

Shangri-La Hotels and Resorts 2016
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 fifth Communication on Progress (COP) Report, which aims to show how we continue to strengthen our policies and structures in line with the principles of human rights, labour, the environment and anti-corruption. This COP covers 1 January to 31 December 2016 and refers to the data of 94 operating hotels managed by subsidiaries of Shangri-La that have been in operation for at least one year, as summarized in the following table. Three hotels that were newly opened in 2016 are not reported, as they have not yet completed one full year of operation.

Scope of Disclosures

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2016 was another exciting year in Shangri-La's responsible business journey. The Group's continued inclusion in the Hang Seng Corporate Sustainability Index reinforced our sustainability leadership among Hong Kong listed companies. In addition, the Group was listed in the Dow Jones Sustainability Index for the fourth consecutive year, once again confirming Shangri-La's position among global sustainability leaders. During the year, progress was made in environmental impact management with carbon and water intensities continuing to fall across our property portfolio to levels below the targets we set for 2016.

* 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 ESG disclosures, Associates are entities over which Shangri-La has significant influence but not control, generally accompanying a shareholding of more than 20% but less than 51% of the voting rights.

Six hotels in Mainland China were involved in regional carbon emission trading scheme pilot projects. During the year, these hotels purchased offsets equalling 5,510.45 tonnes to meet our obligations under those schemes. Our hotels also continued to enlist the help of suppliers to reduce waste through initiatives such as packaging redesign, linen upcycling and soap recycling.

To further enhance communication regarding Shangri-La's sustainability commitments with internal and external stakeholders the 2016 Sustainability Report content is prepared with reference to the latest ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited and with consideration to the latest GRI Standards for increased transparency. Please find this as part of our Annual Report* on page 53.

In an effort to strive for continuous improvement we seek to understand our stakeholders' expectations and priorities for sustainable development in order to be able to act on their concerns. To this end, we work with non-governmental organisations and engage with the communities where we operate through various channels on an on-going basis. The first comprehensive materiality assessment of our business was conducted in 2012. To ensure that the issues we identified at that time continue to be relevant, in 2016 we interviewed a selection of our stakeholders, including management, key suppliers, industry bodies and customers. We heard a common message from our interviewees: Shangri-La must continue to embed sustainability into its core values and guiding principles. With this in mind, we are confident of strengthening our sustainability efforts in the coming years to safeguard our mission of operating a responsible business that both improves the lives of people and cares for the environment, and we will continue to demonstrate our continued support and commitment through our annual COP.

Madhu Rao
Acting President
Shangri-La International Hotel Management Limited



* <http://ir.shangri-la.com/ir/en/reports/annualreports/2016/ar2016.pdf>

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 more than 95 hotels under the Shangri-La, Kerry, Hotel Jen and Traders brands, with a room inventory of over 40,000. Over four decades, Shangri-La has established its brand hallmark of "hospitality from the heart." The Group has a substantial development pipeline with upcoming projects in mainland China, Cambodia, Indonesia, Malaysia, Saudi Arabia and Sri Lanka.

Our Core Values and CSR Mission Statement



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 amongst relationships with various stakeholders.

This commitment 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 it aims to deliver engaging experiences that come straight from the heart. This genuine sense of service governs the way Shangri-La runs its business and 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 of and national laws in all countries in which we operate 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 colleague has a perfect understanding of our expectations of behavior, not just of our policies and manuals.

In 2016 Shangri-La reaffirmed its commitment to the promotion of fundamental principles and rights at work. A revised Code of Conduct and a dedicated Colleagues Handbook was introduced to provide a means of communication as well as for colleagues to better access information in a manner that is relevant with the times. The Colleagues Handbook includes the following insertions: introduction, compliance with this Code and the law, leadership responsibilities, equal opportunity and respect, protecting company assets, use of company time, conflict of interest, preventing bribery and corruption, gifts and entertainment, protecting confidential information, privacy and data protection, insider dealing, anti-competitive practices, maintaining proper books and records, health and safety, protecting the company's name, corporate social responsibility, whistleblowing policy.

To ensure the best understanding, training programmes have been put in place and are made compulsory for all permanent colleagues to complete upon employment. Regular refresher training is also conducted during employment.

