



SHANGRI-LA ASIA LIMITED
香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 69

2012 Sustainability Report



OUR LOCATIONS

	Covered by the report	Excluded from the report
OPERATING HOTELS	72	6
SUBSIDIARIES	45†	2
ASSOCIATES	12‡	0
MANAGEMENT	15	4
MARINA CLUB	1§	0



Footnote: *Shangri-La Hotel, Changzhou opened in 2012 and is excluded from this report.

†Subsidiaries are entities over which Shangri-La has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

‡For the purpose of this report, Associates are entities over which Shangri-La has significant influence but not control, generally accompanying a shareholding of less than 50% of the voting rights.

§Aberdeen Marina Club in Hong Kong.

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ABOUT SHANGRI-LA

The company, Shangri-La Asia Limited (Shangri-La), is incorporated in Bermuda with limited liability; it is primarily listed on the Stock Exchange of Hong Kong with a secondary listing on the Stock Exchange of Singapore. Shangri-La is governed by a Board of Directors. More information about the Corporate Governance of Shangri-La can be found in our Annual Report on our corporate website at www.ir.shangri-la.com.

Shangri-La International Management Limited (SLIM)
SLIM is headquartered in Hong Kong and is a wholly-owned subsidiary of Shangri-La. With 705 permanent colleagues, SLIM operates from offices in Hong Kong, Shanghai, Beijing, Kuala Lumpur and Singapore and provides management services for Shangri-La hotels in 18 countries/regions. Hotels are operated under three brands, namely, *Shangri-La*, *Traders Hotels* and *Kerry Hotels*.

Shangri-La hotels in 2012

This report covers 72 hotels and one marina club that were operational at the beginning of 2012, comprising:

- 31,622 **guest rooms**;
- 41,629 permanent colleagues, including SLIM;
- 7,579,534 **guest room nights**;
- 2.3 million members of Golden Circle, Shangri-La's loyalty programme;
- plus 6 newly opened hotels in 2012.



Shangri-La Hotel, Changzhou

Shangri-La hotels and China

China, excluding Hong Kong and Taiwan, is Shangri-La's largest single market. Increasingly, our guests from China are also travelling internationally to experience Shangri-La hotels around the world. Our Chinese business comprises:

- 32 hotels;
- 15,540 **guest rooms**;
- 20,290 permanent colleagues, excluding SLIM;
- 2,216,672 **guest room nights**;
- 23% of Golden Circle members are Chinese nationals;
- plus 3 newly opened hotels in 2012.

A heart-warming family

We believe that the strength of Shangri-La lies in **Our Core Values**, which guide us to treat everyone with honour and as

family. In our family, you will find tranquillity, sincerity and our special kind of hospitality from the heart.

The UN Global Compact

SLIM declared its endorsement of the UN Global Compact on behalf of all Shangri-La hotels and resorts in 2011.

The Global Compact is a policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. SLIM's first Communication on Progress for 2012 is available at www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/reports.

We are committed to publicly reporting the progress of all Shangri-La hotels that have operated for at least one year, every year.

ABOUT THIS REPORT

This is the second Sustainability Report for Shangri-La. It covers Shangri-La's financial years 1 January 2011 to 31 December 2012, and is based on the Global Reporting Initiative Version 3.1 Guidelines (GRI G3.1). It is a voluntary report, which has not been independently verified but has been checked by GRI to achieve Level B. An extended version of this report with a completed GRI content index table can be accessed online at our website www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/reports.

This report covers the activities of hotels that have been in operation for at least one year and that are under the management of Shangri-La International Management Limited (SLIM). New developments in the planning and development stages and Shangri-La's business in property rentals are not directly managed by SLIM and are outside the scope of this report.

This report encompasses 72 hotels that are owned and/or operated by Shangri-La across Asia Pacific, Europe, North America and the Middle East. It also includes one marina club, so throughout this report this is collectively referred to as 73 hotels. Three hotels have been included that were not covered in the 2010 Sustainability Report: Kerry Hotel, Pudong, Shanghai and Shangri-La Hotel, Manzhouli were opened in China during 2011, and Shangri-La's Rasa Sentosa Resort and Spa, Singapore was reopened after major refurbishment. No hotels were closed during the reporting period. Six hotels that opened within 2012 are not included in this report, as they had not completed a full year of operations during this reporting period.

Shangri-La endeavours to continue to report on the sustainability of its hotels every two years. We welcome your feedback on the content of this report and our sustainability performance. Please send your comments to sustainability.feedback@shangri-la.com.



SUSTAINABILITY LOGO
The handprint symbol for the sustainability signature reminds us of how we put our hands up to commit to being socially responsible.

MESSAGES

Chairman's Message

In the time since our last Sustainability Report the need for companies to address environmental, social and governance (ESG) responsibilities has continued to grow and with increasing urgency. As we grow our number of hotels, we are reinforcing **Our Core Values** within our Corporate Social Responsibility (CSR) strategy to align with this increasing need to address these responsibilities.

We continue to strive to better understand how we can achieve more sustainable operations. The reinforcement of our commitment and ownership of ESG issues at the Executive Committee and by aligning ourselves with international standards such as the UN Global Compact and the Carbon Disclosure Project reflects our aim for a more strategic application of our CSR goals.

This is coupled with a clearer articulation of our management approach that drives the overall CSR direction while giving our hotels the flexibility to innovate and launch local initiatives. In particular we have seen success with reduction in our carbon emissions and expansion of our *Embrace* project, as well as a deeper engagement with key stakeholders. From suppliers who partner with us on green initiatives, business partners and guests who share in our community projects to academics and non-governmental organisations (NGOs) that support our efforts in finding solutions to pressing CSR issues.

Our people continue to make us proud showing their commitment to our core values while demonstrating that doing the right thing makes good business sense. Moving ahead we are stepping up our CSR efforts with the knowledge that this is a long-term commitment that takes us on the right path to creating a more sustainable and responsible business.



Kuok Khoon Ean
Chairman

President and CEO's Message

We have spent the last two years working on aligning our hotels to a common CSR goal while ensuring ownership for CSR lies with each individual hotel. This model is reflected in the CSR Committees housed within each hotel so that hotels are held accountable for their achievements against the CSR scorecard.

We are proud of our people who continue to reflect "from the heart" commitment to our CSR priorities, exemplified in their volunteerism of over 60,000 hours. In this report we share their achievements across our current **CSR Focus Areas**. They include a wider adoption of occupational health and safety protocols taking us closer to our aim of a fully Integrated Management System; the implementation of our *Sustainable Seafood Policy*; *Supplier Code of Conduct* and Responsible Procurement as well as engaging our colleagues through our new CSR training module, making them more aware of local sustainability issues prior to engaging with guests. In addition, this report highlights the stakeholder engagement exercise which aims to both develop a stronger dialogue with stakeholders while informing our CSR strategy moving forward.

Clearly, balancing our commercial responsibilities with our environmental governance, and community involvement is the challenge as we expand in China. Our CSR scorecard is a unique tool to guide hotels in balancing these important issues and our China hotels have collectively demonstrated that it is possible to drive social development, environmental efficiency while maintaining commercial viability. We are pleased that 10 more hotels have achieved ISO 14001 certification and our average energy consumption has decreased. In 2013, we are embarking on a water risk assessment that will lead to a long-term water management campaign across all our hotels. Shangri-La is committed to achieving sustainable operations and we thank everyone in the business for supporting this goal.

We welcome your views on our sustainability performance and this report.

We look forward to continuing the journey with you.

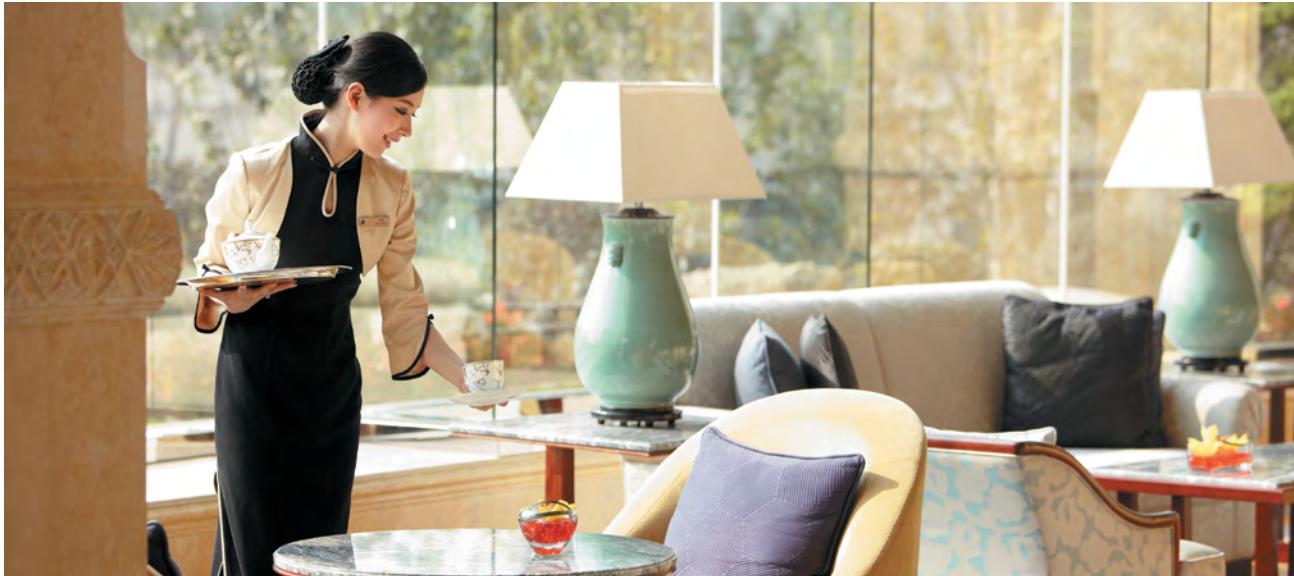


Gregory Allan Dogan
President and CEO



Shangri-La's Tanjung Aru Resort and Spa, Kota Kinabalu

OUR STAKEHOLDERS



Pudong Shangri-La, East Shanghai

We commit to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders. Through the development of an engagement process we are gaining a greater understanding of our stakeholders' concerns, whilst deepening our engagement with partners. This informs us in a way that can help to strengthen our strategy.

Introduction

Stakeholder engagement has become an increasingly important part of mainstream business practices; it is relevant to strategic decision-making and quality service delivery. In this reporting period, Shangri-La began an engagement process that is aimed at providing information about our current and previous performance as well as useful information and ideas to inform sustainable decision-making going forwards.

Rationale and Objectives for engaging

Shangri-La believes that stakeholder engagement should be at the heart of its CSR agenda. Without engaging stakeholders, there can be no common ownership or enduring support for our initiatives. We believe that sustainable operations can only be achieved when we take into account the needs of stakeholders who are affected by our business.

In order to manage the process of engaging with a wide range of stakeholder groups effectively, we employed an experienced third party service provider to guide us through the beginning stages. This is the first time that Shangri-La has engaged with stakeholders in a dedicated process, so we decided to focus primarily on internal stakeholders. This feedback was supplemented by input from a sample of key external stakeholders, who were selected in order to provide an external perspective on how we are doing.

What Sustainability means to Shangri-La

We understand that the creation of a sustainable organisation takes strategic effort to align business goals and stakeholder needs. At Shangri-La, CSR is about creating shared value and benefits for all involved. Although "doing the right thing" makes intuitive sense to us, we acknowledge that it is difficult to measure and may mean different things to different stakeholders. Therefore, in this report and moving forwards, our approach to CSR includes a more defined framework for measuring, monitoring and managing the impacts of our operations and activities.

Shangri-La's CSR journey has really only just begun. Over the last few years, many positive initiatives have been implemented within our **CSR Focus Areas**, but we face a challenge to consolidate and streamline our strategy in order to address those issues that continue to be of most particular importance to Shangri-La going forwards. The feedback that we received from the initial stakeholder engagement has highlighted the need for more focus and strategic alignment of our CSR objectives.

One key challenge is to maintain a balance between centralisation at the management level, whilst continuing to allow for flexibility of implementation at the level of the hotels. Furthermore, CSR needs to be fully integrated into the business strategy and embedded into our system of governance. We view this as a long-term effort.

Who we engaged and how

The engagement exercise was undertaken using a mix of qualitative methods, such as interviews and quantitative methods, such as surveys. A total of six stakeholder groups were identified by SLIM's CSR and Sustainability division, with advice and support from the external third party service provider.

Representatives of senior management were interviewed in order to identify representative views from this leadership level of the organisation. We also wanted to differentiate the perspectives of colleagues at service levels compared with Senior managers, so we conducted a wide-ranging survey to gather their views. We interviewed an investor to establish perspectives on changes during 2011 and 2012 to listing requirements implemented by the Stock Exchange of Hong Kong and explain how this group of stakeholders uses information about the company's ESG performance to benchmark Shangri-La against other companies in the same industry. Other stakeholder representatives included, Key group suppliers, Corporate clients and non-governmental organisations/sustainability experts. All the stakeholders were asked about their perceptions of CSR performance at Shangri-La, current and emerging issues that are of concern to them as well as their understanding of the relative importance of these issues to Shangri-La. They were also asked to share their expectations for Shangri-La's performance in the future, including what they would like to see communicated.

Overall Impression of Shangri-La's Corporate Social Responsibility

Overall, our stakeholders have a positive impression of Shangri-La's CSR performance. They recognise that a solid foundation has been put in place and that progress has been made in recent years.

Most Senior managers understand that Shangri-La's CSR Mission is essentially about creating shared value and achieving "win-win-win" outcomes for Shangri-La's business, the environment and the community. As a family-oriented business, a number of stakeholders observed that Shangri-La is able to take a long-term view on its business and investment decisions. It is widely believed that CSR initiatives are supported at the top of the organisation and that this reflects the Shangri-La way of doing the right thing. General feedback from our colleagues also echoed these sentiments: Overall they have a good understanding and awareness of Shangri-La's CSR Mission, and they are eager to participate in initiatives that make a difference and give back to the community.

