

Shangri-La Hotels and Resorts 2017
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 2017 and refers to the data of 95 operating hotels managed by subsidiaries of Shangri-La that have been in operation for at least one year, as summarised in the following table.

Scope of Disclosures

OPERATING HOTELS	IN SCOPE
Subsidiaries	53
Associates	20
Management	18
Under Operating Lease	3
Aberdeen Marina Club	1

In 2017, Shangri-La was included in the Dow Jones Sustainability Index for the sixth consecutive year, consolidating our position as a leader in the Asia Pacific region. We are the only constituent in the Dow Jones Sustainability Asia Pacific Index from the Hotels, Resorts & Cruise Lines sector. The group also was listed again in the Hang Seng Corporate Sustainability Index, reinforcing our sustainability leadership among Hong Kong-listed companies. Additionally, we were honored to receive a number of accolades. Our group-wide culinary initiative, Rooted in Nature, received the Sustainable Hotel Award for Positive Community Impact at the 2017 Hotel Investment Conference Asia Pacific (HICAP). In addition, Embrace, Our Care for People project, received the 2017 Responsible Brand Award and Public Welfare Project Award by China Charity Festival.

To further enhance communication regarding Shangri-La's sustainability commitments with internal and external stakeholders, the 2017 Sustainability Report content is prepared with reference to the latest ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited. Please find this as part of our Annual Report on page 56.

We strive to understand the expectations and priorities of internal and external stakeholders in order to take a proactive approach on ESG issues of significance to our business. Our first comprehensive materiality assessment was conducted in 2012. To ensure that the issues we identified at that time continue to be relevant, we completed a materiality review in 2016. We believe that the most effective way to promote responsible business is to cultivate ownership for our ESG performance within the management and culture of every Shangri-La hotel. To this end, SLIM establishes priorities and monitors progress through a Corporate Social Responsibility ("CSR") scorecard. Within this framework, every hotel can adapt its own management approaches to suit its specific circumstances. The CSR Scorecard has been updated periodically since its launch in 2011 to capture additional information on ESG initiatives, such as supply chain sustainability, guest engagement and, most recently in 2017, waste tracking and the diversion of waste from landfills.

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.

Oliver Bonke
President & COO
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 more than 100 hotels under the Shangri-La, Kerry, Hotel Jen and Traders brands, with a room inventory of 42,600. 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 Bahrain, 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 behaviour, not just of our policies and manuals.

In 2017 Shangri-La reaffirmed its commitment to the promotion of fundamental principles and rights at work through the Code of Conduct and a dedicated Colleagues Handbook. 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, and whistleblowing policy.

Training programmes have been put in place and are made compulsory for all permanent colleagues to complete upon employment to ensure the best understanding. 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 favouritism. We endeavour 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' noticeboard 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.

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. Shangri-La's Security and Safety Reporting System, implemented in 2015, has led to improved reporting and investigation of accidents, lost time injuries and absenteeism. In 2017, we maintained a record of zero workplace fatalities in our hotels.

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 incorporated 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.

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 2017, hotels hosted 114 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;
- 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 2017, more than 1,444 Rooted in Nature dishes were being offered by Shangri-La hotels worldwide. Other positive community impacts include: 92% of suppliers experiencing increased revenue/business growth, 75% of suppliers experiencing increased employment opportunities, 40% of suppliers are now committed to changing the way of farming by increasing organic produce, chemical-free agriculture products, and using less fertiliser in line with domestic cultivation standards.

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. In 2017, for the fourth year in a row, Shangri-La hotels in China celebrated Sustainable Seafood Week in August 2017 in conjunction with MSC, World Wildlife Fund (WWF), China Chain Store Franchise Association (CCFA) and China Sustainable Retail Roundtable (CSRR) to help raise awareness for the protection of ocean resources. This year, chefs from Shangri-La Hotel, Shenzhen, Futian Shangri-La, Shenzhen and Jing An Shangri-La, West Shanghai conducted cooking demonstrations using MSC-certified ingredients at local supermarkets, including MSC-certified Alaskan Cod Fish Mousse, Pan-fried Black Cod with Lobster Bisque and MSC-certified Yesso Scallops.

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 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 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. 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 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 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 behaviour 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, training 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. At the end of 2017, 49 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

We strive to support our employees to achieve their personal and career goals through a combination of wellness programmes for colleagues and their families as well as comprehensive training and development opportunities for career progression.

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.

Training and Development

All new employees are required to undertake induction training and complete a four-day service culture learning programme in order to become fully acquainted with our corporate values and standards of conduct. All full-time employees are required to complete our core programmes depending on their role and level of employment. Programmes range from five days to 21 days in total. The Shangri-La Global Academy was set up in 2004 with a focus on innovation and employability, with the mission to nurture emerging talent, develop exceptional hospitality leaders and address Shangri-La's future human resource needs and challenges. In 2017, our colleagues received training in several training areas ranging from leadership development to technical training.

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. By the end of 2017, 55 hotels received ISO 14001 certification.