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, use fair hiring practices, treat their workers with dignity and respect, and 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 award business based on quality and price without personal favoritism. We endeavor to create long-term win-win relationships with quality suppliers that enable us to enjoy excellent quality and prices and supplier involvement in continuously improving our products, 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.

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 within the company. The senior management of each hotel engages all colleagues on matters of interest or concern via the State of Hotel Address and Executive Committee Dialogue. To complement these initiatives implemented by the hotels, Shangri-La International Hotel Management Limited (SLIM) operates an online system called E-Voice and a program called Speak Up to facilitate structured feedback from hotel colleagues to SLIM about internal processes and business concerns.

Security Operations

Shangri-La's Security Division oversees implementation of and operational compliance with the Security Operations, Crisis Management and Loss Prevention manuals. These manuals 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. All hotel security personnel have received training in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.

Corporate Purchasing Policy

Shangri-La's Group Purchasing Division is responsible for the 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/aboutus/supplier-code-of-conduct/.

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 10 principles of the UN Global Compact. Suppliers are required to provide safe and healthy working conditions, use fair hiring practices, treat their workers and colleagues 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 2016, the Group Purchasing Division continued to engage with an independent professional firm to evaluate Group suppliers' compliance with the Supplier Code of Conduct. Thirty-one major suppliers were audited with a pass rate of 61%. We recognise that whilst we have made some progress in ensuring our supply chain is responsible, we can further strengthen our supply chain engagement, including conducting more robust audits. This is important not only from a risk management perspective, but also in delivering the best and most sustainable products and services to our customers.

In 2016, Shangri-La took a closer look into the sustainability practices of our Group contract suppliers. We asked 129 trading companies contracting with our procurement hubs in Hong Kong, Malaysia, Singapore, Southern China, Beijing and Shanghai to respond to a questionnaire about their own supply chain practices. Among the 83 respondents, about one third indicated that they do require the companies they source from to adhere to standards on labour and human rights, health and safety and environmental impacts.

To help suppliers enhance their responsible business practices, the Group Purchasing Division organised a supplier seminar featuring a training session on Supplier Code of Conduct audits, sharing of best practice, and an open discussion with suppliers on challenges and opportunities. In 2016, 76 hotels hosted 91 open-house sessions with their suppliers.

Responsible Procurement Programme

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 the 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. The hotels are also encouraged to evaluate local options to minimise the transportation distance for raw materials and final products to minimise landfill bound waste. In light of Shangri-La's expansion and increasing hotel footprint, efforts are being made to increase local and regional sourcing.

In 2014 Shangri-La launched "Rooted in Nature", a food and beverage driven initiative aimed at aligning CSR and Sustainability goals to set a global standard for culinary social responsibility through promoting:

- Use of local, small scale producers and fish traders that produce good, clean and fair food and therefore will generally have less produce than larger scale producers;

- Use of local, quality ingredients, supplied by farmers, herders, fishers, butchers, bakers and artisans who preserve traditional knowledge and techniques and work with respect for the environment, the landscape and animal welfare;
- Virtuously - produced local foods, giving visibility and dignity to the producers and their work and recognising their true value;
- Promotes countering the rise of fast food and “fast life”, the disappearance of local food traditions and peoples dwindling interest in the food they eat, where it comes from, how it tastes and how our food choices affect the rest of the world.



Our Rooted in Nature guidelines aim to guard local food traditions and raise awareness about the food we consume – not only where it comes from, but also how our food choices impact our communities and the rest of the world. Criteria & Guidelines state that outlet menus must have prominent ingredients that meet at least one out of these guidelines:

1. Locally grown fruits and vegetables

Produce must come from farmlands located within a 20-kilometre radius from the hotel.

2. Chemical and pesticide-free local produce

Suppliers must show certification verifying that they do not use chemical pesticides, only compost and bio-sourced alternatives.

3. Free-range livestock and meat/poultry/eggs

Food producers must present certification demonstrating adherence with FREPA (Australia), BC-SPCA/ USDA (North America), or RSPCA (UK) standards, among other local or national equivalent credentials.

4. Sustainably-sourced seafood

Seafood must be certified by the Marine Stewardship Council (MSC) or similar certification bodies. Suppliers must also possess a Certificate of Custody from the MSC.

