
Shangri-La Hotels and Resorts 2012 UN Global Compact Communication on Progress

Executive Statement of Continued Support

Shangri-La Hotels and Resorts became a member of the United Nations Global Compact in 2011, with the desire of integrating its 10 Principles as a reference framework for sustainable operations across the group.

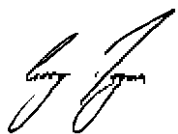
This is our first Communication on Progress (COP) Report, which aims to show how we have started to review policies and structures and develop more standards in line with the principles of human rights, labour, the environment and anti-corruption.

Shangri-La's COP is being released in March 2013, a month before the group's 2012 Sustainability Report is made public. The 2012 Sustainability Report will include direct responses to the principles as well as references to the GRI indicators for increased transparency.

Please visit <http://www.shangri-la.com/corporate/about-us/corporate-social-responsibility/sustainability/> for the full Sustainability Report in late April 2013.

The coverage of this COP is 01 January - 31 December 2012 and will refer to the data of 72 operating hotels and one marina club whose corporate social responsibility (CSR) and sustainability operations are managed by the corporate office, Shangri-La International Management Limited ("SLIM"). This entity is the signatory to the UN Global Compact. The report does not cover the six hotels that opened during 2012, as they are not able to demonstrate operations of over one year. New hotels in the planning and development stages and Shangri-La's business in property rentals are also outside the scope of this report.

Shangri-La remains dedicated to both its social responsibility and overall ethical practice. It aims to ensure the highest level of integrity in all of its operations, and we see our commitment and participation in the United Nations Global Compact as a key driver for this. We will demonstrate our continued support and commitment through our annual communication on progress.



GREG DOGAN
President and CEO
Shangri-La International Hotel Management Limited

Shangri-La Hotels and Resorts

Hong Kong-based Shangri-La Hotels and Resorts (www.shangri-la.com), one of the world's premier hotel companies, currently owns and/or manages 78 hotels under the Shangri-La, Kerry and Traders brands, with a room inventory of over 32,000. Over four decades, the group has established its brand hallmark of “hospitality from the heart.” The group has a substantial development pipeline with upcoming projects in mainland China, India, Malaysia, Mongolia, the Philippines, Qatar, Sri Lanka, Turkey and the United Kingdom.

OUR CSR VISION / 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 colleagues and guests, 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.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Shangri-La Hotels and Resorts remains committed to observing the highest standards of human rights and aims to uphold its principles in the workplace and, more importantly, amongst relationships with various stakeholders.

This is underscored best in our company values of humility, courtesy, respect, helpfulness, sincerity and selflessness. Shangri-La's sense of hospitality comes from a caring company and we aim to deliver engaging experiences that come straight from our hearts. This genuine sense of service governs the way we run our business and it is strongly rooted in upholding human rights.

In living out our values of respect and courtesy, Shangri-La aims to keep a fair workplace that is governed by our Code of Conduct. This framework guides our various relationships, including issues regarding human rights, diversity, equality and equal opportunities. It is our policy to abide by the Labour Codes and national laws in all countries in which we have operations and to comply in general with the Fundamental Conventions of the International Labour Organization (ILO).

Any Shangri-La colleague that commences work, whether at the corporate or hotel level, is oriented on the articles of the Code of Conduct.

It is imperative that every employee has a perfect understanding of our expectations of behaviour, not just of policies and manuals. In order to ensure the best understanding, training programmes have been put in place and are made compulsory for all

our permanent employees to complete upon employment and with regular refresher training.

At every location, Shangri-La ensures that its properties extend the value of human rights and respect the rights of the communities that surround us. Through programmes within our social responsibility campaign, our hotels seek to respond to some of the most urgent human rights challenges in a consultative manner that is appropriate and respectful of local traditions and regulations.

Our business partners in particular share the journey by demonstrating compliance with our Shangri-La Supplier Code of Conduct. This requires suppliers to provide safe and healthy working conditions, to use fair hiring practices, to treat their workers with dignity and respect, and to adhere to environmentally responsible practices in manufacturing. To that end, the code includes standards in the areas of Labour and Human Rights, Health and Safety, Environmental Impact, Ethics and Management Commitment.

We will award business based upon quality and price without personal favouritism. We will endeavour to create long-term "win-win" relationships with quality suppliers that allow us to enjoy excellent quality, price and supplier involvement in continuously improving our product, services and profitability.

Neither we nor our immediate family will own, have a vested interest in or be a director of any supplier of goods or services to Shangri-La, except by way of shares in a public company.

Shangri-La has only recently started aligning these policies directly under the UN Global Compact Principles but we have long been monitoring compliance across our hotels through our Human Resources Department. Furthermore, there are many avenues in place for feedback, such as the Employee Engagement Survey (formerly known as

the *Staff Opinion Survey*), which has been in place since 1996. The 2011 and 2012 surveys garnered a participation rate of over 98% and the survey serves as an honest barometer of the drivers for satisfaction for our biggest asset – our People.

