

UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS FOR FY 2020

Shangri-La Group (“Shangri-La” or “the Group”) has been a signatory to the United Nations Global Compact (“UN Global Compact”) since 2011. This is our ninth Communication on Progress (“COP”). I am pleased to reaffirm our commitment to the UN Global Compact 10 principles. This COP covers the period from 1 January 2020 to 31 December 2020.

2020 was an extraordinary year for us as the COVID-19 pandemic rampaged the world and impacted our business severely. While we had taken additional measures to care for our guests and employees, we had remained steadfast in our commitment to continue to do good in our community as part of our corporate culture and value.

I would like to report that, as of this COP, Shangri-La remains on the Dow Jones Sustainability Index (“DJSI”). This has been our eighth consecutive year. We are the only constituent in the Dow Jones Sustainability Asia Pacific Index from the Hotels, Resorts & Cruise Lines sector. In addition, we maintain our listing on the Hang Seng Corporate Sustainability Index (“HSSI”). These accolades demonstrate Shangri-La’s continuous commitment and leadership in sustainability.

Towards the end of 2020, our Board has also formally endorsed our ESG Framework and the corresponding five years targets on our ESG commitment. At the management level, we established the ESG Committee to drive implementation and ensure accountability for performance against the targets we set. The ESG Committee is chaired by me and comprised all my operating divisions. We are committed to work with our Board to ensure sustainability is firmly embedded in our corporate culture and operation excellence.

Over and above these highlights, details of our approach to sustainable development in our business and key ESG initiatives can be found in our latest [2020 Sustainability Report](#) and an executive summary version can be found in the Responsible Business Section of our latest [Annual Report](#).

Thank you.

LIM Beng Chee
Group Chief Executive Officer
Shangri-La Group

30 June 2021

OUR COMMITMENT TO THE UN GLOBAL COMPACT 10 PRINCIPLES

Shangri-La Group ([Welcome: Shangri-La Group](#)) is one of the world's premier developer, owner and operator of hotel and investment properties which comprises office buildings, commercial real estates and serviced apartments/residences. The Group's other principal business activities also include hotel management services and property development for sale. It currently owns and/or manages over 100 hotels globally in more than 75 destinations under the Shangri-La, Kerry, JEN and Traders brands. Prominently positioned in Asia, the Group has a substantial pipeline of upcoming hotel and mixed-use development projects in Australia, Bahrain, Mainland China, Cambodia, Japan and Saudi Arabia.

BOARD STATEMENT ON ENVIRONMENT, SOCIAL AND GOVERNANCE, 2020

We are committed to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders in order to make a positive impact on our local communities in every location.

We strive to be leaders in corporate citizenship and sustainable development; holding ourselves accountable to international standards in order to serve as good stewards of society and the environment.

Our Environmental, Social and Governance (ESG) Framework is underpinned by strong corporate governance, with emphasis on material topics for our business and our stakeholders organised into four pillars: Our Business, Our Communities, Our Environment and Our People.

SHANGRI-LA'S NEW OPERATING FRAMEWORK THAT SUPPORT SUSTAINABILITY AND THE UN GLOBAL COMPACT

Shangri-La is committed to creating progressive impact to the larger community through in a sustainable manner. Amidst the COVID 19 pandemic that has caused unprecedented disruption to our businesses, we have continued to significantly invest our resources to transform our corporate culture and create sustainable value.

Through our continuing engagement with our people, we aim to embed our Vision "to be the best loved hospitality group pioneering new horizon and setting new benchmarks" and Purpose "to host people to the colourful joys of life in a sustainable manner" in the way we operate, underpinned by the Shared Values in how we strive to conduct ourselves. We believe in everything we do, we uphold our values to "Do Good, Obsess over Customer Experience, Compete to Win, Own our Success, and never Giving Up". In addition, we are guided by our Nature to act with humility, courtesy, sincerity, respect, thoughtfulness, and selflessness.

Our operating framework encompasses beyond our business ambitions, to supporting all the communities in which we operate. For example, in April 2020, our China operations prepared more than 30,000 meals for frontlines at four local hospitals in Wuhan and hosted 236 medical workers from Jiangxi and Hebei during the city's lockdown. Similar acts of support were repeated in Hong Kong and South East Asia region. On International Nurses Day, our Mainland China colleagues joined hands with Yihai Kerry as well to deliver special meals with Thank-you messages to show gratitude for the dedication of over 15,000 medical workers across 39 cities on the front-line.