Local fishing groups that are supported by recognised partners such as the WWF are also included in this category.

5. Certified organic, fair trade and other local certifications equivalent to less use of chemical pesticides

Suppliers must possess fair trade or organic certification and produce MSG-free food.

Our targets include:

- **2017:** Shangri-La Hotels and Resorts will offer 50% more sustainable and locally sourced items on the menus with 2013 as the baseline year.
- **2020:** Shangri-La Hotels and Resorts will offer 75% more sustainable and locally sourced items on the menus with 2013 as the baseline year.

By the end of 2016, more than 1,900 Rooted in Nature dishes were being offered by Shangri-La hotels worldwide, representing an increase of almost 200 compared with 2015 offerings.

2016 saw the first on-site farmers market hosted by one of our hotels in China, at Shangri-La Hotel, Beijing. Hotel guests and the general public enjoyed a wide range of organic fruit and vegetables, dairy, cheese and other goods from local producers.

Shangri-La has prohibited the use of shark fin in all food and beverage operations since 2010. As part of our on-going commitment to sustainable seafood, we are also committed to procuring responsibly sourced seafood that is certified by the MSC and Aquaculture Stewardship Council (ASC) wherever possible. Our goal is to offer 75% more sustainable and locally sourced food items on our menus compared with 2013 levels. We do not serve fish products such as Bluefin tuna and Chilean sea bass, which are critically endangered.

In 2016, Island Shangri-La, Hong Kong, and Kowloon Shangri-La, Hong Kong became the first hotels in Hong Kong to achieve MSC and ASC chain of custody certification, authorising them to make use of sustainability labels for fisheries produce. We also hosted MSC public awareness events in Beijing, Shanghai, Shenzhen and Qingdao, and organised a sustainable seafood week for employees.

Due to our decentralized management approach, SLIM does not have oversight of all contracts entered into by Shangri-La subsidiaries and affiliates at the hotel level. SLIM does not currently have a policy or mechanism for checking all contracts for human rights issues.

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 colleagues are made familiar with the Group's commitment to non-discrimination on the grounds of gender, marital status, pregnancy, race, religion or disability. Colleagues 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 favorably 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 our colleagues' human rights, 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 observes any discrimination in violation of these principles should discuss the matter with the Human Resources Department. If for any reason the colleague does not want to discuss the matter with individuals in the Human Resources Department, he or she may discuss the matter with the Chief Human Resources Officer, who has overall responsibility for the Group's Equal Employment Opportunity policy.

Furthermore, the company ensures that all personnel actions, including compensation, benefits, transfers, lay-offs, return from lay-offs, company sponsored training, education, tuition assistance, and social and recreation programmes are administered without regard to race, colour, religion, national 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.

Responsible Procurement Programme

Under the Responsible Procurement Programme, Shangri-La respects freedom of association and collective bargaining in accordance with national laws in every country of operation. Under the Responsible Procurement Policy, all Group supplier contracts include the Supplier Code of Conduct and SLIM-initiated audits on compliance in 2011. No suppliers with which freedom of association and collective bargaining may be

significantly at risk have been identified. No suppliers with a significant risk of incident of child labour or forced or compulsory labour have been identified.

The Highest Ethical Standards

The Code of Ethics outlines the common understanding of Shangri-La's expectations of behavior 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 may include termination. A Whistleblowing Policy is in place, which states that every Shangri-La colleague has the right and responsibility to act upon any incidence of behavior running counter to the Code of Ethics by making a report directly to SLIM.

Shangri-La upholds the freedom of association and the right to collective bargaining for all colleagues. Within our hotels, the organisation of these activities take various forms, such as colleague unions, colleague councils and colleague welfare groups, depending on local legislation, culture and workplace norms.

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

Shangri-La strives to eliminate discrimination in respect of employment and occupation. The Chief Human Resources Officer of the Group has overall responsibility for the Equal Employment Opportunity policy in recruiting, hiring, training and promoting without regard to race, colour, religion, national origin, age, disability or sex. As part of the routine Human Resource divisional audit of the hotels, SLIM monitors implementation of this policy to ensure that compensation, benefits, transfers, layoffs, trainings and social and recreation programmes are administered without discrimination.

