Certification</li> </ul>
 <p><b>New build &amp; Refit</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>Manufactured capital</li> <li>Natural Capital</li> </ul>	<ul style="list-style-type: none"> <li>Incorporated BREEAM principles in the renovation of The Peninsula Beijing and The Peninsula Chicago</li> <li>The Peninsula Chicago guestrooms retrofitted with 100% LEDs</li> <li>92% of woodwork in the newly renovated guestrooms The Peninsula Chicago is from certified sustainable sources</li> </ul>

Sustainable Luxury Vision 2020	Corresponding “Capitals” according to IIRC Framework*	Outcomes/Progress against our 2020 ambitions in 2015
 <p><b>Supply Chain</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• Natural Capital</li> <li>• Social and Relationship Capital</li> <li>• Human Capital</li> <li>• Manufactured Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Over 80% of paper products are from certified sustainable sources</li> <li>• 99.9% of Peninsula Merchandising paper use is from certified FSC sources</li> <li>• Sustainability of over 800 seafood items on our menus in Asia was assessed</li> <li>• Pesticide-free Naturally Peninsula garden introduced in our hotels in Bangkok, Shanghai and Beverly Hills</li> <li>• 50% of cleaning products are biodegradable</li> </ul>
 <p><b>Community</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• Social and Relationship Capital</li> <li>• Human Capital</li> </ul>	<ul style="list-style-type: none"> <li>• 13,000 hours of community service in 2015</li> <li>• Hope for the Philippines built 75 new homes for families displaced by Typhoon Yolanda</li> <li>• Supported 590 non-profit organisations worldwide with HK\$6.3 million cash donations and a variety of in-kind sponsorships</li> <li>• Focused on building longer term and more in-depth partnerships with local community organisations</li> <li>• Developed community programmes that created shared value for the community and our company</li> </ul>

Sustainable Luxury Vision 2020	Corresponding “Capitals” according to IIRC Framework*	Outcomes/Progress against our 2020 ambitions in 2015
		
		
<b>Governance &amp; Management</b>		
<p>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</p>	<ul style="list-style-type: none"> <li>• Human capital</li> <li>• Social and relationship Capital</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted Vision 2020 workshops with 260 managers across the Group</li> <li>• Commissioned climate science impact study to understand our risks exposure to climate change</li> <li>• Developed a bespoke two-year stakeholder engagement plan around Vision 2020</li> <li>• Recognised by CDP 2015 as part of the Climate Disclosure Leadership Index for the region for the second consecutive year</li> </ul>

\* Definition of each Capital according to the IIRC Framework:

<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>• The pool of funds that is available to an organisation for use in production of goods or provision of services</li> <li>• Obtained through financing such as debt, equity or grants or generated through operations or investments</li> </ul>
<b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>• Manufactured physical objects that are available for use in the provision of goods or services, eg. buildings, equipment and infrastructure</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>• Intellectual property such as patents, copyrights, software, rights and licences</li> <li>• Knowledge, systems, procedures and protocols</li> <li>• Intangibles associated with the brand and reputation</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>• People’s competencies and experience, and their motivations to innovate</li> <li>• Alignment with an support for an organisation’s governance framework and risk management approach, and ethical values such as recognition of human rights</li> </ul>
<b>Social and Relationship Capital</b>	<ul style="list-style-type: none"> <li>• The institutions and relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being</li> <li>• Shared common values and behaviours</li> </ul>
<b>Natural Capital</b>	<ul style="list-style-type: none"> <li>• All renewable and non-renewable environmental resource and processes that provide goods or services</li> <li>• Air, water, land, forests and minerals</li> <li>• Biodiversity and ecosystem health</li> </ul>

More details on our Sustainable Luxury Vision 2020 can be read in our Corporate Responsibility and Sustainability Report, which we are producing separately for the first time this year to address the specific requirements of our different sets of stakeholders.