There are a number of other avenues our colleagues can utilise to provide feedback. They can raise suggestions for internal processes, improvement in workflow and ideas for service through the “E-Voice” programme – available in our hotels and in our corporate office. They can also ask questions about issues in the business or concerns with the management, anonymously if they wish, through the “Speak Up” programme, or utilise the Whistle-blowing Policy. Employees from the top down are invited to participate in Excom Dialogues, State of the Hotel sessions and other workshop / conference forums.

Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Shangri-La is an Equal Opportunity Employer. All of our employees are made familiar with the group’s commitment to non-discrimination on the grounds of gender, marital status, pregnancy, race, religion or disability. Employees also understand that equal employment opportunities are made available to all colleagues irrespective of their gender, marital status, pregnancy or disability. No colleague is to be treated less favourably than any other in comparable circumstances and all are entitled to enjoy good working relationships with one another in an environment free from harassment.

We respect and support the protection of human rights of our colleagues, and our employment policies are designed to comply with all local labour laws. This includes our firm stance against human trafficking, sexual harassment and the exploitation of children. In cases where young adults are in hotel traineeship or internship programmes, we ensure that they are protected by contracts signed either by the institutions they represent or by their parents / guardians.

As mentioned earlier in this report, suppliers and business partners are encouraged to operate sustainably and are audited based on the Shangri-La Supplier Code of Conduct. The document enforces strict regulations and zero tolerance on indentured labour, trafficking, slavery or child labour.

Any person who believes he or she may have been discriminated against in violation of these principles or who observes any discrimination in violation of these principles should discuss the matter with the Human Resources Department. If for any reason the employee does not want to discuss the matter with individuals in the Human Resources

Department, he or she may discuss the matter with the Group Director of Human Resources, who has overall responsibility for the group's Equal Employment Opportunity policy.

Furthermore, the company will ensure that all personnel actions, including compensation, benefits, transfer, lay-off, return from lay-off, company-sponsored training, education, tuition assistance, and social and recreation programmes, will be administered without regards to race, colour, religion, natural origin, age, disability or history of disability (except where physical or mental abilities are a bona fide occupational requirement and the individual is not able to perform the essential functions of the position even with reasonable accommodation), sex (unless gender is a bona fide occupational qualification) or other protected characteristic.

Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Shangri-La mitigates impacts on the environment by ensuring that our day-to-day operations promote and implement responsible environmental practices and continual improvement.

Shangri-La continues to work with EarthCheck, an internationally recognised environmental benchmarking and sustainability programme designed to address the challenges of climate change and improve the environmental performance of the travel and tourism sector. Using a science-based approach, EarthCheck is used by the world's leading companies to address risk, deliver bottom line efficiencies, maximise the guest experience and minimise environmental footprints. For more information about the EarthCheck programme, please visit www.EarthCheck.org.

Based on the EarthCheck 2012 report, Shangri-La has delivered on:

- 9.9% reduction in water consumption per guest night as we move towards a 15% reduction by 2015 based on 2010 levels
- 12% reduction in energy consumption per guest night from 2011 as we move towards a 20% reduction by 2015 based on 2010 levels
- 11.6% CO₂ emissions per guest night reduction from 2011 as we move towards a 20% reduction by 2015 based on 2010 levels. Whilst total CO₂-e emissions, energy and water consumption increased between 2010 and 2012 (2010 was the first year of benchmarking), guest nights have gone up by 30% and the number of hotels has increased from 64 to 72 (for the purposes of this COP).

According to the EarthCheck report, if the Shangri-La hotels did not experience any change in their guest night consumption and had remained at 2009 levels (the year prior to benchmarking), it is estimated that the group would have consumed a further:

- 360,601 t of CO₂-e;

- 1,742,344,799 mJ of energy; and,
- 3,510,311 kl of water.

Shangri-La continues to monitor and manage property-specific reduction targets as well as support the hotels that perform well. It is noteworthy that while only 45 hotels have completed ISO 14001 certification, all other hotels continue to strengthen initiatives in environmental management systems.

Shangri-La hotels have shown improvements in resource management, especially after having introduced technologies that help efficiencies.

Some of these include:

- LED lights in back-of-house areas as well as in guestrooms, where more than half of the light fittings are installed with long-life low-energy consumption compact fluorescent lamps.
- In public areas where incandescent lamps are used, dimming controls have been installed to vary and reduce energy use.
- Building management systems and timer controls shut off the building facade, garden and landscape lighting automatically at predetermined times.
- At least 95% of Shangri-La hotels have key card switches in the guestrooms, which automatically switch off all lighting, set the fan speed to the lowest setting and set the thermostat to the energy-saving mode when guests remove the key card from the key card slot.
- Solar energy is available in some hotels where hot water facilities are churned from power generated by solar panels.
- Glass water bottling is available in most resorts to eliminate adding plastics to landfill-bound waste, especially in remote / island locations.
- Shangri-La complies with strict air quality guidelines, which cover the use of low-volatile organic compounds. Hotels must comply with local indoor air quality regulations and are encouraged to follow low-VOC emission standards.

- Low temperature laundry and “Green” housekeeping practices have been put into place to reduce the use of chemicals, water and heat in the laundry systems.