Some stakeholders highlighted the risk that Shangri-La's broad definition of CSR is too intangible to be implemented consistently across all the hotels and all areas of its business. For example, some Senior managers face challenges balancing the cost of CSR activities against the hotel's revenue or profit. Some stakeholders said that they are not clear how Shangri-La aims to integrate its CSR Mission with decisions about new hotel developments.

Some stakeholders highlighted the challenge of trying to achieve consistency across the large and diverse group of hotels. In those hotels that are not 100% owned by Shangri-La, the senior management must take account of third party interests in order to obtain approvals and budgetary allocations for CSR

initiatives. Furthermore, attitudes and feelings of local colleagues about CSR vary between all the different regions in which Shangri-La operates.

Shangri-La's suppliers commend SLIM for adopting metrics and scorecards for evaluating social and environmental performance. Compared to peers in the luxury hospitality sector, they perceive that Shangri-La is doing a good job of supplier engagement. For example, the overall impression of the *Supplier Code of Conduct* is that it is simple and easy to understand even though SLIM and the hotels should provide support for smaller suppliers to demonstrate compliance in a cost-effective way.

Our corporate customers believe that Shangri-La is addressing its CSR in a serious and committed manner; Shangri-La's sales teams are knowledgeable about CSR issues and can answer queries with useful information. Other stakeholders would like to see SLIM encourage broader and deeper adoption of CSR practices by the holding company, its investors and business partners.

Suggestions for Improvement – CSR Focus Areas

There is a consensus amongst our stakeholders that Shangri-La is ready to move on to the next stage of its CSR journey, and this means placing greater emphasis on measuring, monitoring and managing the organisation's impacts on the environment. Some stakeholders suggested that with focused attention on a specific set of issues – such as those that are particularly relevant in China like water management – Shangri-La is in a position to leverage its strong regional presence in order to make a meaningful impact over the long-term.

At the same time, stakeholders recommend that Shangri-La should take early action to integrate environmental issues into its comprehensive risk management systems. Specifically, this



Kerry Hotel, Pudong, Shanghai

involves benchmarking Shangri-La's approach to environmental risks and identifying best practices to address the most important risks.

Many local communities face difficult challenges from development pressure, so Shangri-La must have a clear strategy on respecting human and community rights. Although Shangri-La's two signature programmes, *Embrace* and *Sanctuary*, have been well-received, some stakeholders expect to see better reporting on the impact of hotel operations on local biodiversity, particularly for those resorts that are located in tropical rain forests and coastal areas.

Some stakeholders have applauded Shangri-La for the bold decision to ban consumption of shark's fin from restaurants and functions in 2012. They would like to see Shangri-La take

more bold decisions that send a strong signal to all stakeholders about the organisation's commitment to its **Core Values**.

Suggestions for Improvement – Communication about CSR

Shangri-La's internal stakeholders, Senior managers and colleagues, recommend that we provide more CSR training and communication to colleagues at all levels. Some Senior managers reported that hotels are occasionally overwhelmed by a large number and variety of directives from SLIM. For this reason, it is important for SLIM to consolidate and streamline its approach.

The multi-stakeholder group emphasised the importance trying to engage with guests in order to influence consumer behaviour towards environmentally sustainable choices. Even though

this is difficult in the context of the luxury market, Shangri-La can make more use of in-room messaging, including videos on Shangri-La's TV network.

Our suppliers emphasised the importance for Shangri-La to improve access to information about new processes, technologies and initiatives that are available to reduce environmental impacts and improve social impacts of the operation of all hotels. This group is concerned that there appears to be inconsistency between different hotels regarding the awareness and importance of CSR and sustainability objectives.

The investor community, and particularly institutional investors, expects Shangri-La to improve communication on sustainability issues by providing clear information and regular updates about measurable impacts the business. Specific suggestions for how to improve Shangri-La's reporting on CSR and sustainability include providing more content about business risks and opportunities, and more clarity on Shangri-La's governance structure and decision-making processes.

Highlights of what Our Stakeholders said

INVESTORS/BUSINESS COMMUNITY

"Shangri-La needs to spread the word about what it is doing to address important environmental issues, such as water and energy consumption, because it is generally recognised that addressing these issues will realise efficiencies and financial benefits for the whole organisation."

"The rest of the Kuok group would benefit from adopting Shangri-La's CSR and sustainability practices."

MULTI-STAKEHOLDER GROUP

"Representatives from Shangri-La could attend more events in order to exchange ideas with peers in the community about latest practices and to stay up to speed with emerging issues."

"Has Shangri-La thought about partnering with academics and think tanks in order to identify ways to innovate new CSR practices?"

"Embrace and Sanctuary seem to be good programmes, but is it possible for the hotels and resorts to communicate more clearly about the actual impacts of their operations on local communities and local biodiversity?"

SHANGRI-LA SENIOR MANAGEMENT

"I think the basics have been put in place; Shangri-La is at the beginning of its CSR journey."

"CSR programs are important and they must be encouraged to occur on a consistent basis. I think it's a problem if our colleagues are asked to contribute to too many things and if they receive different messages all the time about what they should be doing."

"CSR has too much of an external focus; many colleagues associate the CSR Mission only with volunteering and philanthropy in the community. Although that is important, as an organisation, we should focus on less emotion in connection to community initiatives and on more hard facts in connection with our environmental impacts."



CORPORATE CLIENTS

"Shangri-La is not considered to be a high risk group. The company is trustworthy, so when I receive information about Shangri-La's CSR performance, I take their word for it."

"There is a growing consensus around the need for organisations to communicate with their customers about CSR. Shangri-La can do more to engage with individual guests so that they have an opportunity to appreciate the effort being made, and acknowledge any improvements."

"If Shangri-La is perceived to be a leader in CSR then some corporate clients might be keen to leverage Shangri-La's CSR initiatives as a platform for engaging with their own employees on CSR issues, for example during off-site training sessions or meetings"

SHANGRI-LA COLLEAGUES

"There is an opportunity to promote work-life balance, wellness initiatives for colleagues; after all if colleagues don't take care of themselves then they are less able to care for others."

"The General manager of my hotel actively participates in CSR activities with his family, such as coastal clean-ups. This sets a good example for other colleagues who really appreciate his participation and support."

"When my hotel organises CSR activities on weekends, I am asked to make a choice between participating and spending time with my family. Can we try to organise more CSR activities on weekdays during the low season in order to encourage higher participation rates from all colleagues, including those with families?"

"There is an opportunity to engage more with our guests, particularly through the Golden Circle Scheme (Shangri-La's loyalty programme.) What about including information about CSR initiatives in the newsletters and offering members the opportunity to donate their Gold Circle Scheme points towards a CSR cause of their choice?"

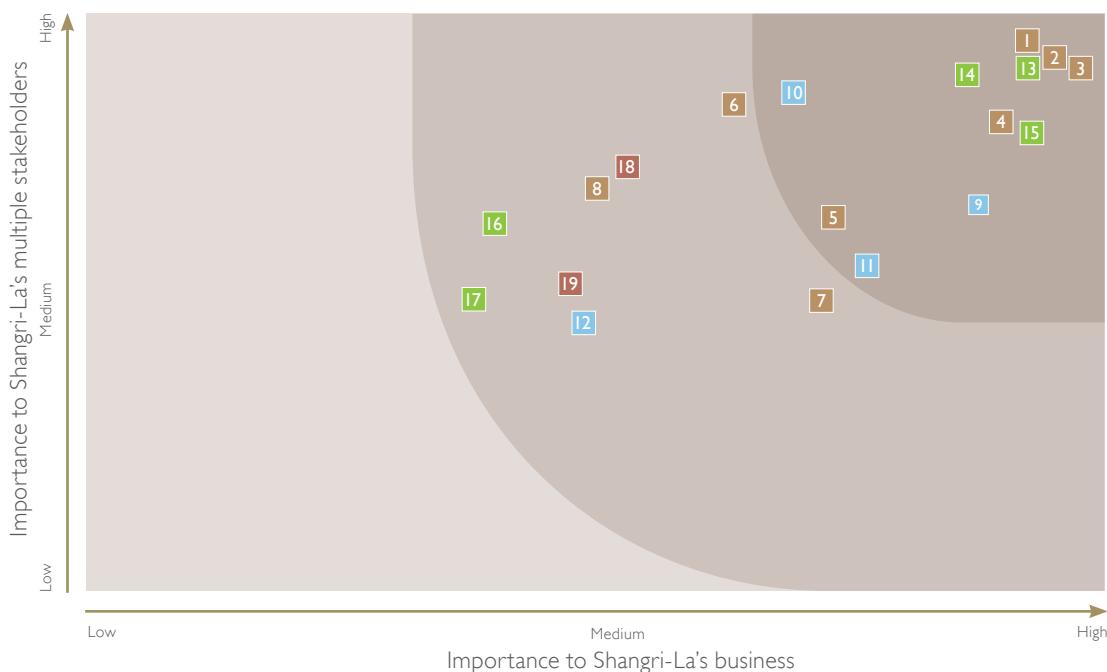
KEY GROUP SUPPLIERS

"Has Shangri-La thought about doing a press statement every year to recognise its top 100 suppliers from a CSR point of view? This would provide a good incentive for suppliers to improve their practices."

"We've noticed that sometimes there is inconsistency between the different hotels regarding the awareness and importance of CSR initiatives communicated by Senior managers and colleagues."

Materiality Matrix

This matrix provides a summary of the feedback received from our first stakeholders' engagement exercise. Many stakeholders ranked the environment at the top of the list of material issues for Shangri-La. Within this area of concern, three sets of issues stand out, namely those associated with water, energy and waste management.



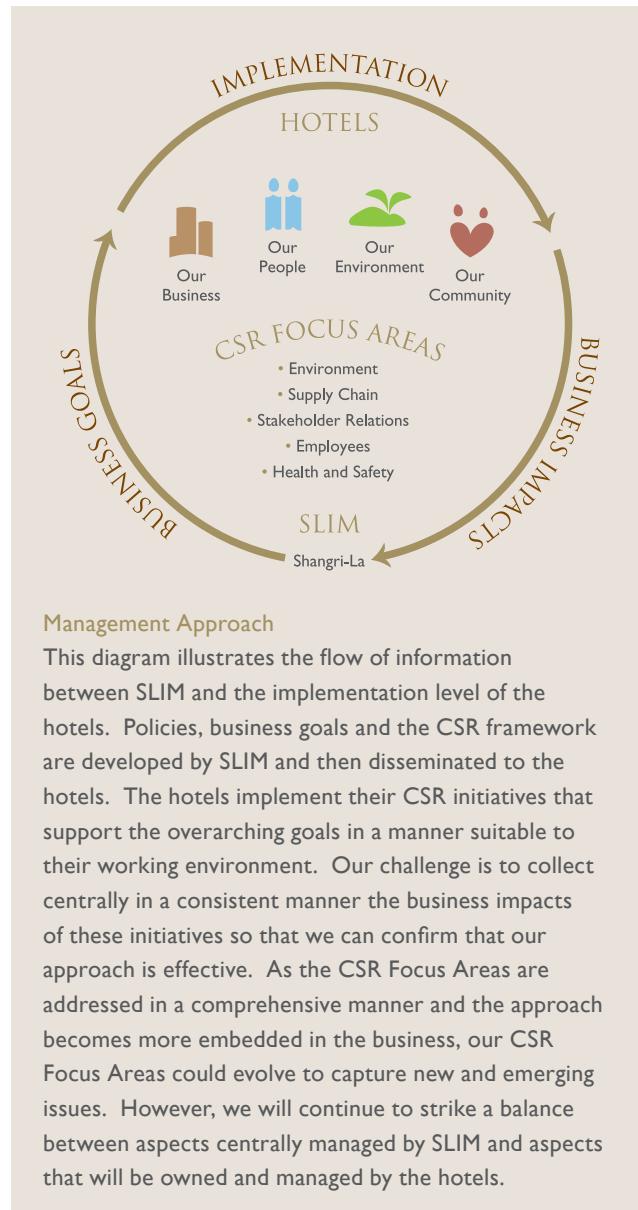
The investor group identified governance as a key area of material interest. Shangri-La's Senior managers also place priority on governance, as well as work-life balance and welfare. Other colleagues at service levels of the organisation agree that work-life balance is an important issue, whilst also singling out employee benefits.

Our key suppliers identified material issues in the areas of occupational health and safety and food safety because they aspire to establish closer collaboration with Shangri-La for new products and services. Corporate clients believed that Shangri-La could provide stronger communication about its strength in these areas.

Shangri-La recognises the need:

- To improve energy and water efficiency and conservation.
- To more consistently communicate CSR practices.
- To encourage more consistent uptake of CSR behaviour across all hotels.
- To increase and improve communications with key stakeholders in order to enhance understanding of what Shangri-La is doing, to engage guests, and increase collaboration with partners.
- To better measure our impact on the local community through our CSR programmes.

OUR MANAGEMENT APPROACH



Shangri-La has a primarily decentralised approach towards achieving the **CSR Mission**; we encourage ownership to stay embedded with the management and culture of every Shangri-La hotel regardless of whether the hotel is a subsidiary or associate of Shangri-La, or under a third party management agreement. SLIM oversees a cycle of sustainable development encompassing all Shangri-La hotels by:

- providing direction to hotels in the form of codes, policies and initiatives, with emphasis on the current CSR Focus Areas;
- educating and supporting colleagues to integrate social responsibility into daily operations of the hotels;
- measuring and monitoring performance of the hotels in a transparent and consistent way; and
- embracing **Our Core Values** and **Our Philosophy** of Shangri-La hospitality from a caring family to drive innovation and change.