In Hong Kong where our headquarter is located, we have also launched the "Caring For Our Community Programme" in collaboration with Tzu Chi foundation to deliver more than 16,800 food packages for underprivileged families. Our people's participations span from donations to volunteerism in both packing and delivery throughout the year. Instead of having one-off activity, we strive to provide long-term care to the community we serve. Similar initiative has also been rolled out in other regions, providing care to families in need.

We have also made very strong progress in environmental protection efforts through recycling and education. The aim is not only to recycle waste, but more importantly to reduce waste in a sustainable manner. Please refer to page 4 for partnership with a key supplier to upcycle used linen and page 7 on our Waste Management

overview.

We will continue to care for the community in the sustainable manner, with strict adherence to Sustainability and the UN Global Compact 10 Principles.

HUMAN RIGHTS

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

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

Shangri-La Group remains committed to observing high standard of human rights and aims to uphold its principles in the workplace and amongst relationships with various stakeholders.

Code of Conduct and Ethics

Our Code of Conduct and Ethics (“code”) is the cornerstone that guide our colleagues under various situations in the workplace that may potentially involve human rights, diversity, equality and equal opportunities. At a minimum our businesses must abide by the relevant labour codes of and national laws in all countries in which we operate. Our comply has also taken into consideration the Fundamental Conventions of the International Labour Organization (ILO) and embedded the UN Global Compact 10 Principles. For the period of 2020, there had been no report on any instance of non-compliance with laws and regulations that have a significant bearing on the performance of the Group.

Our Code of Conduct and Ethics sets out the standards which covers the following: leadership responsibilities, equal opportunity and respect, protecting Group assets, full dedication to Group matters, 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 Group’s name, Corporate Social Responsibility (CSR) , external communications, anti-money laundering, slavery and human trafficking, political involvement, and whistleblowing policy.

All new colleagues are oriented on the articles of the Code of Conduct and Ethics so that they may understand and fully aware of the company’s expectations on their conduct and behaviour in the workplace. For the period of 2020, we have achieved 100% completion of mandatory training module on the Code of Conduct & Ethics.

Engaging our Colleagues

Shangri-La strives to foster an atmosphere of engagement and team spirit through a system of open communication. Every hotel maintains a colleagues’ noticeboard and conducts weekly meetings to keep everyone abreast of hotel-level and other developments within the company. The senior management of each hotel engages all colleagues on matters of interest or concerns via the State of Hotel Meeting and Executive Committee Dialogue.

We also ensure that our properties extend the value of human rights and respect the communities that we operate in. Through our CSR programmes, our colleagues will be able to support the hotels to respond to some of the most pressing challenges in their communities.

As the COVID-19 pandemic unfolded in 2020, many of our colleagues had to remain at home due to the various degree of government restrictions. We launched a variety of on-line programmes to keep our workforce engaged and connected during this challenging time. These programmes covered a range of core functional areas in hotel operations, such as culinary skills, customer service, foreign language-learning and office administration. In addition, our Shangri-La Academy had added a record number of multimedia learning resources to its online library focused on staying healthy in body and mind during the pandemic. Thousands of colleagues made the most of this unprecedented opportunity to pursue self-directed learning and to enhance self-care.

Partnering our Suppliers

SHANGRI-LA GROUP

The Shangri-La's [Supplier Code of Conduct](#) aligns closely with our operating framework as well as commitment to the UN Global Compact 10 principles. Shangri-La's Group Procurement Department is the custodian of this policy and functions as the centralized procurement office for the products relating to food and beverage, housekeeping, bedding, room furnishing and hotel essential operating items. In 2020, we worked with more than 20,000 suppliers of goods and services. We endeavor to do business with partners who go above and beyond our basic requirements in terms of environmentally and socially responsible behavior.

To ensure proper respect for human rights throughout our supply chain, we insist that our suppliers must implement fair, humane and non-discriminatory employment practices, provide safe and healthy working conditions, treat their workers and colleagues with dignity and respect, and respect diversity and inclusion. We do not condone any form of slavery, human trafficking or forced labour, including coerced, bonded, indentured or child labour.

Our supplier code of conduct is included as an appendix to contracts with every supplier. All suppliers are required to declare their compliance with the Code and to report any violations or suspected violations to Shangri-La via a dedicated link on our website. Failure to comply with any provision of this code may result in termination of our business relationship. At the same time, we actively seek out supply chain partners with strong credentials whose practices go well beyond our minimum requirements.