Upholding our commitment to transparency and accountability, in 2017 we participated in CDP reporting on Climate and Water. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. During the year, we are not aware of any instances of non-compliance with relevant laws and regulations that have a significant impact on the Group concerning air emissions, water discharges or disposal of hazardous and non-hazardous waste. From 1 April 2017, local authorities in Beijing imposed a more stringent standard on boiler flue emissions of nitrous oxides. Three affected hotels converted their boiler burners to comply with the new requirement.

We invest in green buildings wherever possible, integrating sustainable design features, construction techniques and operational processes into the development of our new projects. During 2017, three additional hotels received certifications for Leadership in Energy and Environmental Design ("LEED") from the U.S. Green Building Council bringing the total number of hotels in our portfolio that have obtained LEED certification to 15.

Climate Change & Greenhouse Gas Emissions

Climate change caused by anthropogenic greenhouse gas ("GHG") emissions poses both financial and physical risks to our business, particularly because a number of our hotels are located in areas that are vulnerable to the effects of extreme weather events such as flooding and typhoons. Fiscal initiatives to curb emissions may also affect our bottom line. In 2017, six hotels in mainland China (five in Beijing and one in Shanghai) were involved in regional carbon trading initiatives. These hotels purchase carbon offsets to meet their obligations under those schemes.

Across our portfolio, all hotels that have been fully operational for two years or more are expected to meet intensity reduction targets for GHG emissions, energy and water. We use intensity metrics that reflect a measure of the number of overnight guests and other guests in each hotel during the year, known as a business unit ("BU"). The group-wide

base year for environmental footprint target-setting and performance evaluation is 2015.

In 2017, our hotels' target was to achieve a 6% reduction in average scope 1 and scope 2 GHG emissions intensity (GHG emissions intensity) compared with 2015 benchmarks. Forty-nine individual hotels achieved this target. There was a 5.6% reduction in GHG emissions intensity across 95 hotels compared with 2015 levels. However, there was a minor increase of 0.3% in GHG emissions intensity compared to 2016 that is related in part to the revision of grid emission factors outside of our control. In 2017, GHG emissions intensity across 95 hotels amounted to 1.05 million tonnes of carbon dioxide equivalent (CO₂e) and 41.23 kilograms of CO₂e per BU.

For average energy consumption intensity, our target for hotels was a 6% reduction compared with 2015 benchmarks, and 51 hotels achieved the 2017 target. Average energy intensity of our hotels increased by 6.1% to 80.46 kilowatt-hours per BU from 75.86 in 2016. The marginal (less than 1%) increase compared to 2015 is due to the significant number of openings in recent years. We anticipate the overall energy consumption intensity of the entire portfolio will resume a downward trend when the new hotels settle into a stable pattern of operational performance.

Our hotels strive to improve their energy efficiency continuously. In 2017, total energy consumption across 95 hotels amounted to 2,056 GWh. We estimate that eco-friendly technology and initiatives adopted by the hotels, such as upgrades to light fixtures and chiller systems, help to save up to 7.4 million kWh per year. Reducing the temperature at which laundry is washed also has a considerable impact on energy use. In 2017, our low-temperature laundry programme was implemented in 68 hotel laundries.

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 2017, six hotels in Mainland China were involved in regional carbon emission trading scheme pilot projects.

Water

In 2017, our target for hotels was to achieve a 6% reduction in water consumption intensity compared with 2015 and 36 hotels achieved the target. Overall water consumption intensity across the 95 hotels remained at the same level as 2015 at 0.7 cubic meters per BU, and a total of 17.9 million cubic metres of potable water were consumed, mostly from municipal supplies. We recognise that responsible water management is an increasingly important issue for our business and that water conservation is especially important for our hotels in Northern China and other regions with high risk of water stress.

Shangri-La is working with WATERisLIFE, a globally-recognised charity, to help provide safe and clean drinking water to underprivileged communities in rural areas in Mainland China. In 2015, we partnered with WATERisLIFE to install a water treatment plant at a school in Changchun, Jilin province that continues to serve students and members of the local community. Following the success of this initiative, in 2017, we implemented three further projects to install SunSpring decentralised water treatment plants at two schools in Yushu, Qinghai province and a third school in Diqing, Yunnan province. The treatment plants, which use renewable solar and wind energy and are designed to be self-cleaning, will purify up to 5,000 gallons of water per day over their expected lifetime of 10 years.

During the installation, training was provided for local technicians to undertake minor maintenance on the water treatment plants. Going forward, WATERisLIFE will conduct water tests every six months to ensure water quality and Shangri-La engineers in Beijing will help to provide maintenance support. We estimate that over 4,000 students, their teachers and other members of their local communities will benefit from clean and healthy drinking water as result of this successful partnership.

Waste Management

Waste management is a major concern for communities and local authorities in many of the locations in which we operate, particularly in densely populated cities with limited space to create additional landfills. We strive to reduce the amount of waste that ends up in landfills as a result of our operations. In 2017, all hotels began tracking and reporting data on waste types and disposal methods, and each hotel's performance on waste diversion from landfill and food waste reduction is being evaluated through the CSR scorecard. In 2017, our hotels produced approximately 43,750 tonnes of non-hazardous waste, of which over 9,400 tonnes were diverted from landfill. This represents an overall waste diversion rate of 22% for non-hazardous waste.