Our CSR Focus Areas

Sustainability, Shangri-La's social responsibility campaign, encompasses the CSR Focus Area initiatives together with Embrace, Shangri-La's Care for People Project launched in 2009 and Sanctuary, Shangri-La's Care for Nature Project launched in 2010. The CSR Focus Areas include Health and Safety, the Supply Chain, Employees, the Environment and Stakeholder Relations. The direction provided by SLIM to the hotels in these areas is elaborated throughout the relevant sections of this report.

Management structure

During the reporting period, the Shangri-La Board of Directors strengthened leadership for sustainable development from the top-down by assigning oversight of all ESG issues to the Executive Committee. The president and CEO of SLIM chairs the SLIM CSR Committee, which

includes the most senior members of all corporate divisions at SLIM. SLIM has a director for CSR and Sustainability, who is supported by a team of CSR and Sustainability managers.

All Shangri-La hotels have their own CSR Committee that is chaired by the hotel's CSR Champion, usually the Resident manager, Hotel manager or Executive assistant manager. The CSR Champions' primary role is to drive initiatives of the hotel CSR Committee and render effective communication between the hotel and SLIM's CSR and Sustainability division. Senior managers from all divisions are represented on the CSR Committee, each heading the CSR Focus Area sub-committee. The employee sub-committee, headed by SLIM, Human Resource division ensures that broader participation is facilitated between middle management and below. As CSR Champions can be promoted to General managers in the future, it is hoped that they become natural CSR advocates in their leadership roles.

Responsible and educated community

Of colleagues participating in the Employee Engagement Survey in 2012, 95% agreed with the statement: Shangri-La is committed to being socially responsible in the community. Many colleagues associate Shangri-La's CSR Mission with the hotel volunteerism programme that has been in place since 2009. Over 80% of colleagues who responded to the online stakeholder engagement exercise for this report had personally participated in sustainability activities organised by their hotel; and 90% of these respondents said that they had a positive experience and would volunteer again.

To broaden colleagues' understanding of the way in which the CSR Mission affects all aspects of Shangri-La's operations, SLIM introduced the CSR Module in 2012. This is a two-hour module at the hotel that explains the evolution of CSR

ensures an understanding of sustainability issues and encourages colleagues to think broadly about what CSR means and about each individual's role in contributing towards sustainable practices. The SLIM CSR and Sustainability division runs the module for all hotel management levels and certifies Hotel CSR Ambassadors through a SLIM administered 2-3-day training course. They cascade the module to the rest of the colleagues, including new hires. A total of 413 CSR Ambassadors were certified by the end of 2012, and there is a commitment to grow the pool. They conducted about 470 training sessions in 2012, reaching 90% of all Shangri-La permanent colleagues around the world.

CSR scorecard

SLIM launched the CSR scorecard in 2011 to measure performance of the hotels on the CSR Focus Areas. In 2012, the scorecard was expanded to incorporate additional metrics on the supply chain and the environment and to include bonus scores for hotels making an extra effort to convey the spirit of the CSR Mission. During 2011 and 2012, the average overall CSR score improved from 61% to 68% with 40 out of 73 hotels improving their score by 5% points or more. Particular attention was paid to those 16 hotels that scored less than the passing grade of 50% in 2011. 11 of those hotels improved the score to 65% or higher in 2012, and the remaining five hotels continue to receive support from SLIM to improve the score for 2013. The 20 hotels that had a lower score in 2012 compared to 2011 have been prioritised by the SLIM CSR and Sustainability division for supplementary support and visits.

DISTRIBUTION OF OVERALL CSR SCORECARD RESULTS



Embrace, Shangri-La's Care for People Project



Children's Cooking Class

Performance review

The CSR scorecard is an important milestone for SLIM's management approach to sustainability because the scoring process facilitates benchmarking of each hotel's performance year-on-year. The summary table illustrates how SLIM has incorporated the CSR scorecard into the *Annual Performance Development Review* cycle for Senior managers in all Shangri-La hotels. This demonstrates the level of SLIM's commitment to integrating CSR into all aspects of hotel operations and ensuring that Senior managers in the hotels exhibit leadership towards achieving the CSR Mission. More information about the criteria for evaluating Senior managers in the hotels can be found in this report under the sections "Our Business", "Our People", "Our Environment" and "Our Communities".



Shangri-La Hotel, Guangzhou

ANNUAL PERFORMANCE DEVELOPMENT REVIEW

	Our Business												Our People			Our Environment		
	CSR - Hotel Overall Score	CSR - Health and Safety	CSR - Supply Chain	Hotel Market Share	Hotel Financial Results	Quality Improvement	Financial Compliance	Fire Life Safety	Shangri-La Food Safety Management System	Engineering Compliance	Security Compliance	CSR - Health and Well-being	Talent Development	Colleague Engagement	CSR - Environment Initiatives	CSR - Sanctuary	CSR - Embrace	
General manager	■			■	■	■	■	■					■	■		■	■	
CSR Champion Hotel/Resident manager	■	■	■	■	■	■	■	■				■	■	■	■	■	■	
Senior managers in:																		
Food and Beverage		■	■	■	■	■	■	■					■	■	■	■		
Engineering	■	■				■		■	■	■			■	■	■	■	■	■
Security	■									■			■	■				
Rooms			■	■	■	■							■	■	■	■		
Human Resources	■					■						■	■	■				
Finance				■	■	■	■	■					■	■	■			

OUR BUSINESS

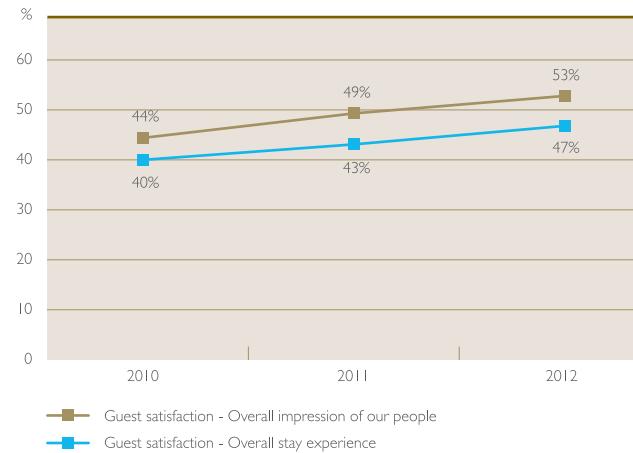


At Shangri-La we operate our hotels in pursuit of Our Vision to be the first choice for guests colleagues and all business partners, including investors and suppliers. At the most basic level, success in pursuit of Our Vision is reflected in economic results. SLIM monitors the performance of every hotel against targets based on hotel growth, market share (based on revenue) and financial results. Feedback is provided to the hotels through a number of channels including the *Annual Performance Development Review*. The finance function of every hotel is subject to annual internal audit and corrective actions are implemented with direct oversight from SLIM Finance division.

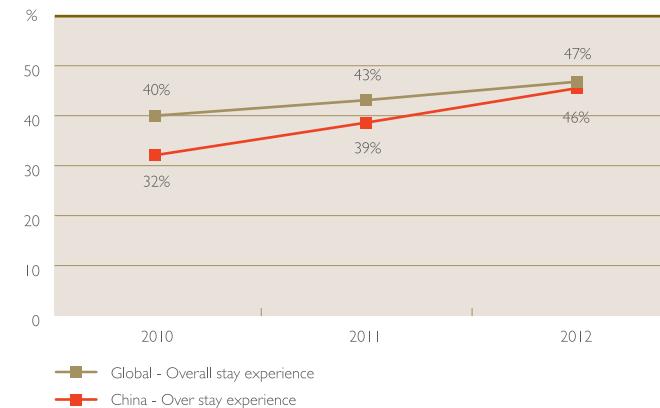
Quality improvement and guest satisfaction

We aim to delight our guests consistently by creating engaging experiences straight from the heart. We strive to achieve the highest guest satisfaction experience by instilling a culture of continuous improvement and ensuring that processes, systems and behaviour changes are addressed and sustained through the use of key performance indicators. In order to measure, monitor and manage guest satisfaction, hotels utilise the Defect Reporting, Recording and Resolution process, also known as *DR³*. Guest comments are collected, with negative comments (defects) and reoccurring trends analysed to identify the root causes and design action plans accordingly. The aim is to reduce and ultimately, to eliminate the hotel's top defects to enhance the guest experience. Daily, weekly and monthly reports are generated and shared with colleagues. The primary goal of *Quality Improvement (QI)* is to improve our *Overall Stay Experience (OSE)*, which is a metric calculated based on the results of a survey, known as *Performance Monitor*, provided to every guest upon checking out of every Shangri-La hotel. Meetings and event organisers also receive an online survey (*Events Performance Monitor*) to measure their satisfaction with event management. The survey results are

QUALITY IMPROVEMENT RESULTS FOR ALL SHANGRI-LA HOTELS



OVERALL STAY EXPERIENCE (GLOBAL AND CHINA)



utilised to evaluate the performance of each hotel against its own hotel-specific targets. The SLIM QI division provides annual direction and conducts quality diagnostic reviews that provide hotels with better understanding and tools to make necessary improvements. Shangri-La observed an overall positive trend in all QI indicators over the reporting period. Our guests consistently provided strong positive feedback when asked to rate Overall Impression of Our People. In the period 2010-12, there was a marked improvement in the OSE for China hotels, which is consistent with the decreasing number of problems reported and improvement in guests' ratings of how problems were handled. Further, there was particularly strong improvement in the reported *Overall Event Experience* from guests who held banquets, meetings and functions.

Food Safety

Hazard Analysis Critical Control Point System (HACCP) is a food safety system that reduces food-borne illness by applying science-based controls. Shangri-La's Food Safety Management

System (SFSMS) has been designed based on HACCP principles since 2001. Consistent implementation of the SFSMS programme in all hotels has successfully established a culture of upholding hygiene standards which are higher than HACCP requirements. Our current policy is to obtain independent HACCP certification of the Food Safety Management System for all Shangri-La hotels. At the end of 2012, 62 hotels were certified. All remaining hotels will be HACCP-certified by 2015, and we aim for all new hotels to be certified within two years of opening.

The Food and Beverage division of SLIM monitors the implementation of SFSMS in the hotels. During the 13th audit cycle that was completed between March 2011 and June 2012, 70 hotels were audited by SLIM. Findings showed that 48 hotels exceeded the internal passing grade of 90% and the average audit score of all hotels was 89%. As part of continued improvements, hotels created their own action plans, for which they will be held accountable in the next audit cycle.

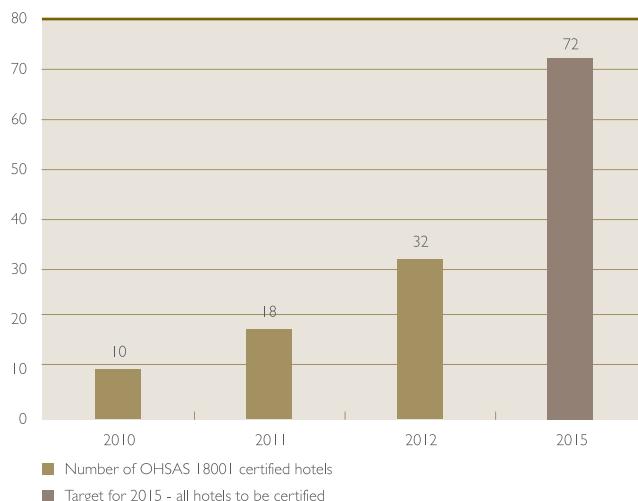


An external vendor was appointed in 2012 to secure transparent scoring, consistency, uniformed verification of results and a stronger culture of understanding in 2013.

Occupational Health and Safety

Occupational health and safety is a focus in the hotels, led by the Engineering division with support from the Human Resources and Security divisions. Since 2008, Shangri-La has been implementing the *Occupational Health and Safety (OHS) Management System*, adopting the globally recognised OHSAS 18001 certification standard. Hotels achieve the OHSAS 18001 certification only after stringent assessments by an independent and accredited certification party.

NUMBER OF OHSAS 18001 CERTIFIED HOTELS



Prior to the certification assessment, hotels are guided in their preparations by an OHS consultant. Hotels identify hazards, assess risks and implement appropriate control measures to reduce occupational injuries, accidents and fatalities. A management structure with joint management and worker

representation for continual improvement of health and safety performance is put in place. The OHSAS Team is headed by the General manager and comprises the CSR Champion, the Director of Engineering and representatives of all divisions including Security, Rooms, Food and Beverage, and Kitchen. Specific roles are assigned for the functions of Fire Life Safety, Hazard Identification, Legal, Emergency Preparedness and Response, Incident Investigation, Training, Document Control and Internal Audit.

Better colleague awareness, reduced safety incidents and injuries, improved compliance with statutory requirements and increased labour productivity are among the benefits of *OHS Management System implementation*. The OHSAS 18001 standard also has a built-in process, requiring hotel management to review processes and targets for continual performance improvement.

It is the policy that all hotels shall achieve the OHSAS 18001 Certification. Generally, hotels will commence to implement OHS Management System only after achieving the ISO 14001 Certification (please refer to "[Our Environment](#)"). At the end of 2012, 32 hotels have achieved OHSAS 18001 certification. The goal is for all hotels to be certified against both standards by 2015.

Fire Life Safety

It is a Shangri-La policy that Fire Life Safety (FLS) shall have equal importance with other business objectives. This is driven through the executive vice presidents for strict implementation by general managers, who are guided by the "zero tolerance" rule on non-compliances for FLS.