Occupational Health and Safety

Shangri-La continues to be committed to ensuring a healthy and safe workplace for its colleagues. As of end 2016, 58 hotels have been certified. All hotels with OHSAS 18001 certification have a formal Health and Safety committee with joint worker-management representatives.

Colleague Well-being

Equally important to professional development is colleagues' well-being. Apart from medical checkups and the promotion of smoke-free workplaces, hotels also run activities that promote healthy lifestyles with the support of the Employees' Committee. Raindrop, a new counselling service, was launched in December 2016 to provide support for

colleagues experiencing hardship or stress. Shangri-La colleagues also participated in Global Wellness Day in June, promoting healthy and active living.

Training and Development

It is a Group requirement that all permanent colleagues in every hotel, irrespective of service level, age or gender, undertake a minimum full day's orientation programme and then participate in the four-day Shangri-La Care service culture learning programme. These programmes are additional to the comprehensive skills training that is tailored to each individual job position and is based on the intrinsic abilities of colleagues. The success of these programmes is measured by a performance monitor, measuring items such as customer satisfaction and willingness to recommend the hotel to others. Comprehensive leadership learning programmes are delivered to supervisors and managers and are measured by metrics such as turnover and the number of internal promotions. As of 2016, 99% of new hires went through the colleague's orientation and 57% of our leaders have undergone the Leadership Development Programme launched in February 2016.

The Shangri-La Global Academy

The Shangri-La Global Academy was set up in 2004 to engage and train colleagues internally by focusing on employability and innovation. In 2016, 2,067 colleagues received training across 32 training areas ranging from leadership development to technical training. The mission of the Academy is to nurture emerging talent, develop exceptional hospitality leaders and address Shangri-La's future human resource needs and challenges.

Environmental Principles

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

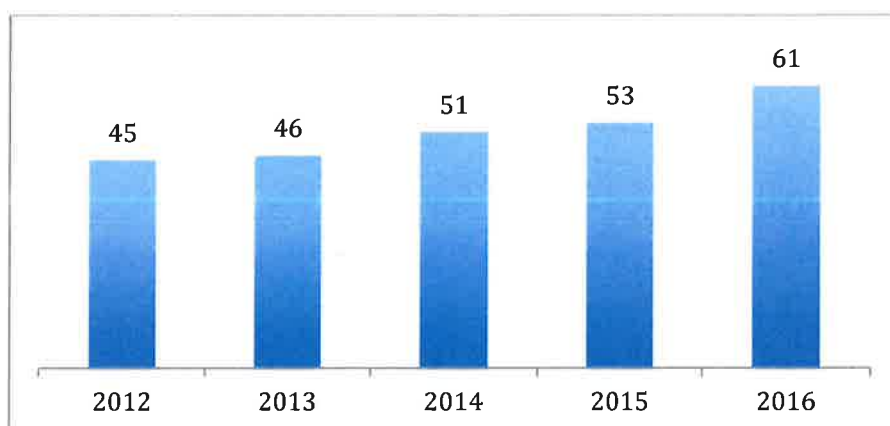
Principle 8: undertake initiatives to promote greater environmental responsibility; and

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. The SLIM Engineering Division primarily leads the CSR Focus Area Environment by conducting regular environmental audits as part of the overall Engineering audits to ensure compliance with environmental policies and procedures.

ISO 14001 is the predominant, internationally recognised standard for the management of environmental impacts of businesses. It prescribes the procedures for measuring, monitoring and managing activities that affect the environment. At the end of 2016, 61 hotels have received ISO 14001 certification.