We award businesses based on quality and price without prejudice. We endeavour to create long-term win-win relationships with reputed suppliers who share our values and who believe in continuously improving our products, services, and profitability.

A case in point would be our long-term partnership with our supplier – Diversey in response to the COVID-19 pandemic in 2020. Shangri-La was the first hotel group to implement an enhanced hygiene and disinfection certification programme for all our housekeepers and front-line colleagues. Throughout 2020, we worked closely with to design and implement Shangri-La's Official Certification Programme on Hygiene & Disinfection. The certification covered personal hygiene and the correct use of preventative equipment, approved cleaning products and tools, as well as detailed disinfection and inspection process flows. In addition, Diversey also heeded our call to serve the communities most in need. In 2020, 21 of our hotels in Southeast Asia and Sri Lanka had partnered Diversey to upcycle 12.5 Tons of hotel linen into more than 500,000 reusable face masks for donation to local communities.

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

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

Shangri-La upholds the freedom of association and the right to collective bargaining for all colleagues in accordance with national laws in every country of operation. These principles are embedded in our Group HR policy as well as the employee code of conduct.

Equal Opportunities and Respect

(Human Resource Policy No. P1.43: Equal Opportunity and Respect dated 1 Jan 2020)

At Shangri-La, we are committed to ensuring that our workplaces embrace diversity and are free from discrimination based on gender, race, religion, disability, marital status, sexual orientation, family status or any other personal characteristics. We do not condone harassment or any form of conduct that may cause our colleagues to feel embarrassed or uncomfortable at work. 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 the Group's Chief Auditor, Senior Management and the Board. On a bi-monthly basis, the Compliance Committee is convened to handle and resolve grievances, whistle-blow cases and important compliance matters.

SHANGRI-LA GROUP

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 forced and compulsory labour or child labour, human trafficking, sexual harassment, and the exploitation of children. Our policy on the age of employments is to strictly observe local laws and regulations in every country of operation. 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. In 2020, there have been no incidences of child or forced labour reported.

Our hotels are strongly encouraged to employ people from their local communities, and in particular to provide opportunities for People with Disabilities (PWDs). We have partnered with local organisations to offer training and employment from PWDs, and in 2020, we employed 632 PWDs, which represents an average of 1.5% of our workforce.

Shangri-La strives to eliminate discrimination in respect of employment and occupation. 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 (HR) Department. If for any reason the colleague does not want to discuss the matter with individuals in the HR, he or she may discuss the matter with the Chief Human Resources Officer (CHRO), who has overall responsibility for the Group's Equal Employment Opportunity policy in recruiting, hiring, training and promoting.

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 discrimination regard to race, colour, religion, nationality, 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.

Occupational Health and Safety

Safeguarding the health and safety of employees and others with whom we work is the most fundamental of our belief to doing good. This was made even more critical in the face of COVID-19 pandemic throughout 2020. To reduce the risk of cross-infection in our workplaces, we implemented effective prevention and control measures in a timely way throughout the Group. These include provision and mandatory use of personal protective equipment, split team working arrangements and staggered mealtimes to increase social distancing.

Our hotels conduct regular assessments to ensure that all OHS training needs have been identified and fulfilled, particularly for new and less-experienced colleagues. In addition, multiple learning resources covering OHS knowledge and skills are available from Shangri-La Academy Online.

Shangri-La's standards for Fire Life Safety (FLS) reference the USA National Fire Protection Association's regulations and other relevant codes for the countries in which we operate. Each hotel has appointed at least one FLS manager with responsibility for monitoring and maintaining our FLS systems in accordance with group standards and local code requirements.

Cross-functional emergency response teams are on duty in our hotels 24 hours a day, 7 days a week. Together with our Group Business Continuity Plan, the Group's standard operating and emergency response procedures help to guarantee the highest standards of security for our guests, colleagues and visitors. We also have a group-wide Security and Safety Reporting System (SSRS) in place to facilitate timely reporting and management of every incident.

In 2020, there were zero work-related fatalities and 1,138 work-related injuries recorded involving employees and contractors.

Employee Well-being during the Pandemic

Recognising the threat posed by COVID-19 to our workforce, we implemented effective prevention and control measures throughout the Group in early 2020 to minimise the risk of cross-infection in our workplaces. For their safety, our front-line colleagues were provided with personal protective equipment, hygiene kits, and

underwent regular health screening. Strict workplace hygiene, social distancing and infection control policies including the mandatory use of face masks, split team working arrangements and staggered mealtimes were implemented at all properties.