SLIM Engineering conducts regular audits and inspections in the hotels to ensure performance and practices are in line with Shangri-La's FLS standards. We chose to adopt the rigorous USA National Fire Protection Association's

FIRE LIFE SAFETY AUDITS COMPLETED AND PASSING RATE



regulations and ensured these were developed to complement or exceed all local authority requirements of our countries of operation. In 2011, 32% of the hotels passed the audits. SLIM took immediate action to ensure that hotel teams were further trained to enhance competency and readiness for emergency preparedness and other FLS system inspection and maintenance. In 2012, 60 of the 69 audited hotels passed inspection. While this shows an 87% passing rate, rendering significant improvement, hotels still strive for improved performance. Although fire incidents increased from 89 in 2011 to 98 in 2012, the number of major fire incidences decreased from 6 cases in 2011 to 2 in 2012. The larger number of low and medium severity fires in 2012 did not develop to high severity due to quick action taken and the proper functioning of fire alarms and fire protection equipment. Significant investments were provided for the upgrading and improvement of FLS systems and installations to ensure that we continue to deliver a higher level of safety for hotel guests and colleagues.



Security Operations

SLIM Security division oversees implementation and operational compliance with the *Security Operations, Crisis Management and Loss Prevention* manuals. These provide guidelines and procedures on the primary considerations that should be taken when managing incidents in line with Shangri-La's commitment to integrity, anti-corruption and the protection of human rights. The policies and procedures cover the handling of attempted bribery, conflicts of interest and soliciting of advantages, among others. There is a portfolio of other policies and procedures covering issues such as the handling of undesirable visitors, managing incidents of crime, investigation skills, handling medical emergencies, interview techniques as well as conflict resolution and the control of firearms and emergency evacuations. Security colleagues are responsible for the timely intervention, investigation and effective management of all irregular occurrences in our hotels.

With regard to audits and standards SLIM Security division conducts a comprehensive annual audit of each property that feeds into the *Annual Performance Development Review* of the management of each hotel. Compliance with security design systems, latest technology compliance with operations and administrative standards, emergency responsiveness, the levels of property loss and damage as well as the number drills and security/safety training sessions conducted are tracked. They collectively define, on a quantitative basis, the overall resilience levels of the property and its ability to resist both internal and external threats to its business operations.

With regard to reporting and record keeping, it is policy that all incidents of consequence are systematically investigated and documented. Critical incidents are reported and recorded no later than 12 hours of occurring. In 2012, Shangri-La started

working on an intranet-based *Security and Safety Reporting System (SSRS)*, which will allow for the immediate reporting of incidences relating to property loss, property and inventory damage, injuries, accidents, illnesses, days lost, hospitalisations and near misses. The SSRS will be fully implemented in 2013, and Directors of Security will be responsible for all security and safety related incidents and data. Reports are regularly generated to ensure that all incidents are recorded in a standardised, timely and efficient manner.

Privacy and Data Protection

Shangri-La's Global Privacy and Data Protection Policy, Standards and Guidelines set forth the commitment of Shangri-La to respect individuals' privacy, to safeguard hotel guest and Shangri-La colleague information, and to maintain the highest standards of ethical and legal conduct in the collection, use, retention and disclosure of information pertaining to individuals. Responsibility for customer privacy resides primarily with the business units in charge of the relevant processes because all customer data collected in any Shangri-La hotel, is entered into an operational division's system workflow. SLIM IT offers support where required and conducts an annual audit to evaluate the compliance of its relevant IT systems with the policy.

Corporate Purchasing Policy

The Purchasing division of SLIM is responsible for procurement of products supplied, such as food and beverage products, cleaning supplies, bedding and room furnishing. In accordance with the *Corporate Purchasing Policy*, suppliers complete a questionnaire on the *Supplier Code of Conduct*. This code is included as an appendix to every supplier contract and SLIM conducts regular reviews to ensure compliance. The *Supplier Code of Conduct* is available on our website www.shangri-la.com/corporate/about-us/supplier-code-of-conduct/.



Shangri-La Hotel, Singapore



The revised code came into effect at the end of 2012 and incorporates new criteria that align closely with **Shangri-La's Core Values** and commitment to the ten principles of the UN Global Compact. Suppliers are required to provide safe and healthy working conditions, use fair hiring practices, treat their workers and employees with dignity and respect and adhere to environmentally responsible practices in manufacturing. To that end, the code incorporates recognised international best practices in the areas of labour and human rights, health and safety, environmental impact, ethics and management commitment.

In 2011, SLIM Purchasing engaged an independent firm to commence the first comprehensive evaluation of compliance with the code, resulting in 17 out of 44 suppliers being awarded a passing grade as a result of the initial assessments completed in 2011 (passing rate of 39%). During 2012, 4 out of 11 suppliers passed initial assessments (passing rate of 36%).

The initial assessments revealed that a majority of suppliers could not demonstrate full compliance with the code, often due to insufficient record keeping. Corrective action was taken by 16 suppliers in order to receive a passing grade following their reassessment before the end of 2012. This lifted the overall passing rate of suppliers to 37 out of 55 (67%). At the time of this report, the contracts of the remaining 19 suppliers had expired and had not been renewed. Because the latest *Supplier Code of Conduct* has only been effective for a few months, we are developing the process for dealing with suppliers should they become non-compliant.

WORKING WITH OUR SUPPLIERS ON ENVIRONMENTALLY RESPONSIBLE HOUSEKEEPING

Shangri-La is pleased to work with two key suppliers whose products are used by the hotels to implement green housekeeping solutions.

Ming Fai is Shangri-La's supplier of eco-friendly bathroom amenities (soaps, lotions and shampoo) in packaging made of biodegradable and compostable plastarch material with soy ink printing.

Diversey, a business unit of Sealed Air, is Shangri-La's supplier of environmentally responsible cleaning products and washing chemicals that facilitate low temperature laundering and fewer washing cycles. This extends the lifespan of bedroom and bathroom linen as well as reduces energy and water consumption. At the end of 2012, 94% of Shangri-La hotels have implemented green housekeeping and low temperature laundry compared with 86% at the end of 2010. Diversey has recorded a reduction on water consumption per guest night by almost 85 litres due to the use of low temperature laundry.

Shangri-La hotels and Diversey have partnered together under *Embrace, Shangri-La's Care for People Project*, to provide beneficiary organisations with cleaning products and training on hygiene practices. To date, we have administered 34 joint projects in 23 hotels touching the lives of nearly 19,000 children in 10 countries. This represents approximately 43% of Shangri-La's *Embrace* beneficiary organisations who have benefitted from this unique partnership.

Please refer to the "**Our Stakeholders**" section of this report for information about how we engaged with this important stakeholder group and the feedback that we received from them.



Shangri-La's bathroom amenities made of plastarch material



Children learn Diversey's handwashing techniques



Island Shangri-La, Hong Kong

Shangri-La recognises the need:

- To increase the number of hotels adopting and leveraging such Integrated Management Systems as HACCP, ISO 14001 and OHSAS.
- To consistently roll out supplier audits to suppliers and systematise actions for non-compliance.
- To achieve more green procurement and demonstrate and communicate positive impacts of responsible procurement on supplier and consumer behaviour.
- To continue to improve health and safety standards and demonstrate consistent and high quality performance.

"The 2012 CSR scorecard recognised hotels that sourced eco-friendly products, conducted open house training for suppliers and promoted sustainable seafood."

Responsible Procurement Programme

In order to affirm our commitment to responsible procurement, SLIM announced the Sustainable Seafood Policy in January 2012, which required all hotels to finish all shark fin stocks and phase out serving shark fin by the end of the year. Hotels offered sustainable substitutes in order to phase out Bluefin tuna and Chilean sea bass from the menu. By year-end, all hotels had fully introduced the ban.

Towards the end of 2012, the Responsible Purchasing Programme was rolled out to encourage purchasing decision-makers in all divisions of every hotel to consider the impact of their selection on the environment and people. SLIM provides information to hotels about environmentally-friendly selection criteria, and provides recommendations about what hotels should be looking for when procuring paper and card products, IT equipment, chemicals and pesticides. Hotels are also encouraged to

evaluate local options for minimising transportation distance of raw materials and final products and for minimising landfill-bound waste.

Hotels meet with their local suppliers yearly in an "open house" venue to discuss policy updates and overall training in CSR. SLIM Purchasing is currently working on a system of improving the roll-out of the Responsible Procurement Programme as well as increase the sourcing of more products locally. Shangri-La kitchens source fresh produce from local growers whenever possible and our Food and Beverage division regularly visit local suppliers' premises to ensure compliance with hygiene, waste disposal and labour standards.

OUR PEOPLE



Edsa Shangri-La, Manila

Profile of Our People

PERMANENT COLLEAGUES

The total permanent headcount in our hotels and SLIM at the end of 2012 was approximately 41,300. Over 75% of permanent colleagues work in Food and Beverage and Rooms and the rest are split between administration, finance, human resources, engineering and marketing roles. About 15% of permanent colleagues are engaged in management (defined as Level 3 Service manager and above).

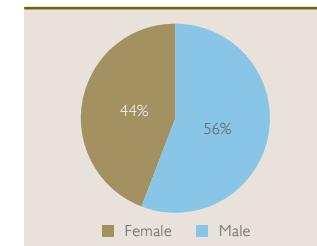
The overall gender split of Shangri-La permanent colleagues (56% male, 44% female) is nearly unchanged from two years ago. The age profile also remains relatively young (46% younger than 30 years, 6% older than 50 years). In our China hotels,

the split between male and female colleagues is close to even (49% male, 51% female) and more than half (52%) are under the age of 30 years.

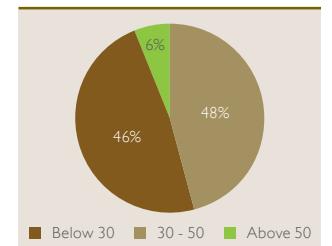
It is common practice for Shangri-La hotels to give preference for employment of local residents in each country of operation. Reflecting the distribution of our hotels around the world, the majority of our people are Chinese nationals (52%). Malaysians (12%) and Filipinos (8%) are the next most represented nationalities. In China, the proportion of Senior managers (Level 2 Service managers and above) who are Chinese nationals is 4%. Outside of China, the proportion of Senior manager who are local to the country of employment is 3%. SLIM employs 49% Hong Kong citizens, and the proportion of Senior managers who are Hong Kong citizens is 10%.

IN 2012

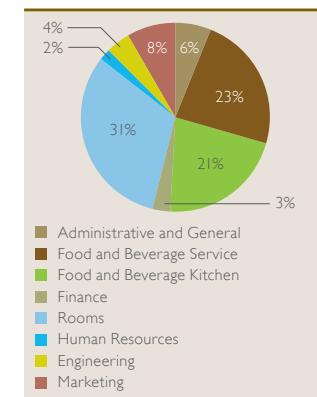
HOTELS BY GENDER



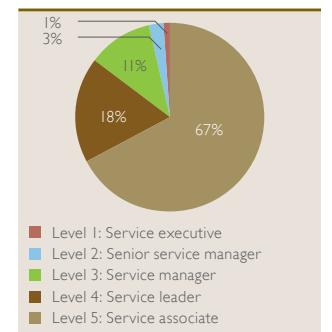
HOTELS BY AGE



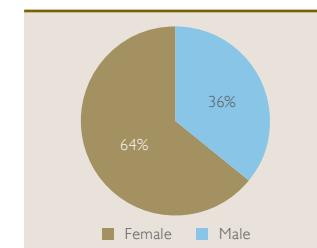
HOTELS BY DIVISION



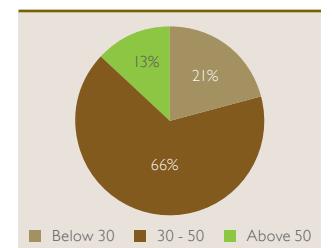
HOTELS BY SERVICE LEVEL



SLIM BY GENDER



SLIM BY AGE





PEOPLE WITH DISABILITIES

Shangri-La aims to provide people with disabilities (PWD) opportunities for upward mobility in every local community in which we operate. In 2009, SLIM set a target for all hotels to employ PWDs amounting to 2% of permanent headcount. At the end of 2012, the share of PWDs in the total global

permanent headcount was 1.6%, but the share of PWDs employed in our hotels in China is very close to the target, at 1.98%. Where applicable, hotels have introduced sign language and communication training programmes to facilitate better integration of PWDs into the workplace. Other hotels have included training for improved accessibility as well as

“buddy-up systems” where longer-term colleagues partner with PWD to ensure that they get accustomed to their new surroundings. SLIM also provides customised versions of the basic training modules tailored to meet the needs of new hires with disabilities.

A ROLE MODEL AND AN INSPIRATION

Emma Zhou has worked as a Service associate with the Human Resources department at *Traders Fudu Hotel, Changzhou* since 2010. She is a very special member of the Shangri-La family because she is generally recognised by her colleagues to be a true role model of the core values of sincerity, humility, courtesy, respect, helpfulness and selflessness that are held in high esteem.

Emma may have growth challenges and be hearing impaired, but this does not hold her back from sharing her abilities openly with others. Aside from her full-time responsibilities at the Human Resource Division, she plays an invaluable role as spokesperson and leader, and helps ensure that all colleagues with disabilities at *Traders Fudu Hotel, Changzhou* enjoy a safe and happy working environment.

In 2011, Emma initiated classes in sign language and the art of making silk flowers by hand for all colleagues at the hotel. She is also a skilled photographer who frequently delights her colleagues by offering to take photos at colleagues' social events and activities.

Emma is a certified member of the China Volunteer Team, spending much of her spare time participating in charitable activities such as visiting homes for disabled children and elderly people. She has a very close relationship with an orphan,

named Xiao Lan, whom she has helped to recover from an illness. She is also dedicated to providing love and care for an elderly lady known affectionately as ‘Auntie Fei.’

In her role as Vice-president of a local association for people with disabilities in the Xinbei district of Changzhou, Emma often organises fund-raising activities to benefit people experiencing hardship around China and around the world. Her enthusiasm has inspired many colleagues to join her in the CSR activities she helps organise at *Traders Fudu Hotel, Changzhou*. During the 2011 Christmas holidays, Emma arranged for her colleagues to assist her in folding 2,000 paper cranes to raise nearly RMB7,500 (HK\$9,431) in donations for the Changzhou Children’s Welfare Home. Today, Emma has moved to an even more exciting role as Vice-president of a local association of culture and sports.