Number of ISO 14001 Certified Hotels



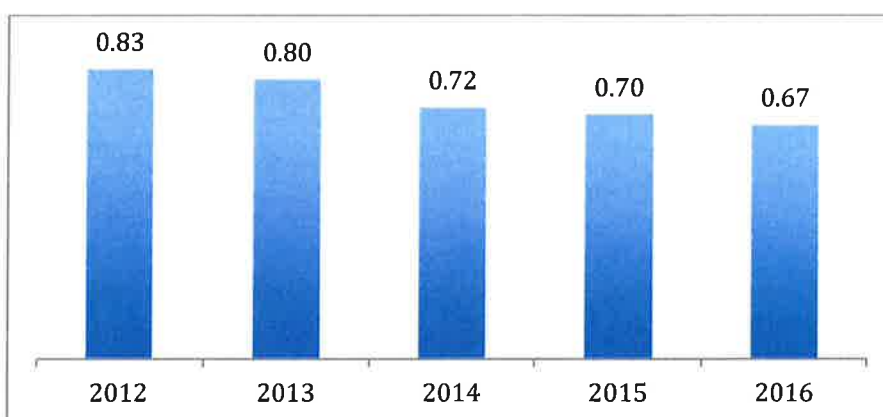
All hotels that have been in operation for more than two years are expected to meet annual targets for reduction of water, energy and greenhouse gas emissions intensity. The intensity calculations reflect a measure of the number of overnight guests and other guests in each hotel during the year, known as “business unit”. The performance of each hotel against its targets is reviewed annually. In 2016, we evaluated the performance of 85 hotels and have presented these below.

In 2016 our hotels reduced water consumption from 0.7 cubic metres per business unit to 0.67 cubic metres per business unit against 2015 levels, representing a group-wide reduction of 4%. Thirty-eight hotels reached or exceeded their target to reduce water consumption intensity by 3% compared with 2015. We recognise that although we are

making progress to reduce our water footprint, water is still a very important issue, particularly in Northern China and other locations that experience water stress.

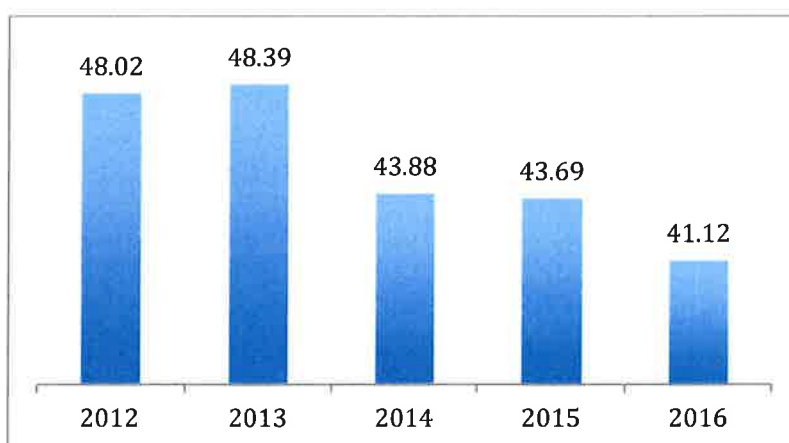
Our hotels dispose of wastewater in a responsible way. In 2016, we recorded one breach of environmental legislation and regulations involving the discharge of wastewater from a hotel in Beijing. We took immediate action to mitigate and rectify the situation in full cooperation with local authorities.

Average Potable Water Consumption Intensity (cubic meters per business unit)



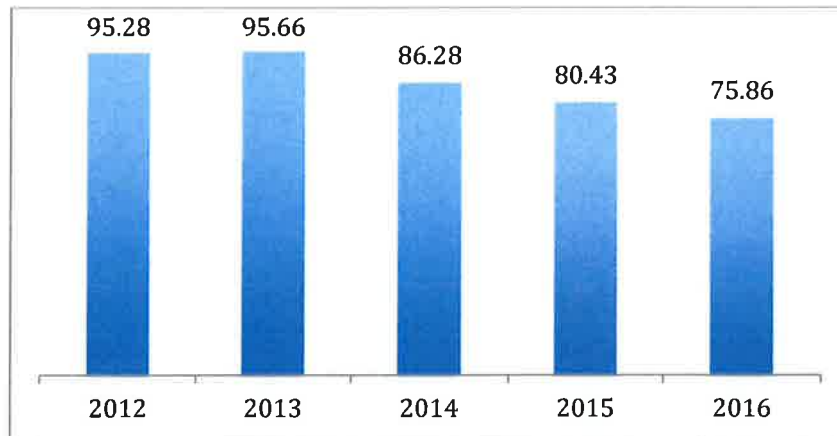
In 2016, the average scope 1 and scope 2 emissions intensity of our hotels was 41.12 kilograms CO₂e per business unit. This represents a 6% decrease from 2015 and a 26% reduction compared with the level in 2010. During the year 51 hotels achieved their target of a 3% reduction of greenhouse gas emissions intensity compared with 2015. Our total scope 1 and scope 2 greenhouse gas emissions amounted to 0.96 million tonnes of carbon dioxide equivalent (tCO₂e), a small decrease of just over 1% compared with 2015.