During the year, several of our colleagues were personally impacted by COVID-19 infection or close contact with confirmed cases. We provided paid sick leave and offered our full support, including psychological counselling. In one particularly heart-warming instance, we were able to step in and provide care for the child of a colleague in Wuhan when she and all adult members of her family were taken into central isolation for treatment and quarantine by local authorities.

Learning & Development

The most important tool to empower our colleagues to develop their full potential and to be meaningfully engaged is through concerted, systematic, and innovative learning and development programmes. Operationally, each hotel, regional and corporate office set aside an annual budget amounting to 2% of payroll cost for learning and development initiatives, including essential, functional and leadership programmes, subscriptions for digital content from the Shangri-La Academy Learning Management System, on-the-job learning, and participation in internal or external workshops.

In 2020, 100% of full-time employees completed and passed the core learning and development programmes which included Security Orientation, Fire Life Safety Orientation, and the newly introduced Shangri-La Cares. In addition, 34,635 employees who handle food services completed and passed the Shangri-La Food Safety course.

During the year, we developed and introduced 103 new courses to Shangri-La Academy Online. Every course has a duration of between 20 to 45 minutes. In addition, 44 of our Essential and Functional courses are delivered in a blended format, which supplements the virtual classroom experience with practical on-the-job training and mentoring programmes within our hotels.

The Group continues to focus on strengthening our talent bench strength and on building organisational capabilities to drive business growth. Therefore, we strive to ensure that all learning is relevant and effective. In addition to using e-assessment to validate colleagues' experiences, we collect data from participants for course evaluation. As good assurance practice, hotels maintain complete records of learning and development activities for all colleagues, which are subject to regular audits by our Corporate HR division.

ENVIRONMENTAL PRINCIPLES

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

Principle 8: undertake initiatives to promote greater environmental responsibility

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

Shangri-La recognises climate change as one of the greatest sustainability challenges facing our business and the communities we serve. As we look forwards toward business recovery, we aspire to 'build back better' by further enhancing the eco-efficiency of our operations and strengthening the resilience of our portfolio to climate-related risks. Across the Group, we are currently working on utility saving initiatives that could reduce energy consumption and operating costs in our hotels by an estimated US\$59.5 million per year. These projects include variable control strategies for major systems, hot water system upgrades, energy benchmarking and a low-load energy efficiency strategy.

Mitigating environmental impacts from our properties

We invest in green buildings certified to local and international standards and implement robust Environmental Management Systems (EMS) to integrate environmental considerations into the daily operations of our hotels. Improved waste management is an important focus area of our ESG strategy, particularly for food waste: Our hotels strive to divert waste from disposal in landfills through waste prevention as well as recycling.

In 2020, the Group took proactive measures to manage operating costs, including temporary closure of some

hotels and resorts. As a result, KPIs for the environmental footprint of our portfolio have declined substantially year on year. We expect these adjustments to be temporary, pending the resumption of normal business in 2021 and beyond.

Energy

In addition to purchased electricity, heat and chilled water, our hotels consume fossil fuels such as natural gas, diesel and LPG for heating, standby electricity, or cooking. Combustion of fossil fuels results in some local air emissions, namely NO_x, SO_x and Particulate Matter (PM), however these are not sizeable enough to warrant disclosure.

To reduce both emissions and purchased energy costs, some hotels produce small amounts of renewable energy from roof-top solar installations for both hot water and electricity.

Across the Group, we are currently working on utility saving initiatives that could reduce annual energy consumption and operating costs by an estimated US\$59.5 million. These projects include variable control strategies for major systems, hot water system upgrades, energy benchmarking and a low-load energy efficiency strategy.

Water

Water accounts for a significant portion of our hotels' utility bills, with many relying on municipal service providers not only to purchase freshwater but also to dispose of wastewater. To ensure compliance with local regulations and provide data for accurate calculation of Scope 1 GHG emissions, the Group monitors Biological Oxygen Demand (BOD) content of effluents from hotels.

We have made substantial investments to mitigate the impact of our hotels on availability of freshwater in ecologically sensitive regions. Our resorts in Boracay, Cebu, and the Maldives for example, operate desalination plants using groundwater or seawater to produce freshwater for consumption. In the Sultanate of Oman, Maldives and Mauritius our resorts recycle water for irrigation, washing of external surfaces and other suitable purposes.