Shangri-La is extremely proud of the formal recognition that Emma received in 2012 for her voluntary work, including the Changzhou city Five-star Volunteer Award in May 2012 and the Jiangsu Province Outstanding Volunteer Award in November 2012. Shangri-La has also awarded Emma the Inspirational Award in 2012. This award aims to recognise colleagues who are true role models of **Our Core Values**, who are genuine ambassadors for Shangri-La, and who go above and beyond the call of duty to contribute to overall improvement in their workplace.



Emma receives her Jiangsu Province Outstanding Volunteer Award



Emma trains her colleagues on sign language



Performance Management and Talent Development

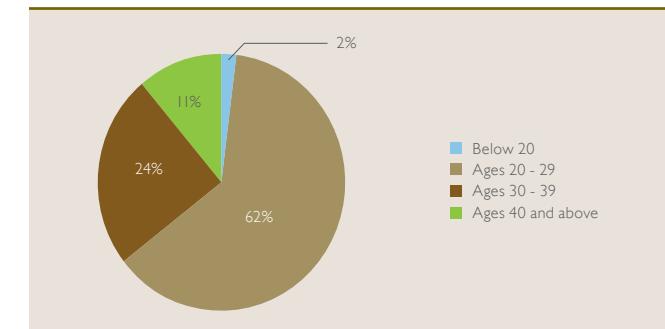
At Shangri-La, we remunerate our people based on skills, experience and professional qualifications, and we reward the performance of our people based on contribution to organisational success. SLIM's Human Resource division continues to improve and refine the way in which the Talent Management System is implemented consistently across all hotels. In 2012, 100% of permanent employees received an *Annual Performance Development Review* (more details in "Our Management Approach"). SLIM conducted online reviews for over 1,800 personnel in the hotels' Level 3 management roles and above. The Human Resource divisions of each hotel conducted reviews for all permanent colleagues in Level 4 and Level 5 Service leader and Service associate positions.

In 2011, the lack of opportunity for career progression was the most common reason for leaving employment in Shangri-La hotels. SLIM responded to this challenge by introducing the *Human Capital Review Programme*, which aims to identify and promote the top performing candidates in every Shangri-La hotel. SLIM's target is for 10% of permanent colleagues across all Shangri-La hotels to have better global mobility and/or receive a promotion each year; however, in 2012 an even larger overall percentage, 15.7% of permanent colleagues, were either moved or promoted. In 2011, SLIM also introduced a new web-based system to halve the average application and processing time for an internal transfer application from 24 months to 12 months.

COLLEAGUE TURNOVER BY COUNTRY IN 2010, 2011 AND 2012

	2010	2011	2012
Australia	29%	36%	33%
Canada	35%	28%	11%
China	29%	31%	30%
Fiji	9%	8%	5%
France	n/a	37%	43%
Hong Kong	16%	17%	14%
India	41%	39%	34%
Indonesia	11%	13%	11%
Japan	26%	22%	29%
Malaysia	19%	20%	19%
Maldives	26%	20%	23%
Middle East	28%	32%	28%
Myanmar	20%	20%	12%
Philippines	12%	9%	11%
Singapore	38%	32%	30%
Taiwan	31%	33%	31%
Thailand	21%	17%	21%
Total average	26%	27%	25%

COLLEAGUE TURNOVER BY AGE IN 2012



Over the reporting period, the turnover rate of all permanent colleagues improved from 27% to 25% with some variation in turnover rates between different countries of operation. Hotels are held accountable for strategies to reduce turnover that are especially relevant to their local conditions. This includes mentoring programmes, cross-exposures to other divisions or hotels, and skills and leadership training programmes. Compared to industry standards, turnover amongst our senior management is consistently much lower than the average, within the range of 5% to 10% per year. The average length of service by hotel General managers with Shangri-La is nearly 13 years.

THE HIGHEST ETHICAL STANDARDS

The Code of Ethics outlines the common understanding of Shangri-La's expectations of behaviour for all colleagues. As Shangri-La continues to grow, it is imperative that **Our Core Values** are understood and practiced by all. SLIM oversees a system of practical training to put **Our Core Values** into daily practice. 'Shang Care' is mandatory for all colleagues and consists of four modules called *Shangri-La Hospitality from a Caring Family, Delighting and Engaging with Guests, Taking Ownership and Recovering to Gain Loyalty*.



Colleagues are expected to behave towards each other, guests, suppliers, hotel owners and the community at large with high integrity, in the spirit as well as the letter of the code. Failure to comply may result in disciplinary action which can include termination. In 2012, SLIM introduced the *Whistleblowing Policy* which states that every Shangri-La colleague has the right and responsibility to act upon any incidence of behaviour running counter to the Code of Ethics by making a report directly to SLIM.

"We have a target of employing 2% of permanent headcount with people with disabilities (PWD) to promote upward mobility. In 2012, PWDs composed 1.6% of total global headcount with China hotels very close to the target, at 1.98%."

Shangri-La upholds freedom of association and the right to collective bargaining for all colleagues. Within our hotels, the organisation of these activities takes various forms such as colleague unions, colleague councils and colleague welfare groups, depending on local legislation, culture and workplace norms. According to information supplied by each hotel, in 2012, approximately 13% of permanent colleagues in China, and 17% of permanent colleagues outside of China participated in some form of collective bargaining agreement between workers and hotel management.

Shangri-La does not participate in forced and compulsory labour or child labour of any kind. Our policy on age of employment is to strictly observe local laws and regulations in every country of operation. If local labour laws permit it, hotels may employ young persons below the age of 18 in traineeship or internship programmes.

Shangri-La strives to eliminate discrimination in respect of employment and occupation. The Group director of Human Resources at SLIM has overall responsibility for the Equal Employment Opportunity policy to recruit, hire, train and promote without regard to race, colour, religion, national origin, age, disability or sex. As part of the routine Human Resource divisional audit of hotels, SLIM monitors implementation of this policy, that compensation, benefits, transfer layoffs, return from layoff, training and social recreation programs are administered without discrimination.



Futian Shangri-La, Shenzhen



ENGAGEMENT OF COLLEAGUES

Shangri-La fosters an atmosphere of camaraderie and engagement through a system of open communication. Every hotel maintains a colleagues' notice board and conducts weekly meetings to keep colleagues abreast of hotel-level and other developments. The senior management of each hotel engages all colleagues on matters of interest or concern via the *State of the Hotel Address and Executive Committee Dialogue*. To complement these initiatives implemented by the hotels, SLIM operates an online system called *E-Voice* and a programme called *Speak Up* to facilitate structured feedback from hotel colleagues to SLIM about internal processes and business concerns.

The Employee Engagement Survey (formerly known as the Staff Opinion Survey) is a voluntary and anonymous online survey of all Shangri-La hotel colleagues conducted each year by an independent organisation in 11 languages. The survey attracted 98% response rate in both 2011 and 2012 and the results show consistent improvement in overall Employee Satisfaction and Commitment from 75% favourable responses in 2010 to 80% in 2012. Using the current methodology, Shangri-La is positioned well above the independent organisation's global benchmark performance index across various industries.

WELL-BEING AND WELFARE

SLIM has adopted a number of policies to promote colleague well-being including minimum requirements for medical checkups before employment with Shangri-La, and more regular checkups for some roles. Shangri-La promotes a smoke-free workplace whereby all hotels are required to provide separate, designated smoking areas for use by colleagues. Since colleague health is a CSR Focus Area, SLIM has incorporated a metric in the CSR scorecard. The performance of every hotel is measured by the number of

health awareness campaigns that are aimed at improving the well-being of colleagues. The Employee Committee is usually responsible for designing and initiating educational or participatory activities such as to promote smoking cessation, weight loss, medical talks, healthy eating and exercise. These programmes are available for all non-permanent and permanent colleagues alike. In 2012, 70 hotels met or exceeded the basic CSR scorecard requirement to conduct four health awareness campaigns in the year.

PLANNING FOR RETIREMENT

Shangri-La does not have a mandatory retirement age. Our policy is to comply with local laws and regulations regarding retirement age and related severance payments in each country of operation. Although some hotels provide training to support colleagues for life after Shangri-La, such as seminars on superannuation and financial planning, SLIM does not currently have any company-wide policy for this. As disclosed in our Annual Report, Shangri-La operates a number of defined benefit and defined contribution plans for permanent colleagues. These are generally funded by payments to separate trustee administered funds in accordance with local laws and regulations. More information about Shangri-La's defined benefit plan obligations is available in our Annual Report www.ir.shangri-la.com.

TRAINING AND DEVELOPMENT

Shangri-La aims to support its colleagues to achieve their full potential. SLIM's guideline is that all permanent colleagues in every Shangri-La hotel, irrespective of service level, age or gender, will complete four hours of training per month. Compliance with this guideline is monitored by the hotels and reported to SLIM on a quarterly basis. Apart from training in skills that are directly relevant to job performance, such as language and departmental training, colleagues also have



CSR Ambassadors' Certification in Shangri-La Hotel, Qingdao

access to programmes in supervisory excellence (SUPEX), management and leadership skills as well as various talent development programmes. There is no group policy to provide funding support for external education or any provision for sabbatical periods with guaranteed return to employment.

THE SHANGRI-LA ACADEMY

The Shangri-La Academy is based at the Sun Yat-sen University in Zhuhai, China. Colleagues attend the academy to enhance their skills in culinary arts and cuisine, food and beverage, front office and housekeeping operations as well as advanced hospitality management. Since 2005, there have been 3,873 graduates of the core programmes and 2,989 graduates of the Professional Development programme.



The Shangri-La Global Family

During times of hardship, the Shangri-La community pulls together to help those who have been affected by traumatic events, such as earthquakes and floods. In 2011 and 2012, a number of events triggered an emergency response from Shangri-La hotels around the world. At these times of crisis, the affected hotels receive support from funds raised by the Shangri-La community, and distribute the donations towards relief efforts in a coordinated manner.

WISH FOR JAPAN (MARCH 2011)

In the immediate aftermath of the devastating earthquake and tsunami that hit northeastern Japan, *Shangri-La Hotel, Tokyo* provided shelter and food to many colleagues and members of the community who were stranded by the overnight collapse of Tokyo's transport and communications system. As the reality of the devastation from the tsunami became apparent on Japan's northeastern coast, many colleagues organised and participated in voluntary relief efforts, including travelling many miles outside of Tokyo to support emergency services and clear debris. Colleagues from *Shangri-La Hotel, Tokyo* launched a charitable programme known as "WISH for Japan", which received support from Shangri-La hotels around the world and SLIM. Through the sale of WISH for Japan wristbands and candies, as well as other fundraising activities, Shangri-La raised funds exceeding ¥8.6 million (HK\$10.8 million) during the first three months after the earthquake. *Shangri-La Hotel, Tokyo* used these funds to provide direct support to victims of the disaster, including sponsorship of organisations arranging food and medical care for children in the worst affected communities.



Shangri-La Hotel, Tokyo colleagues support emergency services and clean up activities



WISH for Japan bands



WISH for Japan candies



HOPE FOR THAILAND (OCTOBER 2011)

When floodwaters inundated parts of Bangkok, resulting in severe disruption to public services and damage to property, over 500 hundred colleagues and family members of *Shangri-La Hotel, Bangkok* received temporary accommodation and meals and/or benefitted from access to clean drinking water and other emergency provisions supplied by the hotel. When the water levels subsided, colleagues from the hotel volunteered to assist other colleagues and the *Embrace* project partner, Wat Ladrahong School in Ayutthaya Province, to tidy up and ensure the safety of damaged buildings before moving back in. In early 2012, the hotel's management assessed the impact of the flooding on the well-being of hotel colleagues. A total of 172 colleagues who had been severely affected by the floods received relief vouchers from the hotel to rebuild their homes.



Donation envelope



Shangri-La Hotel, Bangkok colleagues help clean up homes



Rescue efforts led by Shangri-La Hotel, Bangkok colleagues



High water levels along Cuvu main road, Fiji



Shangri-La's Fijian Resort and Spa, Yanuca Island, Fiji

HOPE FOR FIJI (APRIL 2012)

When heavy rains triggered massive flooding in parts of Fiji, many colleagues at Shangri-La's Fijian Resort & Spa, Yanuca experienced damage to their homes and properties. Colleagues organised a bazaar to share clothes and much-needed personal items with colleagues and their family members. SLIM helped raise more than F\$185,000 (HK\$810,944) from Shangri-La hotels around the world, which was used to provide direct assistance to colleagues, including medicines and relief vouchers to replace furnishings and home appliances.

Shangri-La recognises the need:

- To strengthen overall corporate governance including training on human rights, overall ethics and anti-corruption.
- To improve efficiency and transparency as well as enhance overall productivity and effectiveness, we will develop a comprehensive global core human resources platform that centralises all HR-related data including payroll, learning and development, and HR activities.
- To demonstrate the effectiveness of the equal employment opportunity and non-discrimination policies.

HOPE FOR MANILA (AUGUST 2012)

When monsoon rains submerged up to 80% of Metro Manila, colleagues at Makati Shangri-La, Manila and Edsa Shangri-La, Manila prepared and distributed 150 cleaning care packages, 60 linen and bedding care packages and 260 food care packages to colleagues and their family members whose homes were affected by the floods.