Average Scope 1 and Scope 2 GHG Emissions Intensity (kilograms CO₂e per business unit)



In line with our greenhouse gas emissions performance, in 2016 the average energy intensity of our hotels also decreased approximately 6% from 80.43 kilowatt-hours per business unit in 2015 to 75.86 kilowatt-hours per business unit.

Average Energy Consumption Intensity (kilowatt-hours per business unit)



We strive to continuously reduce energy consumption in our hotels. In 2016, total energy consumption amounted to 773.99 GWh, a decrease of about 1% compared to the previous year. According to our estimates, during the year engineering initiatives in our hotels saved up to 4.8 million kilowatt-hours of electricity through upgrades to lighting, chillers and other similar energy saving initiatives.

China Carbon Emission Trading Pilots

We recognise that climate change caused by greenhouse gas emissions poses both financial and physical risks to our business. A number of our hotels are located in areas that are vulnerable to the effects of climate change through extreme heat, flooding and typhoons. Fiscal initiatives to curb emissions such as carbon trading may also affect our bottom line. In 2016, six hotels in Mainland China were involved in regional carbon emission trading scheme pilot projects. During the year, these hotels purchased offsets equaling 5,510.45 tonnes to meet our obligations under those schemes.

Waste Management

The success of our business depends on avoiding waste while maintaining our value proposition. Our goal is to reduce material usage and waste, including food waste, and boost recycling. We also try to find innovative ways to “upcycle” (i.e. turning certain types of waste into more valuable resources). The small amount of hazardous waste produced in our operations is handled responsibly in accordance with locally applicable regulations and procedures.

An audit conducted in 2014 identified food waste as our most significant source of waste by weight. To address this, we are focusing on minimising food waste by targeting three areas: food preparation, spoilage, and food provisioning and/or serving. Each hotel has to measure the food waste discarded, devise and implement a plan for waste reduction, then measure its success and make amendments to its plan as necessary. In 2016, 10,730 tonnes was diverted from landfill. We are working to improve waste measurement and recycling in order to formalise an overall waste reduction target.

As well as improving our operations, Shangri-La is also harnessing the power of partnerships in fostering waste reduction at source and in recycling. Through the “Soap for Hope” project, our hotels are collaborating with suppliers and other external partners to turn discarded soaps from guest rooms into new soap bars. These sanitized soap bars are distributed to under-privileged communities to promote hygiene. Soap for Hope now operates in 22 hotels in ten countries, benefiting over 160,000 people. To date, Shangri-La has saved over 192 tonnes of soap from being disposed of into landfill through Soap for Hope.

Launched together with Sealed Air in 2016, the Linens for Life programme provides training and resources for local communities to repurpose waste linens such as towels and sheets into useable household items. Given that an average 400-room hotel discards two to three tonnes of linen per year, this will result in a significant diversion of materials from disposal in landfills.

Biodiversity Conservation

First introduced in 2009, Sanctuary is our overarching vehicle to ensure habitat and biodiversity protection is a priority across all of our locations. In 2016 we continued our efforts in the field of habitat and bio-diversity. From reef care, turtle care, panda care to wetland protection and showcasing flora and fauna, our Sanctuary projects combine conservation with raising public awareness, guest engagement, staff engagement and education programmes to address bio-diversity challenges from various angles. Hotels with Sanctuary projects also form partnerships with relevant external parties including accredited non-government organisations, academic bodies, and community groups to ensure local endorsement and professional input. Biodiversity data is collected on a regular basis to measure results and inform decision makers on the next steps required for each project.

In 2016, there were 16 registered Sanctuary projects across 16 hotels. Each project focuses on the protection of the habitats of endangered species found on the International Union for the Conservation of Nature (IUCN) Red List. Shangri-La’s Eco Centre initiative seeks to engage staff, guests and the local community on the importance and preservation of these precious ecosystems by providing an interactive learning and exhibition space and activities. In 2016, 11 hotels and resorts had Eco Centres.