- Paperless check-in / check-out systems were introduced during 2012, and these have become standard for all hotels in the future.

“Sanctuary, Shangri-La’s Care for Nature Programme” was introduced in 2009, and it aims to make a concerted effort to ensure that biodiversity conservation and habitat protection is consistent across all locations exceptionally rich in biodiversity.

Properties with “Sanctuary” projects work on an individualised project that is further developed, tracked and monitored to engage stakeholders better. The following is a list of “Sanctuary” projects:

- Shangri-La’s Living Waters Project
 - o Shangri-La Hotel, Qingdao
 - o Traders Hotel, Shenyang
- Shangri-La’s Care for Panda Project
 - o Shangri-La Hotel, Chengdu
- Shangri-La’s Reef Care Project
 - o Shangri-La’s Mactan Resort and Spa, Cebu
 - o Shangri-La’s Fijian Resort and Spa, Yanuca, Fiji
- Shangri-La’s Care for Nature Project
 - o Shangri-La Rasa Sentosa Resort and Spa, Singapore
 - o Shangri-La’s Boracay Resort and Spa, Philippines
- Shangri-La’s Dugong Care Project
 - o Shangri-La’s Tanjung Aru Resort and Spa, Kota Kinabalu
- Shangri-La’s Turtle Care Project
 - o Shangri-La’s Villingili Resort and Spa, Maldives
 - o Shangri-La’s Rasa Sayang Resort and Spa, Penang / Golden Sands Resort, Penang
- Shangri-La’s Orang-Utan Care Project
 - o Shangri-La’s Rasa Ria Resort and Spa, Kota Kinabalu

Eco centres in four resorts enhance the experience of learning about the natural environment.

Shangri-La's Fijian Resort and Spa, Yanuca, Fiji maintains the Marine Education Centre, which not only serves as an exhibit area of underwater species but also as an assembly point for guest activities such as mangrove planting, fish house building and coral tray planting. At Shangri-La's Rasa Sayang Resort and Spa, Penang, the Eco Centre sits in a breezy hut of exhibit information showcasing the value of turtles in the ecosystem and the rest of the natural environment in Penang. At Shangri-La's Boracay Resort and Spa, Philippines, the Eco Centre may be modest in size, but it offers a wealth of learning material, from multimedia entertainment to replicas of various island species that need protection. Lastly, at Shangri-La's Villingili Resort and Spa, Maldives, the Eco Centre is strategically located to entice every guest to learn not only about the underwater bounty surrounding the island, but, more importantly, also about all the environmental conditions that make the Maldives a pristine yet delicate ecotourism destination.

In 2012, "Sanctuary, Shangri-La's Care for Nature Project" was launched in various city hotels in China to encourage the protection of habitats. Shangri-La Hotel, Xian and Golden Flower Hotel, Xian have launched "Sanctuary, Shangri-La's Care for Nature Project" to work with the Zhouzhi Nature Reserve located in the Qinling Mountains. The Qinling region is one of the areas with the richest biodiversity in China, and is home to the most well-known species of the giant panda and the golden monkey. The hotels have invested in the much-needed upgrading of the patrolling facilities to enable the nature reserve staff to better monitor species count and security. The project will also support alternative livelihood opportunities in the surrounding communities, including beekeeping and Ayurvedic herb farming.

Shangri-La Hotel, Qingdao and Traders Hotel, Shenyang have launched "Sanctuary, Shangri-La's Living Waters Project." Both hotels have committed to raising awareness on water issues, as the surrounding communities face a looming water crisis. Using best practices in water management, Shangri-La Hotel, Qingdao has commenced working with a rural community in order to secure a safe and reliable potable water supply. Traders Hotel, Shenyang has invested in an educational programme developed with the local environmental protection agency to target schoolchildren in particular to raise awareness of water issues.

By the end of 2012, the "Sanctuary, Shangri-La's Care for Panda Project" was launched at Shangri-La Hotel, Chengdu. This flagship project supports the brand-new Du Jiangyan Panda Centre due to open in mid 2013. Shangri-La will support the development of bamboo plantations and panda feeding facilities. Information on all "Sanctuary, Shangri-La's Care for Nature" projects can be found at <http://www.shangri-la.com/corporate/about-us/corporate-social-responsibility/csr-projects/sanctuary/> and on the individual hotel websites.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Shangri-La maintains a steadfast commitment to ethical and governance standards. While the

Code of Conduct governs the behaviour of all our colleagues, the Shangri-La Supplier Code of Conduct echoes the same principles and ensures responsible practices, including a policy of zero tolerance of practices such as bribery or corruption.

Shangri-La is still working on strengthening its overall Ethics and Governance Campaign, which will include a review of policies and standards, a gap analysis in training and enforcement measures and a movement to revise and reissue policies in compliance with international standards such as the Foreign Corrupt Practices Act.

As this is our first COP, Shangri-La will ensure that it meets its yearly communication on progress to the Global Compact and sets out the progress that we are making in implementing the 10 principles into our overall functions and performance.

Summary

Shangri-La has pledged its commitment to conform, promote and integrate the Global Compact into its management strategy and day-to-day operations.