Colleagues from Makati Shangri-La, Manila pack cleaning, beddings and food packages for distribution

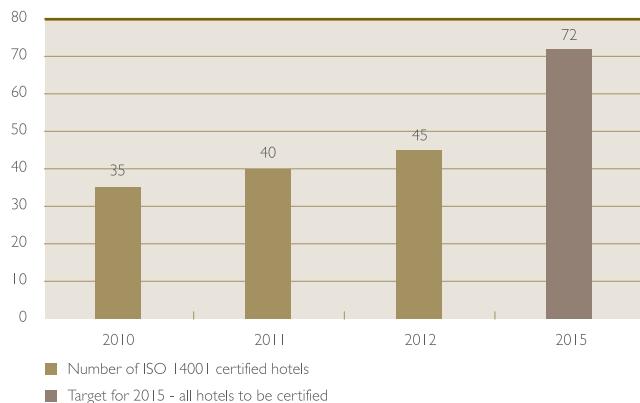
OUR ENVIRONMENT



Stewardship of the environment is an ongoing challenge in the face of increasing number of hotels and a growing number of guests served. SLIM promotes responsible environmental practices by all Shangri-La hotels and supports the hotels to improve environmental performance. Leadership in the CSR Focus Area of Environment is taken primarily by the SLIM Engineering division, which conducts regular environment audits as part of the overall Engineering audits to ensure compliance with environment policies and procedures.

Environmental Management Systems

NUMBER OF CERTIFIED ISO 14001 HOTELS



ISO 14001 is the predominant, internationally recognised standard for management of environmental impacts by businesses. It prescribes procedures for measuring, monitoring and managing activities that have an effect on the environment. The CSR scorecard monitors the number of hotels that have achieved certification of the *Environmental Management System (EMS)* to the standard of ISO 14001. At the end of 2012, 45 hotels had received ISO 14001 certification, an increase of 10 hotels since the end of 2010.

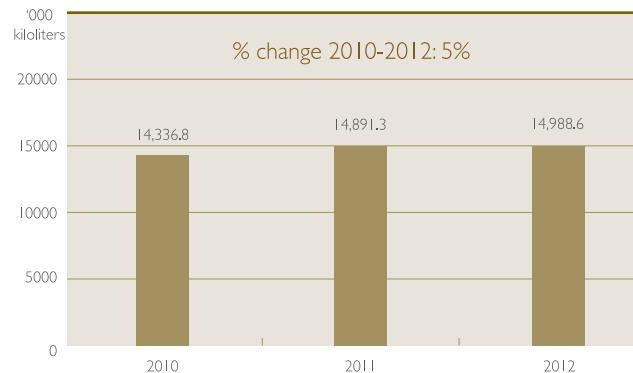
Waste management

The hotels have implemented a number of programmes that are specific to local circumstances for waste management, including waste segregation and recycling. The CSR scorecard rewards hotels with bonus scores for demonstrating "best practice" in the area of waste reduction. In 2011, a survey conducted by SLIM revealed that almost 30% of Shangri-La hotels have implemented a herb garden and 10% practice on-site composting.

In line with our approach to encourage colleagues to participate actively in CSR campaigns, the hotels invite colleagues to recycle used hotel items and unwanted personal items that would otherwise be discarded. In 2012, 67 out of 73 hotels organised two or more events of this nature during the year.

Water

TOTAL POTABLE WATER CONSUMPTION OF HOTELS 2010-2012



POTABLE WATER CONSUMPTION

As part of its EMS, each hotel measures potable water consumption and this information is reported to SLIM.



Shangri-La's Boracay Resort and Spa, Philippines

Between 2010 and 2012, total potable water consumption by all hotels increased 5% from 14,336.8 thousand kiloliters to 14,988.6 thousand kiloliters. Taking into account growth of our hotel operations over the same time period, average consumption of potable water **per guest night (PGN)** by all Shangri-La hotels has decreased 20% from 1.0 kiloliters PGN in 2010 to 0.83 kiloliters PGN in 2012.



Herb Garden

WATER CONSERVATION

Water conservation is an important area of concern for Shangri-La's stakeholders. During the reporting period, SLIM challenged the hotels to implement water conservation measures by setting a target for each Shangri-La hotel to reduce water consumption by 3% PGN every year compared to its baseline level, and thereby achieve a 15% reduction over 5 years from 2011 to 2015. For most hotels, the baseline was set at the level of water consumed PGN in 2010, but for newly opened hotels, the baseline is determined by the level of water consumed PGN in the second full year of operation.

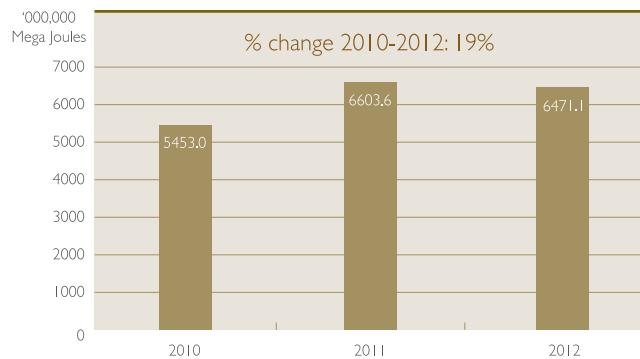
The practice of monitoring the hotels' performance against individual targets assists SLIM to identify best practices in top performing hotels and to formulate targeted interventions to assist poorer performing hotels. By the end of 2012, 49 out of 73 hotels were firmly on track to achieve the 2015 target, having reduced water consumption PGN by 6% or more compared to 2010. At the same time, however, 12 out of 73 hotels have increased water consumption PGN. These hotels are top priority for SLIM's new campaign to improve water management.

WATER TREATMENT

Shangri-La operates sewage treatment plants (STPs) in 24 hotels to provide recycled water for flushing and irrigation. Another 22 hotels have separate water recycling facilities. The volume of water that is recycled at these locations is measured by each hotel; however, SLIM did not have a process in place during the reporting period to monitor this data.

Energy

TOTAL ENERGY CONSUMPTION OF HOTELS 2010-2012

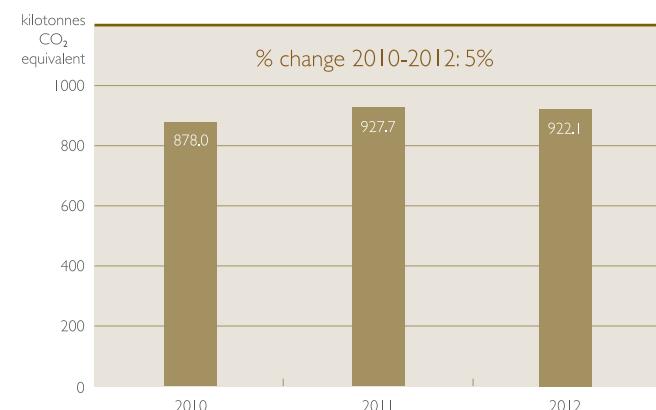


Each hotel measures its energy consumption and energy consumed by fuel source, including diesel and gas for steam and hot water boilers, fuel for diesel engine electricity generators, liquid gas fuel for kitchens, steam and hot water energy purchased from district heating systems and electricity purchased from the local grid. SLIM collects and records aggregated data for total energy consumed by each hotel.

Between 2010 and 2012, total energy consumption by all hotels increased 19% from 5453.0 million MJ in 2010 to 6471.1 million MJ in 2012. Taking into account the growth of our hotel operations over the same time period, average consumption of energy PGN by all Shangri-La hotels has decreased 13% from 414.5 MJ PGN in 2010 to 359.6 MJ PGN in 2012.

Shangri-La's carbon footprint

TOTAL GREENHOUSE GAS EMISSIONS OF HOTELS 2010-2012



SLIM continues to work with the EC3 global and the EarthCheck data and benchmarking and certification programme to report on Scope 1 and Scope 2 greenhouse gas emissions for all hotels. Scope 1 covers direct emissions from



stationary fuel combustion at each hotel (for example, hot water boilers, fuel stoves and electricity generators) as well as emissions from mobile fuel combustion (such as from vehicles that are owned and operated by the hotels). Scope 2 covers emissions associated with electricity that is purchased by hotels from the grid. The calculation does not include emissions associated with solid and liquid waste and with the consumption of energy from renewable sources or “cogeneration” (e.g. city heating as a by-product of energy production).

In order to determine the volume of greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO₂e) for each hotel, EarthCheck uses emissions factors that are compliant with the Intergovernmental Panel on Climate Change (IPCC), the Greenhouse Gas Emissions Protocol and the International Standards Organisation (ISO). Between 2010 and 2012, Scope 1 and Scope 2 greenhouse gas emissions by all hotels increased 5% from 878.0 kilotonnes CO₂e to 922.1 kilotonnes CO₂e. Taking into account the growth of our hotel operations over the same time period, average greenhouse gas emissions PGN by all Shangri-La hotels decreased 16% from 61.0 kilograms CO₂e PGN in 2010 to 51.2 kilograms CO₂e PGN in 2012.

LOWER EMISSIONS FROM ENERGY CONSERVATION AND ALTERNATIVE ENERGY SOURCES

In 2009, SLIM set a target to reduce energy consumption by 20% by 2015 but in 2011, SLIM re-stated this target in terms of greenhouse gas emissions PGN in order to send a clear

message to the hotels about SLIM’s priority on mitigation of Shangri-La’s impacts on climate change. Each hotel has been set a target to reduce greenhouse gas emissions by 4% PGN every year compared to its baseline level, and thereby achieve a 20% reduction over 5 years from 2011 to 2015. Baseline levels are determined by PGN emissions in 2010, or for newly opened hotels, PGN emissions in the second full year of operation.

By the end of 2012, 48 out of 73 hotels were firmly on track to achieve the 2015 target, having reduced greenhouse gas emissions PGN by 8% or more compared to 2010. The remaining 25 out of 73 hotels that are so far not achieving the reduction target have received feedback on this performance through the CSR scorecard.

The hotels reduce emissions of greenhouse gases through the use of technologies to reduce demand for (Scope 1) direct and mobile fuels and (Scope 2) electricity from the grid. Over the reporting period, hotels continued to roll out energy-saving measures such as replacing older equipment with energy-efficient alternatives, utilising LED and motion sensor lighting and switching to Diversey’s low temperature laundry systems. By the end of 2012, about 15% of Shangri-La hotels were utilising solar panels for water heating.

EC3 global has estimated that approximately 1,454.3 million MJ of energy and 315.1 kilotonnes CO₂e of greenhouse gas was saved as a consequence of conservation and efficiency

improvements by Shangri-La hotels between 2009 and 2012. This calculation takes into account the energy that would have been consumed if PGN energy consumption remained at 2009 levels. To allow for like comparison with 2009 data, only the original 65 hotels and Aberdeen Marina Club from 2009 were considered in the calculation.

Carbon Disclosure Project

SLIM participated in the Carbon Disclosure Project in 2011 and 2012 to demonstrate the importance given by senior management to the risks and opportunities that climate change presents to the organisation. The Carbon Disclosure Project, now re-branded as CDP, is an international, not-for-profit organisation providing a global system for companies and cities to measure, disclose, manage and share environmental information.

SLIM has not made a quantitative estimation of the financial implications of climate change for the organisation; however, a process is underway to measure and monitor risk drivers such as the impact from increased taxes and government regulations as well as expected changes in physical climate parameters. Shangri-La operates in five countries where some form of carbon reporting is already mandatory, namely Australia, Canada, Japan, Taiwan and France. Senior managers of the hotels in these locations liaise with local and federal authorities to ensure that reporting requirements are met.

Shangri-La recognises the need:

- To elevate the importance of environmental risks and challenges and strengthen strategies to address them.
- To continue to improve energy and water efficiency and conservation.
- To strengthen the capability of hotels to manage their water and carbon footprint.
- To enhance the reporting of environmental data from hotels to SLIM.

OUR COMMUNITIES



Our duty as a responsible corporate citizen goes beyond philanthropic donations. We aim to work with our communities on crucial development and environmental issues where we can have real impact and meaningful change over the long-term. Our business has an impact on local communities, and we recognise that we can positively contribute not only through increased economic and tourism activity, but in utilising our skills and resources to both minimise our operational impacts while contributing value to the community. We do this through our signature programmes, *Embrace* and *Sanctuary*.

Colleague Volunteering

Shangri-La believes that days off should remain sacred for self and family. In line with this, the Colleagues Volunteerism Programme was introduced prior to 2010 to encourage colleagues at all levels in all properties to go on paid volunteer leave of up to eight hours per year. This means that all volunteering opportunities occur during office hours, and that colleagues are encouraged to participate without the need to offset their work time. Colleagues may choose to complete all eight hours of volunteer work in one day or use the hours in shorter periods. The hours must be spent with the hotel's *Embrace* or *Sanctuary* projects or other sanctioned hotel activities such as tree planting and beach clean-ups. All volunteer leave is subject to the supervisor's approval based on hotel occupancy and work schedules.



Embrace, Shangri-La's Care for People Project

Embrace – Shangri-La's Care for People Project

Through *Embrace*, Shangri-La's Care for People Project, we committed each hotel to a 10 to 15-year partnership with beneficiaries working on children's health or education programmes. We render assistance through infrastructure support, fundraising, life skills training and even hotel apprenticeships. We aim to generate best practices through long-term commitments and develop a sense of ownership between the hotels and the community. As a guideline, hotels fund the projects from an allocation of 0.1% of Gross Operating Revenue (GOR) to ensure the project's sustainability.

The SLIM Sustainability team assists hotels through a social needs assessment process in finding the most suitable beneficiary that works in the areas of education or health, demonstrate leadership and understand that Shangri-La's resources are not purely monetary but include skills training, and volunteer hours. Yearly targets are defined by the hotel's CSR Committee with

SUMMARY OF HOTEL INITIATIVES

	2010	2011	2012
% of hotels with long-term and strategic <i>Embrace</i> projects in place (Score of 4-5 on CSR scorecard)	n/a	48%	72%
# of volunteer hours (Activities are shared between <i>Embrace</i> and <i>Sanctuary</i>)	n/a	16,001	60,174
# of projects in place (Beneficiaries)	64	70	73
% of hotels complying with GOR allocation	62%	65%	70%

MORE INFO:

www.shangri-la.com/corporate/about-us/corporate-social-responsibility/csr-projects/embrace/

the beneficiary and tracked using a programme plan document that hotels are evaluated on under the CSR scorecard. At the end of the commitment period, it is envisioned that the children have finished higher education, are able to look after their own health and are ready for employment based on their own merits.