Waste Management

Waste 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 2020, the amount of non-hazardous waste sent to landfills by our hotels declined by nearly half compared with 2019, primarily due to reduced hotel occupancy and fewer food covers. This category of waste includes food waste, paper and cardboard, plastics, metals, glass and others such as room amenities and linens. Our hotels also produce small quantities of hazardous waste, which is disposed of responsibly in accordance with locally applicable regulations and procedures.

Reducing Single Use Plastics

In 2020, Shangri-La had continued its journey to progressively eliminating unnecessary consumption of single-use plastic items in our hotels.

Our new hotel at Shangri-La Zhoushan has installed drinking water systems in its guestrooms instead of providing single use bottle water and replacing single-use miniatures with bulk-size toiletry bottles for bath gel, shampoo, and conditioner.

In December 2020, Island Shangri-La, Hong Kong unveiled a new eco-friendly water filtering system in the brand-new Horizon Club Harbour View rooms and suites from levels 50 to 52. The new system entails a quick, efficient, and safe solution to instant hot, boiling and cold water for drinking and washing. Not only does it enhance the modern conveniences for guests but also significantly helps reduce space, electricity, water and plastic waste, and consumption, as compared to the traditional provision of plastic bottled water and an electrical kettle. We estimate up to 500,000 plastic bottles could be reduced per year. Positive feedback has

been received from guests as they appreciate the convenience of making hot tea and getting cold drinking water just by turning on the tap and getting the desired volume without wastage. The filters are regularly checked and changed by in-house teams to ensure maximum hygiene and efficiency.

Since 2019, 14 properties across the Group have switched to serving in-room water in glass bottles and mugs rather than disposable plastic containers. We are also on track to develop a targeted single use plastic reduction roadmap for our hotels in the China region from 2021 onwards.

Tackling Food Waste

Food waste is our most significant sub-category of waste, accounting for 37% of total non-hazardous waste by weight. Our hotels are taking primary steps to avoid food waste at source through appropriate planning, storage, and handling, as well as secondary steps to recycle unavoidable food waste through energy recovery and composting.

Responsible Choices

At Shangri-La, we believe in making responsible choices and encouraging others to do the same. One of the most important ways in which the Group strives to have long-lasting, positive impact on local communities and the natural ecosystems upon which we all depend is by leveraging our influence over guests and suppliers to promote socially and ecologically responsible choices. Our Rooted in Nature initiative has been running since 2014 to promote ethical ingredients in our hotels and organic produce.

In 2020, 88 hotels support our “Rooted in Nature” programme, 2,138 “Rooted in Nature” menu items promoted to guests around the world

Biodiversity and 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 2020 we continued our efforts in the field of habitat and biodiversity. From reef care, turtle care, horseshoe crab care, clownfish care to wetland protection and showcasing flora and fauna, our Sanctuary projects combine conservation with raising public awareness, guest engagement, colleague’s 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 2020, 10 hotels and resorts throughout Asia, Oceania and the Middle East had Sanctuary projects in place, helping to conserve up to 54 endangered species that are on the International Union for the Conservation of Nature (IUCN) Red List. 974 students engaged in environmental education, and 1,057 colleagues volunteered for conservation activities. Throughout the year, our hotels and resorts invested USD51,000 on our Sanctuary projects, released 5,500 turtle hatchlings, planted 137 corals and 100 mangroves, dropped 515 fish houses.

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 business practices and governance standards. Our Code of Conduct and Ethics emphasizes the Group’s desire for all our colleagues to maintain integrity and adhere to a set of ethical values in their day-to-day business dealings. This code applies to all officers, employees and directors of the Group, its subsidiaries, business units and controlled affiliates as well as employees of properties managed by the Group. All employees have been provided with a copy of the Code when hired and are required to confirm compliance with the Code. In 2020, there were no concluded legal cases brought against the Group during the reporting period concerning corruption or fraud.

SHANGRI-LA GROUP

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.

The Whistleblowing Policy is administered by the IA Department. The Group has posted on the Group's corporate website a Whistleblowing and Whistleblower Protection Policy.

Finally, the Group Integrated Assurance Framework empowers ownership and drives accountability in our front-line operations. This framework provided for a formal system of assessment of risk and control and compliance monitoring.

SUMMARY

Our actions are guided by our operating framework that articulates our vision, purpose and beliefs. The framework propels our commitment to the UN Global Compact 10 principles, and we endeavor to embed them into our corporate culture, management strategy and day-to-day operations. This is achieved by a strong leadership from our board and driving ownership at each line of defence under the Integrated Assurance Framework towards the achievement of agreed ESG priorities and targets.