Sanctuary, Shangri-La’s Care for Nature Projects

Care for Reefs

Shangri-La’s Fijian Resort & Spa, Yanuca organises marine conservation activities such as coral planting and fish house building to protect the fragile reef ecosystem. Shangri-La’s Villingili Resort & Spa in the Maldives conducts regular surveys of the Addu Atoll to monitor the population of marine species. Shangri-La’s Mactan Resort & Spa, Cebu maintains a marine sanctuary on six hectares of beachfront. It runs a conservation programme for over 160 species of fish, clams and coral, including an artificial reef. In 2016, a total of 167 fish houses were installed and over 500 corals planted across the Care for Reef initiative to preserve the habitats of species such as Tridacna Clam and the bumphead parrot fish.

Care for Nature

Several resorts have Eco Centres dedicated to highlighting the plight of native threatened species. The Eco Zone at Shangri-La's Sanya Resort & Spa, Hainan in China is dedicated to raising awareness around the endangered Hainan Gibbon, whilst Shangri-La's Hambantota Resort & Spa, Sri Lanka focuses on elephant conservation and habitat loss. In conjunction with the Sabah State Wildlife Department, Shangri-La's Rasa Ria Resort & Spa, Kota Kinabalu in Malaysia established a 64-hectare reserve, home to the western tarsier, slow lorris and pangolin.

Care for Clownfish

Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu in Malaysia is home to the Clownfish Discovery Centre. It is a dedicated Clownfish breeding centre, and educates guests on the threat to reefs and the immense biodiversity of the area.

Care for Turtles

Shangri-La Barr Al Jissah Resort and Spa, Muscat runs a turtle care project, which aims to protect the endangered Hawksbill and Green turtle, native to the beaches of Oman. The hotel holds a daily "turtle talk" and a dedicated ranger ensures that the nests are protected from any dangers. By allowing the adult turtles a peaceful and uninterrupted breeding ground, an estimated 26,000 turtles have hatched since the start of the programme.

Care for Horseshoe Crabs

In 2016, the Aberdeen Marina Club initiated the Care for Horseshoe Crab project. Over 280 staff and 20 students participated in nurturing juvenile Horseshoe crabs, native to the mangroves of Hong Kong, which are under threat from development and pollution.

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. As the Code of Conduct governs the behavior of all our colleagues, the Shangri-La Supplier Code of Conduct echoes the same principles and ensures responsible practices, including a zero tolerance policy on such practices as bribery and corruption. Shangri-La is still working on strengthening its overall Ethics and Governance Campaign, which will include a review of its 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. Shangri-La has not made any systematic review of risks related to corruption. However, it recognises the need to strengthen corporate governance, including training on human rights, overall ethics and anti-corruption.

Summary

Shangri-La has pledged its commitment to conform, promote and integrate the Global Compact into its management strategy and day-to-day operations. This is done by cultivating ownership of our key Sustainable Development Priorities and responsibility for our performance within the management and culture of every Shangri-La hotel. Shangri-La's goals for sustainable development reflect the environmental, social and governance issues that are most material to our business. Some issues, such as corporate procurement and labour practices, give rise to generalised impacts throughout the Group and our value chain. Others, such as biodiversity and conservation and community development, give rise to impacts that are more definitively within the direct control and influence of each individual hotel. We trust that our priorities illustrate the extent of our commitment to responsible business practices, and our determination to ensure that Shangri-La will continue to meet its yearly COP targets and report its progress in implementing the 10 principles into its overall functions and performance.

Sustainable Development Priorities

	OUR ENVIRONMENT	OUR BUSINESS	OUR PEOPLE	OUR COMMUNITIES
Environmental, Social and Governance Issues	Climate Change and Greenhouse Gas Emissions	Corporate Procurement	Employment Practices - Diversity and Equal Opportunities	Community Development - Embrace, Shangri-La's Care for People Project
	Water	Guest Engagement	Training and Development	Disaster Relief and Rehabilitation
	Waste	Guest Safety and Security - Fire and life safety - Food safety - Indoor air quality - Guest security - Data privacy	Occupational Health and Safety	
	Biodiversity and Conservation - Sanctuary, Shangri-La's Care for Nature Project	Sustainable Choices	Employee Wellbeing	Volunteering