73 hotels have successfully undertaken *Embrace* initiatives. By the end of 2012, all hotels were graded using the CSR scorecard in order to assess progress. All hotels scored positively for *Embrace*, with only five hotels scoring low as a result of local challenges with consistent implementation. In October 2012, the programme was expanded and *Embrace++* was introduced to encourage hotels that already worked with young adults to now help them gain employment within the short to medium term; 21 hotels participated through incorporating skills training and employment placement and 4 graduates have been placed in *Traders Hotel, Hong Kong*; *Traders Hotel, Singapore*; and *Traders Hotel Upper East, Beijing*.



EMBRACE AND SANCTUARY LOGOS
Our Care for People Projects are expressed with the most powerful icon for embracing others – a heart graphic.

The Sanctuary signature is expressed by four thumbprints joined into the symbol of a healthy and lush biodiversity, the butterfly.



Embrace feature stories

These stories feature the strong contribution that has been made by three hotels under *Embrace, Shangri-La's Care for People Project* during the reporting period.

SHANGRI-LA HOTEL, GUANGZHOU EMBRACES CHILDREN WITH AUTISM

Shangri-La Hotel, Guangzhou started its *Embrace* project in partnership with Little Sun Special Recovery Centre in May 2010. The centre is operated by a non-governmental organisation to provide care and rehabilitation for children who have autism or are hearing or speech-impaired. The hotel has a team of over 100 volunteers who participate in activities with the children during scheduled visits to the centre twice per month and on festive occasions.

In 2011, the hotel helped to improve the security of children and the centre's workers by installing a new Fire Life Safety system. The hotel hopes to make a long-term contribution by sponsoring the training of teachers in special needs education and care-giving. As of the end of 2012, 20 out of 30 teachers working at the centre have participated in professional development programmes with support from the hotel.

In 2012, the hotel joined corporate clients, local businesses and media partners to raise nearly RMB80,000 (HK\$100,594) through a charity auction. The funds helped two-year-old Liu Ziyuan, who attends the centre, to receive cochlear implant surgery. The hotel has also provided full funding for two autistic children from low-income families to attend classes and treatment sessions at the centre.



Children equipped with better learning materials



Shangri-La Hotel, Guangzhou colleagues train the Centre's staff on IT programmes



SHANGRI-LA HOTEL, NINGBO EMBRACES STUDENTS AT A RURAL SCHOOL

Shangri-La Hotel, Ningbo launched its *Embrace* project in partnership with Siming Mountain School in February 2012. The school is located in Yuyao city a two-hour drive from downtown Ningbo, and has about 300 students. The students come from low-income households in remote, rural areas; approximately two-thirds reside in the school dormitory during term time.

The hotel has developed a five-year plan to help to improve the level of nutrition and hygiene that the school provides to its students. In 2012, volunteers from the hotel cleaned and repaired the dormitory, installed new kitchen equipment, such as stoves and refrigerators, provided proper storage facilities for food and eating utensils and renovated the wash basin area.

Volunteers from the hotel have identified creative ways to impart knowledge and skills, such as preparing nutritious meals on-site every week and offering English language lessons. The hotel doctor also provided the school with information on the importance of good nutrition and personal hygiene.

Throughout 2012, 83 colleagues from the hotel contributed nearly 670 volunteer hours and RMB230,000 (HK\$289,207) was invested towards achieving the objectives of the project. To celebrate the end of the first successful year of partnership, the hotel invited students to perform at its Christmas Lighting Ceremony and hosted a hotel tour and special dinner.



Children enjoy nutritious meals prepared by Shangri-La Hotel, Ningbo colleagues



SHANGRI-LA HOTEL, JAKARTA EMBRACES ORPHANS FROM ALL OVER INDONESIA

Shangri-La Hotel, Jakarta launched its *Embrace* project in partnership with Pesantren Khusus Yatim As-Syafiyah Orphanage in December 2011. The orphanage was established in 1997 to care for 6 to 16 year-old children from all over Indonesia whose families have been adversely affected by racial violence and natural disasters. Currently, about 300 children live and receive education there.

Colleagues at Shangri-La Hotel, Jakarta have volunteered time and skills to renovate the sleeping quarters, pantry, dining area and washrooms at the boarding school and to create a new playground area. In 2012, the hotel replaced the electrical system and co-operated with a major supplier of ecological cleaning products, Diversey Indonesia, to provide training on hygiene standards and practices. The hotel also donated 300 sets of eating utensils so that there would be enough to allow the children to eat their meals together rather than at different times.

Over the course of 2012, the hotel contributed almost 6,000 volunteer hours and incurred expenses amounting to the equivalent of HK\$139,000 towards the project. It also organised fundraising activities to roll over a balance amounting to HK\$77,000 for the creation of a new library and the provision of reading materials in 2013.



Children at Pesantren Khusus Yatim As-Syafiyah Orphanage enjoy a day of entertainment and meals



Sanctuary – Shangri-La's Care for Nature Project

In 2010, *Sanctuary, Shangri-La's Care for Nature Project* was launched to make a concerted effort to ensure that biodiversity conservation and habitat protection would be consistent across all resorts. SLIM oversees the projects implemented at each resort and supports their work on developing, tracking and monitoring activities such as species management count, visits by local schoolchildren and guests, and other awareness and educational modules. We also expanded our reach of *Sanctuary* projects to more hotels in 2012.

The SLIM CSR and Sustainability division assists hotels by using a biodiversity assessment in order to find the most suitable conservation programmes and activities. Because most of the projects were already in place before the branding of *Sanctuary*, it was important to align the resorts (then 10) towards a consistent mechanism of tracking progress and ensuring guest engagement.

Yearly goals and targets are defined by the hotel CSR Committee and hotels are asked to budget for their *Sanctuary* activities on a yearly basis. We currently have 19 *Sanctuary* projects. More information on the *Sanctuary* projects at our resorts can be found on our website www.shangri-la.com/corporate/about-us/corporate-social-responsibility/csr-projects/sanctuary/.

Sanctuary goes to China

Community environmental issues are not limited to our resorts; we realised that we can effectively address these issues in our city hotels that have direct access to nature reserves, water conservation and protection of endangered species. The key achievement for this reporting period was the launch of *Sanctuary, Shangri-La's Care for Nature Project* to our various city hotels in China in order to encourage the protection of local habitats. Our hotels in Beijing have developed a project to support the conservation facility at Wild Duck Lake. The

project aims to improve the interpretation system for foreign visitors, and thereby raise their awareness of the importance of wetlands and the beauty of Wild Duck Lake, while also promoting wetland conservation in Beijing. The four hotels – *Traders Hotel, Beijing*; *China World Hotel, Beijing*; *Kerry Hotel, Beijing*; and *Shangri-La Hotel, Beijing* – continue to implement water conservation initiatives, including increasing awareness amongst colleagues, the local communities and schools.

Shangri-La's Care for Water Project

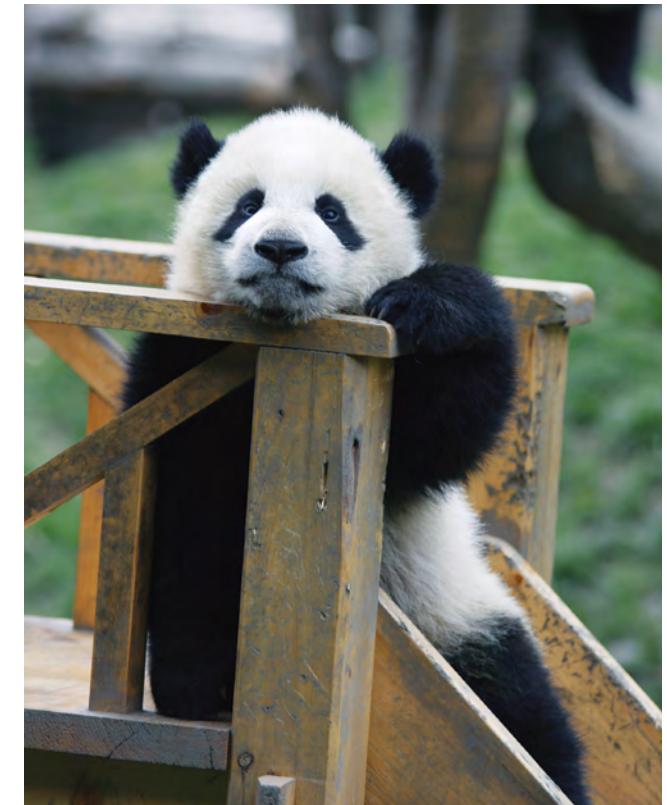
At *Shangri-La Hotel, Qingdao*, *Care for Water Project* was launched by replacing old water pipes at Wo Pu He Bei village, providing safe drinking water to over 800 villagers. Our colleagues are working on promoting water conservation measures while assessing the hotel's own water footprint. *Traders Hotel, Shenyang* launched a programme aiming to preserve the Pu and Hun rivers that run through Shenyang by raising awareness and undertaking field activities such as clean up and educational programmes for students. They also participated in water camps organised by the local environmental protection agency.

Shangri-La's Care for Nature Project

Shangri-La Hotel, Xian and *Shangri-La's Golden Flower Hotel, Xian* provided for the upgrade and maintenance of patrolling facilities for on-site rangers of the Zhouzhi Nature Reserve in the Shanxi province, enabling them to improve their conservation efforts at the reserve. We support alternative livelihoods for the community, such as bee farming and planting plants used in traditional Chinese medicines instead of collecting them in the wild.

Shangri-La's Care for Panda Project

In 2012, we planted the first bamboo tree on a new 1.6-hectare bamboo plantation that we are sponsoring in



Sanctuary, Shangri-La's Care for Panda Project

Sichuan province as part of *Shangri-La's Care for Panda Project*. The plantation is attached to the Dujiangyan Giant Panda Rescue and Disease Control Centre, which is located at the foot of Mount Qing Cheng. Shangri-La will plant more than 9,000 Lei bamboo and 90 trees on the land. The plantation will help provide food for the centre's giant pandas. Currently under construction, and scheduled to open in 2013, the Dujiangyan Giant Panda Centre will be a much-needed base for rescued ill or elderly wild giant pandas and for the research of disease control.



Sanctuary projects in Shangri-La resorts around the world

Shangri-La's Orangutan Care Project

Shangri-La's Rasa Ria Resort, Kota Kinabalu's Nature Interpretation Centre

The resort has established a nature reserve in collaboration with the Sabah State Wildlife Department with the aim of protecting a 64-acre ecological area to rehabilitate fauna that is indigenous to Sabah, particularly the famous orangutan. Following establishment of the reserve, the population of some animal species has increased including sambar deer, mouse deer, long-tailed macaque, civet cat, bear cat and western tarsier. The population of other species, such as porcupine and pheasant, remains stable.

The reserve provides educational programmes for guests and local students. In 2011, nearly 40,800 guests and 640 local students participated. In 2012, nearly 43,500 guests and 760 students participated.



Shangri-La's Rasa Ria Resort, Kota Kinabalu's Nature Interpretation Centre

[Click here to hear](#) from young people who hunger for contact with nature, and the people who devote their lives to providing access to this experience through the Nature Interpretation Centre.

To learn more about our project, [click here](#)

Shangri-La's Reef Care Project

Shangri-La's Fijian Resort and Spa, Yanuca, Fiji

The resort has a marine education centre that is open to guests and local students who are interested to learn about marine conservation. The centre organises conservation activities that are popular with visitors such as fish house building and coral planting, which helps to preserve and strengthen the fragile coral reef ecosystem. It focuses on educating and inspiring the youth of today.

In 2012, the resort's colleagues and guests planted over 2,500 mangroves, and over 200 fish houses were laid under water, covering an area of 350 km².



Shangri-La Marine Education Centre

[Click here to watch](#) how the resort aims to restore life to the fragile coral reef ecosystem through solutions that come from the local community.

To learn more about our project, [click here](#)

Shangri-La's Villingili Resort and Spa, Maldives

The resort has an eco-centre offering nature walks, educational talks and coral planting activities for guests and local students, and also conducts regular surveys to monitor the population of marine species in Addu Atoll. The resort conducted 33 FishWatch surveys in 2011 and 53 FishWatch surveys in 2012. It contributes the data to national conservation programmes which are supported by the Marine Stewardship Council.

In 2012, the resort extended its coral planting programme. It also introduced a new methodology for monitoring the sustainability of seafood that is landed during the resort's night-fishing activities, as well as seafood that is purchased from local fisherman for consumption in the resort.



Guests snorkel above the corals

To learn more about our project, [click here](#)



Sanctuary projects in Shangri-La resorts around the world

Shangri-La's Reef Care Project

Shangri-La's Mactan Resort and Spa, Cebu

The resort maintains a marine sanctuary on six hectares of beachfront. It has partnered with Amores Charities, Inc. and Scotty's Action Sports Network in order to implement a conservation programme for over 160 species of fish, clams and coral, including the creation of an artificial reef. The resort offers snorkeling tours to promote conservation of the marine environment to guests. In 2012, 15 new fish houses were positioned as part of its coral gardening activities.



To learn more about our project, [click here](#)

Marine Protected Area now lush with various fish species

Shangri-La's Care for Nature Project

Shangri-La's Rasa Sentosa Resort & Spa

The resort is home to Singapore's largest tree that is believed to be nearly 130 years old. It stands 27 metres tall and has a girth of 10.2 metres.



To learn more about our project, [click here](#)

In 2012, the resort started a new nursery for indigenous plants including the hanging orchid, butterfly flowers, fruit and herbs in order to provide a natural habitat for birds and butterflies. The resort plans to provide a nature trail with educational signage and bird spotting activities for guests.

One of the oldest Angsana trees in Sentosa

Shangri-La's Boracay Resort and Spa

The resort undertakes both terrestrial and marine conservation activities under the umbrella of 'Care for Nature.' It has an eco-centre which provides information to guests about the island's rich biodiversity and also sells handicrafts from the Ati tribe, a group of local people who are indigenous to the island. All proceeds are donated to a livelihood fund for the Ati community.