Our hotels are achieving waste diversion through various means, including recycling and "upcycling", which is the process of turning certain types of waste into valuable resources. We have implemented paperless check-in in 73 hotels, which significantly reduces the amount of paper waste that we produce. We also encourage our staff to practice what we preach. In 2017, our hotels hosted 218 events for staff to buy and sell, exchange or give away unwanted personal belongings and second-hand hotel items.

Food Waste

Food waste is our most significant type of waste, accounting for close to 60% of our total non-hazardous waste by weight in 2017. Our hotels are taking primary steps to avoid food waste at source through appropriate planning, storage and handling, and secondary steps to recycle unavoidable food waste through food donations, composting and other creative initiatives. According to our three-step approach, the hotels are developing food waste reduction plans, educating and motivating staff to achieve reduction targets, and then reviewing performance to identify and address areas for improvement.

In 2017, we estimate that our hotels donated over 700 tonnes of food to third parties such as non-profit organisations who re-distribute food to the needy, and collected close

to 200 tonnes of used cooking oil that is converted into by-products such as biodiesel, candles and soap. Across 95 hotels, we estimate that we upcycled over 4,300 tonnes of food waste such as by composting it or turning it into animal fodder, and we utilised approximately 50 tonnes of waste for power generation.

Hazardous Waste

The relatively small amount of hazardous waste produced by our hotels is handled responsibly in accordance with locally applicable regulations and procedures. In 2017, our hotels disposed of approximately 39 tonnes of hazardous waste, including cleaning chemicals, retired light fittings and electrical equipment.

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 biodiversity. 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 biodiversity 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 2017, 16 hotels and resorts had Sanctuary projects in place, helping to conserve up to 56 endangered species that are on the International Union for the Conservation of Nature (IUCN) Red List. All of the Sanctuary projects involve partnerships with local organisations that have specialised knowledge and skills and most of the projects support the Shangri-La Eco Centre initiative, which seeks to engage with staff, guests and local communities about the importance of conservation by providing interactive learning experiences and other activities. In 2017, 13 hotels and resorts had Eco Centres.

Sanctuary, Shangri-La's Care for Nature Projects 2017 Highlights

Care for Nature

Three of our hotels and resorts in China and five of our resorts in other locations implement Care for Nature projects. Shangri-La's Sanya Resort & Spa, Hainan, for example, has partnered with Tie Lu Gang Forestry Bureau and the Hainan Bawangling National Nature Reserve to protect the local habitat of the Hainan gibbon. Shangri-La's Rasa Ria Resort, Kota Kinabalu operates a 64-hectare reserve in conjunction with the Sabah State Wildlife Department for the protection of the western tarsier, slow loris and pangolin.

In 2017, Shangri-La's Le Touessrok Resort & Spa, Mauritius implemented a new Care for Nature project by establishing 10 bee colonies within the orchard of the resort. The

project is giving a boost to the local population of bees, which are integral to the local ecology.

Care for Reefs

Three of our resorts located in the Maldives, Fiji and the Philippines implement Care for Reef projects, involving conservation activities such as coral planting and fish house building to protect fragile reef ecosystems in the vicinity of the resorts.

At Shangri-La's Mactan Resort & Spa, Cebu, a marine sanctuary on six hectares of beachfront runs a conservation programme for over 160 species of fish, clams and coral. In 2017, there was a nearly 50% increase in guest engagement at the resort's Eco Centre compared with the previous year. Guest participation in the centre's extensive programme of activities, such as snorkelling, bat counting, basket weaving and local school and community visits, was boosted by the arrival of a number of large corporate groups.

Care for Turtles

Two resorts in Penang, Malaysia and a third resort in Oman implement projects to care for native species of turtle that seek sanctuary on the resorts' beaches in order to nest and reproduce.

At Shangri-La's Barr Al Jissah Resort & Spa in Oman, two expert turtle rangers are employed to help protect the nesting sites of hawksbill and green sea turtles. In recent years, changes in climate associated with global warming have impacted these turtles in a positive way, contributing to an increase in the annual number of hatchlings. In 2017, the resort's Eco Centre focused on enhancing its educational programme for children. In addition to engaging with the children of hotel guests in daily turtle-themed activities, the Eco Centre also hosts regular field visits from local schools.

Other notable Sanctuary projects include the Care for Clownfish project at Shangri-La's Tanjung Aru Resort & Spa, Kota Kinabalu and Aberdeen Marina Club's Care for Horseshoe Crabs project in Hong Kong.

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 behaviour 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.

Sustainable Development Priorities

	OUR ENVIRONMENT	OUR BUSINESS	OUR PEOPLE	OUR COMMUNITIES
	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	Occupational Health	

Environmental, Social and Governance Issues		Security <ul style="list-style-type: none"> - Fire and life safety - Food safety - Indoor air quality - Guest security - Data privacy 	and Safety	
	Biodiversity and Conservation <ul style="list-style-type: none"> - Sanctuary, Shangri-La's Care for Nature Project 	Sustainable Choices	Employee Wellbeing	Volunteering