To learn more about our project, [click here](#)

In 2012, the resort team counted over 1,200 individual fruit eating bats, otherwise known as flying foxes. It works together with a local non-profit organisation called Friends of the Flying Foxes in order to preserve the bats' natural habitat. Under this project, 56 existing trees within the resort have been tagged for conservation, and 7 additional species of fruit trees have been planted in order to provide food for the bats.

The resort also maintains marine park areas along its shoreline. In order to protect the fragile coral reef ecosystem, only snorkeling and diving are allowed. The areas have been designated in accordance with a municipal ordinance of Aklan province and are managed in collaboration with local authorities.

Vantage point for viewing flying foxes



Sanctuary projects in Shangri-La resorts around the world

Shangri-La's Dugong Care Project

Shangri-La's Tanjung Aru Resort and Spa, Kota Kinabalu

The resort has partnered with a non-governmental organisation, WWF Sabah, to preserve the natural habitat of dugong (sea cow) by engaging with a community who live about three hours travelling time away from the resort. The resort encourages the villagers to practice sustainable line and hook fishing methods by offering a market for fish harvested in this way. In 2011, the villagers supplied nearly 1,000kg of sustainably harvested fish to the resort. The amount increased to nearly 2,500kg in 2012.



To learn more about our project, [click here](#)

Sustainable seafood straight from local shores

Shangri-La's Turtle Care Project

Shangri-La's Barr Al Jissah Resort and Spa, Sultanate of Oman

The resort has a programme to protect the nests of green turtles and hawksbill turtles and also raises awareness about these endangered species amongst guests and the local community through educational activities. In 2011, the resort sighted 63 green turtles, 82 hawksbill turtles and over 10,000 hatchlings. In 2012, the resort team sighted 36 green turtles, 68 hawksbill turtles and approximately 5,548 hatchlings.



To learn more about our project, [click here](#)

Turtle hatchlings make their way back into the water

Shangri-La's Rasa Sayang Resort and Spa, Penang; and Golden Sands Resort, Penang

Shangri-La has two resorts in Penang which operate an eco-centre to educate guests about turtles and to engage guests in a variety of activities including monthly turtle hatching and release events. In 2012, 470 guests participated in educational talks about turtles at the resort.



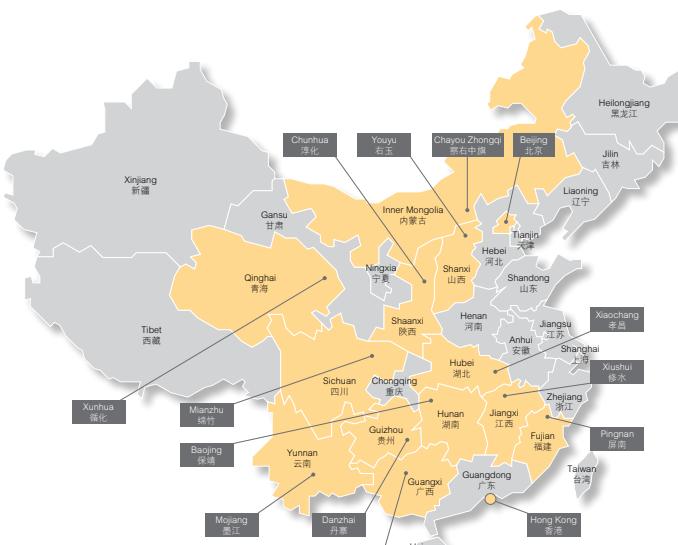
To learn more about our project, [click here](#)

Guests visit the Eco Centre and learn about the turtle sanctuary



Kerry Group Kuok Foundation

Shangri-La works in partnership with the Kerry Group Kuok Foundation (KGKF), a not-for-profit organisation belonging to the Kuok Group, which is a major shareholder of Shangri-La. KGKF began its work in China in 2007 to address the uneven distribution of opportunities for underprivileged people. Rather than offering charity for short-term relief, KGKF strives to change the mindset of its beneficiaries by committing to work with communities for a minimum of 15 years in order to bring about sustainable change in four strategic areas: health, education, enterprise and environment.



The Kerry Group Kuok Foundation operates 14 bases all over China, of which 12 are located in remote, rural areas and 2 are located in cities.

A SUSTAINABLE AND REPLICABLE MODEL TO ADDRESS SOCIAL PROBLEMS

KGKF operates a model that other development organisations can replicate. Since 2010, it has increased the number of operating bases from 9 to 14, of which 12 are located in remote rural regions. Two national programmes also focus on educating the children of migrant workers, and on comprehensive screening, surgery and post-surgery care for poor children with congenital heart disease.

A full-time team carries out projects from every KGKF operating base. KGKF also works with local leaders, such as village doctors and teachers, who can reach the remotest areas. These extraordinary people are known as “Caring Role Models” because of the personal sacrifices that they make for their communities. KGKF helps to link the Caring Role Models together in a network and provides them with the support they need to initiate and implement their own projects in a bottom-up fashion.

PARTNERSHIP WITH SHANGRI-LA

An important part of KGKF’s development model is seeking opportunities to work together with organisations that share its values and vision. The success of Shangri-La’s partnership with KGKF cannot be measured by the number or size of the projects that are supported by Shangri-La hotels and SLIM, but by the incremental change in the mindsets and capabilities of people who are supported by the partnership to realise a brighter future for themselves and their families over a long period of time.

“I gained a lot from participating in today’s reading activities with the students – it has been so long since I last got to spend some quiet moments reading and thinking.”

– A volunteer on KGKF’s education project for the children of migrant workers from Shangri-La Hotel, Chengdu

During the reporting period, Shangri-La worked with KGKF in a variety of ways, including:

MENTORING CHILDREN

Since 2007, over 400 Shangri-La colleagues working in Beijing, Guangzhou, Chengdu and Shanghai hotels have volunteered as mentors for more than 850 children. Under KGKF’s education project for the children of migrant workers, the students receive subsidised schooling and are assigned mentors who guide them in their studies and personal growth.



Mentors and students review progress over the past 3 years



HOTEL TRAINEESHIPS

In 2012, Shangri-La hotels in China started a new programme to provide traineeship opportunities for high school students from KGKF's education project for children of migrant workers. 11 students participated in the first year of the programme, and preparations have been made to increase the number of traineeship places to 50 in 2013. It is intended that the students who participate may also eventually take up employment with Shangri-La hotels after their graduation. In 2012, Shangri-La hotels in Hong Kong also began a similar programme to provide opportunities to women from low-income families.



Experience session at China World Hotel, Beijing



Fresh eggs from farmers of Mianzhu county

PRODUCE FROM LOCAL FARMERS

Shangri-La hotels source fresh produce from farmers based in communities receiving KGKF support. In 2011 and 2012, for example, Shangri-La Chengdu purchased high quality strawberries from farmers in Mianzhu county, Sichuan province. This helped them to continue to rebuild their livelihoods after the devastating earthquake in 2008. Shangri-La hotels are also investigating the possibility to source tea leaves from communities in Pingnan in Fujian province and Baojing in Hunan province.

IN-KIND DONATIONS AND FINANCIAL SUPPORT

In 2011 and 2012, Shangri-La hotels provided food, cooking oil and targeted financial support to families in nearly ten communities supported by KGKF. The hotels will support a more long-term approach to capacity building in these communities by setting up libraries and providing stationery for local schools.



Children in class, Hunan

Shangri-La recognises the need:

- To address areas for management attention that are not reported in this period, which include indigenous rights and local community negative impacts.
- To develop a more comprehensive method to collect data on the impact of operations and mitigation initiatives.

OUR CSR PERFORMANCE INDICATORS

	2010	2011	2012	% change over reporting period
About Shangri-La				
Number of hotels at year end <small>Excludes one managed property, the Aberdeen Marina Club in Hong Kong</small>	70	72	78	11%
Subsidiaries	44	45	47	7%
Associates	11	12	12	9%
Management contract with third parties	15	15	19	27%
Number of reported hotels for the Sustainability Report <small>Excludes one managed property, the Aberdeen Marina Club in Hong Kong</small>	66	n/a	72	9%
Number of countries <small>Includes Hong Kong SAR and Taiwan</small>	16	18	18	
Number of guest rooms <small>Hotel rooms available for guest booking at year end</small>	30,949	31,678	33,461	
Total guest room nights <small>Materialised room nights based on departures tracked through Stay Records for reported hotels</small>	7,122,570	7,558,582	7,579,534	
Sales - Hotel operations (US\$million) <small>For year end, sales exclude sales of associates (as reported in Annual Report 2012, Note 5)</small>	1,493.8	1,814.0	1,944.1	
Sales - Hotel management (US\$million) <small>For year end, sales exclude sales of associates (as reported in Annual Report 2012, Note 5)</small>	89.4	113.6	135.2	
Profit - Hotel operations (US\$million) <small>For year end, share of profit after tax and non-controlling interests (as reported in Annual Report 2012, Note 5)</small>	128.2	127.0	136.9	
Profit - Hotel management (US\$million) <small>For year end, share of profit after tax and non-controlling interests (as reported in Annual Report 2012, Note 5)</small>	16.4	13.2	23.5	

	2010	2011	2012	% change over reporting period
Our Management Approach				
Number of certified CSR Ambassadors	n/a	68	413	
Employee Engagement Survey favourable response on CSR activities <small>Survey respondents giving favourable response</small>	91%	92%	95%	4%

Our Business	2010	2011	2012	% change over reporting period
Guest satisfaction - Overall staying experience <small>Survey respondents giving favourable response</small>	40%	43%	47%	7%
Guest satisfaction - Overall impression of our people <small>Survey respondents giving favourable response</small>	44%	49%	53%	8%
SFSMS audits completed	66	-	70	
SFSMS passing rate <small>Hotels receiving a passing grade</small>	70%	-	69%	
Number of HACCP certified hotels	53	-	62	
Number of hotels with Fire Life Safety audits completed	61	72	69	
Fire Life Safety audits passing rate <small>Hotels receiving a passing grade</small>	34%	32%	87%	53%
Number of OHSAS 18001 certified hotels	10	18	32	69%
Total days lost <small>Data has been reported by the hotels for 2012</small>	18,347	-	19,474	
Rates of injury <small>Data has been reported by the hotels for 2012</small>	2,268	-	1,787	
Number of supplier assessments conducted	n/a	44	11	
Supplier code of conduct assessment passing rate <small>Suppliers receiving a passing grade</small>	n/a	39%	36%	

Our People	2010	2011	2012	% change over reporting period
Number of permanent colleagues <small>Indicative for reported hotels and does not take account of colleagues in pre-opening hotels; data accurate within +/- 5%</small>	39,031	-	41,269	5%
% female colleagues	43%	-	44%	1%
% local to the country of employment	89%	-	89%	0%
% below 30 years	48%	-	46%	-2%
% above 50 years	5%	-	6%	1%
% people with disabilities	1.3%	1.5%	1.6%	0.3%
% turnover	26%	27%	25%	-1%
Average service years of General managers	14	-	13	-11%
Total number of health/wellness activities conducted by the hotels for colleagues	421	n/a	480	
Number of Shangri-La Academy graduates - core programme (cumulative)	2,882	-	3,873	26%
Number of Shangri-La Academy graduates - professional development programme (cumulative)	1,408	-	2,989	53%

Our Environment	2010	2011	2012	% change over reporting period
Number of ISO 14001 certified hotels and resorts	35	40	45	22%
Total Guest Nights for purpose of calculating environmental indicators (PGN) <i>Guest nights = Overnight guest counts + ((F&B outlet Covers + Banquet Covers + Other Day Guests + Outside Catering Covers)/6)</i>	14,403,618	16,725,415	17,996,356	25%
Total scope 1 and scope 2 GHG emissions (kilotonnes CO₂e) <i>CO₂ equivalent (CO₂e) quantifies the Global Warming Potential of all relevant greenhouse gases (CO₂, CH₄ and N₂O) using CO₂ as a reference gas.</i>	878.0	927.7	922.1	5%
Average scope 1 and scope 2 GHG emissions (kilograms CO ₂ e per guest night) <i>Average for all reported hotels.</i>	61.0	55.5	51.2	-16%
Total energy consumption (million megajoules) <i>Direct and indirect energy consumption reported by the hotels.</i>	5,453.0	6,603.6	6,471.1	19%
Average energy consumption (megajoules per guest night) <i>Average for all reported hotels.</i>	414.5	394.8	359.6	-13%
Total potable water consumption (thousand kiloliters) <i>Metered water consumption from local utility suppliers reported by the hotels.</i>	14,336.8	14,891.3	14,988.6	4%
Average potable water consumption (kiloliters per guest night) <i>Average for all reported hotels</i>	1.00	0.89	0.83	-20%
% hotels achieving individual targets for reduction of GHG emissions and water consumption	n/a	n/a	58%	
% hotels with low temperature laundry and green housekeeping	86%	-	94%	9%
Number of hotels with recycling facilities and sewage treatment plants	-	-	46%	

Our Communities	2010	2011	2012	% change over reporting period
Number of hotels with long-term and truly strategic Embrace programme in place <i>Based on results of CSR scorecard for 2012</i>	-	47%	72%	
Total number of people with disabilities employed	-	591	646	
Total number of volunteer hours by Shangri-La colleagues	-	16,001	60,174	
Number of Sanctuary projects in place	9	10	19	

CSR Mission Statement

We envision a community of responsible and educated citizens who are environmentally conscious, practice social responsibility in their daily lives and inspire others to do the same.

We commit to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders.

We strive to be a leader in corporate citizenship and sustainable development, caring for our employees and customers, seeking to enrich the quality of life for the communities in which we do business, and serving as good stewards of society and the environment.



At Shangri-La, Corporate Social Responsibility is defined as operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders.