

# TECHNOLOGY ENDOVERS ABEITER LIFE

2020

## Huazhu Group Limited Sustainability Report

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Client



People



**Business** 



Environment



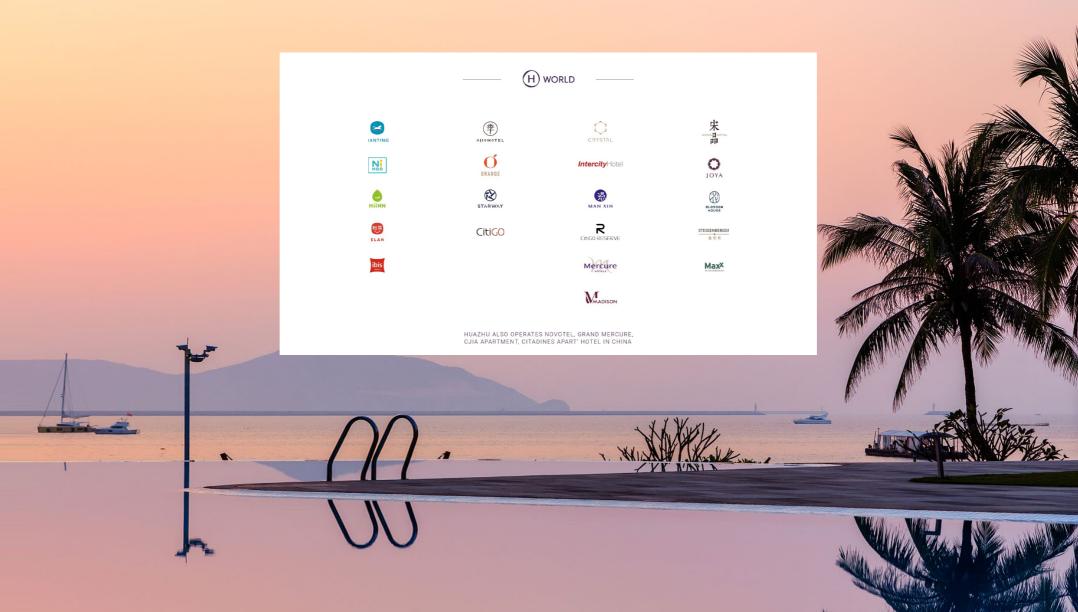
Community

# ABOUT US

Huazhu Group Limited (NASDAQ: HTHT, HKEX: 01179.HK) ("Huazhu" or the "Group") is a multi-brand hotel group in China with a rapidly growing presence across the globe. We operate 6,789 hotels (including 120 hotels under legacy DH) in over 400 cities with 18,668 employees<sup>1</sup> in total through the "manachised"<sup>2</sup> model. Since its founding in 2005, Huazhu has committed itself to a better life with its professional and intelligent management system and a focus on providing customers with high-quality and diverse accommodation and transportation experiences. The Group boasts a portfolio of more than 20 distinct hotel brands covering the full spectrum of market segments. Through a strategic alliance with Accor in 2016, and the acquisition of Deutsche Hospitality in January 2020, we have enlarged our brand matrix with international midto-high-end brands. Moreover, Huazhu launched "H Rewards", a membership loyalty program providing services in accommodation, travel, and shopping, as well as, rewarding the participation of over 169 million members globally.

<sup>1</sup> The statistic caliber excludes employees of legacy DH.

<sup>2</sup> Our hotels are operated under three different models: leased and owned, franchised, and franchised hotels that we operate under management contracts, which we refer to as "manachised".





Client



People



**Business** 



Environment



Community

## Sustainability Management

The identification of key stakeholders and engagement thereof is considered a cornerstone of sustainable management within Huazhu. We have identified 10 important stakeholder groups that include shareholders, investors, customers, suppliers, partners, local communities, and non-governmental organizations. With these, we have adopted various communication and engagement mechanisms for dialogues through press conferences, seminars, investor conferences, satisfaction surveys and more as ways to respond to the expectations and priorities of each stakeholder.

In 2020, we conducted surveys in collaboration with a third-party consulting company aimed at discerning our stakeholders' interests, expectations and requirements regarding the sustainable development of Huazhu. This led to an internal performance review that identified and assessed material issues relating to sustainability. According to this assessment, the Group has identified the extent and scope of disclosure for these material issues which now serve as a basis for attaining our sustainable management goals.

#### <sup>3</sup> Global Reporting Initiative Standards initiated by the Global

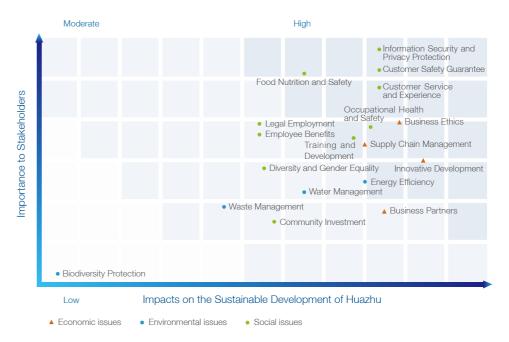
Reporting Initiative (GRI).

<sup>4</sup> Sustainable Development Goals.

#### **Assessment Process of Material Issues**

	Collecting Related Issues	Identified 18 sustainability issues from the economic, environmental, and social areas, with reference to GRI Standards <sup>3</sup> , the UN SDGs <sup>4</sup> as well as best industry practices.
<del>ن</del> <u>- ي</u>	Investigating The Priority	Conducted surveys on all stakeholder groups and engaged stake- holders in priority assessments from their perspectives.
	Analyzing Operational Impact	Consulted senior management's opinions on the importance of the issues Huazhu faced from the company's perspective.
$\bigcirc$	Confirming Issue Priority	Summarized and analyzed all issues stated in matrix form in terms of both importance to stakeholders and the sustainable development of Huazhu.

#### Material Sustainability Issue Matrix of Huazhu in 2020



# Client-

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We consider our guests as our most important asset. Upholding the principle of customer-oriented service, we build a closed-loop accommodation experience through digital hotel operations and management. At the same time, we strictly guarantee the safety of life and property for all of our customers while assiduously ensuring their data security and privacy, thereby securing a more convenient and reliable accommodation experience.

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People



Business



Environment



Customer Experience

> Huazhu emphasizes the customer experience, maintains strict hygiene standards, proactively explores intelligent hotel services, and protects customer rights, aiming to give each guest a uniquely tailored, warm and convenient service.

## **Service Quality**

Huazhu constantly improves its service quality. The Golden Manual, which guides employees in terms of service attitude, efficiency, awareness and quality, was published to strictly regulate the level of service provided by the Group. By encouraging all employees to study the manual, we aim to enhance the overall management and service level of the Group. The manual puts forth 18 service scenarios designed to train and guide our employees in various ways. As of December 31, 2020, our emplovees had studied the manual 11.056.773 times. Moreover, we launched the "Golden Moments" learning platform, through which, exceptional cases of top-quality service and professionalism can be uploaded to serve as model cases to learn from. As of the end of March 2021, approximately 700,000 such cases had been uploaded by 95% of our hotels, with 42% of our employees involved.

We fully guarantee the cleanliness and hygiene of our hotels. We have developed the "4 Cleaning Steps+1"<sup>5</sup> basic standard and uploaded the "4 Cleaning Steps+1" training videos to our online learning platform. As of December 31, 2020, over 90,000 employees, including those employed by our franchised hotels<sup>6</sup>, had completed the online learning courses. Furthermore, we clean hotel rooms using a 36-step cleaning process with six special disinfection measures. In the process, we use cleaning and disinfection products approved by both CMA<sup>7</sup> and EPA<sup>8</sup>. The suppliers who provide cleaning products used in the washing process are strictly selected to ensure the high quality of relevant products.

From September 2017. Huazhu designated the 24<sup>th</sup> day of every month as our official "Cleaning Day". On that day, videos showing the cleaning issues encountered over the years would be played for self-reflection while housekeepers with excellent performance would be commended. Also following strict guidelines in cleaning. HanTing Hotels initiated the "Cleanliness Campaign" in 2016, involving refining the management of hotel cleaning, upgrading cleaning products and tools, adopting a hotel cleanliness rating system, and launching a housekeeper training program. Moreover, a hotel room cleaning competition is held by HanTing Hotels every year to examine the extent to which housekeepers understand the cleaning standards, as well as to inspect their working procedures. During the pandemic, we implemented stricter disinfection standards in hotels, established a sophisticated disinfection management system, and released the Cleanliness 360°, our first white paper on the cleanliness of hotels in the hospitality industry. By taking the aforesaid measures, we set a new industry benchmark in establishing systems for testing and assessing hygiene and endeavor to reassure our guests that they are safe to stay at our hotels in the post-pandemic era.

<sup>5</sup>The "4 cleaning steps" include removing all linen (used and unused) first; wiping and disinfecting cups; cleaning cloths with different purposes being distinguished by different colors, and the cloth for wiping toilets never being used for wiping other equipment; and replacing stained linen. "+1" refers to working with suppliers who provide cleaning products of high quality.

<sup>6</sup>Only our contracted employees and employees hired by our hotel franchises are counted and legacy DH is excluded.

<sup>7</sup>China Inspection Body and Laboratory Mandatory Approval, or CMA for short, refers to China Metrology Accreditation, a comprehensive accreditation and evaluation of the testing ability and reliability of testing institutions conducted by metrology administrative departments of governments above the provincial level in accordance with the *Metrology Law of the People's Republic of China*.

<sup>a</sup> EPA, short for the U.S Environmental Protection Agency. Some countries, including the United States, require some products to be approved by EPA before entering their markets. EPA mainly examines that products are safe for human health and the environment.

## **Digital Experience**

Huazhu values the dynamic needs of customers. We constantly optimize the guest experience by providing them with intelligent services. Our "Easy" series of products provide a full range of intelligent solutions. These products include Easy Check-In/Out, an express self-check-in/out kiosk that is integrated with all the functions of a traditional reception, ranging from booking and selecting rooms to verifying identity and dispensing the room key; Easy Invoice, an invoicing software that saves customers' time by providing efficient invoicing services; Easy House Keeping, a hotel room management software that can provide information concerning all processes, including room cleaning, room status update, and maintenance, thus redefining the Standard Operation Procedure (SOP)<sup>9</sup> in the hotel housekeeping management. We have also launched the "HUA Easy Check-In/Out" kiosk, which can help customers check-in within 30 minutes, and provide such functions as booking reservations, facial recognition, online room selection, payment, self-service keycard collection, invoicing reservation, and check-out.

We are now scaling up the application of intelligent technologies, through services including HUA AI, wireless charging pads, delivery robots, vending machines, and intelligent voice systems in hotel rooms, to take advantage of technologies that help improve management efficiency, achieve more standardized services, and meet the diversified needs of guests in this new era.

Thanks to our "IT-enabled Next-Generation Smart Hotel" program, we became the first Chinese hotel group to be awarded the "2019 CIO 100 Award".



The "HUA Easy Check-In/Out" kiosk



<sup>9</sup> SOP, refers to the description of the standard operation steps and requirements of an event in a unified format, so as to guide and standardize daily work.



People

**Business** 

## **Customer Communication**

We have developed internal management systems like the *Customer Complaint Management Procedures* to regulate our handling procedure of customer complaints and to guarantee that their complaints can be responded to within 72 hours.

Customers can file their complaints or comments via the Huazhu App, Ctrip, Meituan, or by directly contacting our customer service team. The complaints are recorded in our customer experience management system and are then transferred to the hotel general managers within 30 minutes for immediate handling, who are required to enter the results of the complaint handling and improvement measures in the system within 72 hours for regional managers to confirm. In any case of failure to handle a complaint within 72 hours or a second complaint being filed, the complaint would be automatically upgraded to city general/regional managers for handling. After resolving complaint issues, customer service would randomly select 10% of the complaints for follow-up correspondence, through which coupons would be offered to customers and they would be invited to provide comments during their next stay.

By analyzing customer feedback in 2020 and identifying their key expectations for hotels across different economic classifications, we offered suggestions to facilitate the expansion and improvement of the whole range of services provided by our hotels. We also implemented an experience officer evaluation system in 2020, whereby a quest was invited to act as the experience officer and surveyed via the Huazhu App according to their actual quality of service received. We also collect information through online and offline channels, with an aim to identifying problems and making suggestions for improving the overall customer experience. As of December 31, 2020, 81% of respondents of our customer satisfaction survey rated "Excellent", 13% "Good", 4% "Fair" and 2% "Poor". The annual percentage of negative reviews<sup>10</sup> decreased to 0.93%, 0.09% lower than that in 2019.



2020		
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Environment

Community

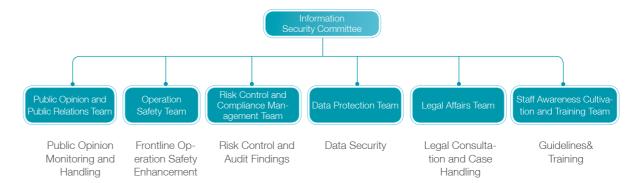
<sup>10</sup> Formula: percentage of negative reviews = numbers of negative reviews or negative feedback segments / the number of room nights sold (only those that can be reviewed).

# Safety Guarantee

We strive to ensure customers' information security, privacy, accommodation safety, and food safety, and are dedicated to building a safe and comfortable living environment.

## **Cyber and Data Security**

We are deeply committed to ensuring the safety of customer data. Strictly compliant with the *Cybersecurity Law of the People's Republic of China,* the *EU General Data Protection Regulation* (GDPR) and other relevant laws and regulations, we have formulated the *General Principles on the Management of Data Safety of Huazhu Group,* the *Measures for Managing Personnel Security of Huazhu Group,* the *Measures for Managing Data in a Classified and Hierarchical Manner of Huazhu Group,* and other internal rules and regulations, so as to lay a solid foundation for our data security management. The establishment of our Information Security Committee, chaired by the CEO and with the CIO as secretary, works toward this goal. Comprised of the heads of various departments, the Information Security Committee convenes regularly to make decisions on major issues concerning information security. We have the Information Security Center in place, which employs professionals in the fields of data security, compliance, and risk management, through whom we deliver expert data security and risk management services to business departments.





The Structure of the Huazhu Information Security Committee

We conduct internal information security audits on a regular basis, and third-party audit agencies are invited to carry out assessments and audit activities. Following the compliance regulations for listed companies, the audit of internal controls was conducted by our Internal Audit and Control Department in 2020, and a third-party audit agency was invited to conduct an independent IT audit and issued an audit report. As of December 31, 2020, our main system had been certified with Classification Protection Level-3, ISO27001 (Information Security Standard), and ISO27701 (Privacy Information Management System). Our payment system complies with the Payment Card Industry (PCI) Data Security Standard (DSS) and security assessment procedures.



#### Huazhu Group Limited

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We have set up a platform named Huazhu Security Response Center (HSRC)<sup>11</sup>, through which security experts (White Hats) are encouraged to point out any security vulnerabilities within our products and services they have identified, so as to help us strengthen our systems and safeguard privacy. As of the end of December 2020, hundreds of White Hats had participated in various online and offline security activities via the HSRC platform, contributing to the construction of Huazhu's robust security ecosystem. We have developed contingency plans for handling data leakage and set up a responsible team, so as to strengthen our cybersecurity incident response capabilities. We also organize attack (red team) and defense (blue team) drills on a regular basis to enhance our defensive capabilities in information security. In 2020, we trained relevant staffs through a drill based on a simulated data leakage incident.

Huazhu held its first "Information Security Week" in the hospitality industry

On September 23, 2019, Huazhu held the "Information Security Week of Huazhu Group" campaign, which encompassed sharing of cases and knowledge concerning information security and interactive activities. Notably, information security experts from QI-ANXIN and Ctrip were invited to share their thoughts on information security, including improving employees' awareness of information security, frequently occurring security loopholes, and the analysis and review of specific security incidents, contributing to industrial exchanges and the development of our employees' knowledge and skillsets. In accordance with our focus on the security of customer privacy, we have fortified each stage of the data lifecycle with relevant protection measures. Compliant with relevant rules and regulations, we guarantee that our applications collect, use and handle customer information in a legitimate manner, following the principle of collecting necessary and the least amount of data and only after receiving customer authorization. We have officially disclosed the Privacy Policies, in which the purposes of data collection, data handling and protection measures are stated in accordance with the customers' right to know. We also conduct an internal Privacy Impact Assessment (PIA)<sup>12</sup>, which sets basic data security standards, enforces data encryption when information is transferred and stored, conducts data desensitization, and strictly safeguards access to data. We have also equipped our hotels with wireless devices capable of detecting hidden cameras to further protect customer privacy.

Huazhu joined the "Inter-enterprise Joint Blue Team Program"

At the MIUI AloT Security Summit held in November 2020, Huazhu, together with MIUI, Tencent and Didi, jointly launched the "Inter-enterprise Joint Blue Team Program", which was designed to enhance enterprises' security capabilities and to comprehensively protect the safety and privacy of all Internet users through the inter-enterprise cooperation of Blue Team constituents. All of our employees undergo diversified and rigorous security training exercises to ensure their competence. For new employees, we apply a training model that combines online courses with in-person training sessions and then assess their overall performance and knowledge via the online Huazhu Information Security Awareness Test. In addition, we disseminate regulations and standards on information security through internal public channels, email, live streams, and other media. Huazhu also organizes privacy security training sessions in a bid to enhance the privacy protection awareness of all employees.

Huazhu dedicates itself to the establishment of a robust information security ecosystem within the hotel industry, actively sponsoring relevant activities and launching information security industry alliances. The Group works intensively with partners to issue industry white papers and jointly build a thriving information security ecosystem.

> Huazhu and Baidu Security Response Center jointly issued the *White Paper* on Security Compatibility of Smart Speakers and the Hotel Industry

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On December 25, 2020, Huazhu and Baidu Security Response Center jointly issued the *White Paper on Security Compatibility of Smart Speakers and the Hotel Industry*, in which information security risks and challenges facing enterprises are illustrated in terms of privacy protection, existing risks and corresponding measures, and a special focus is placed on the identification of information security vulnerabilities and the exploration of solutions. The white paper offers a useful reference for enhancing enterprise information security.

11 https://sec.huazhu.com/ .

<sup>12</sup> PIA is a process to help enterprises identify and minimize privacy risks.

## Check in Safety

**FIRE HOSE** 

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## Huazhu held an informationsecurity workshop

On December 26, 2020, Huazhu held an information security workshop with the theme of "Protecting Information Security and Building a Better Life". Experts from Hui Ye Law Firm, Ctrip, Huazhu, British Standards Institution (BSI), Ping An Insurance, and MIUI were invited to share industry trends and key issues concerning information security.

## Safe Stay

Our *Safety Management Manual* is designed to ensure a hotel environment that is safe, secure and comfortable for guests, safeguarding their vital interests. It is applied to all hotel brands owned by Huazhu Group, including owned and franchised hotels.

Based on the principle of tiered responsibility, we have set up an escalating accountability system for fire safety with designated staff and corresponding responsibilities at all levels, which works in compliance with provisions set forth in the *Fire Protection Law of the PRC, Order No.61 of the Ministry of Public Security.* We regularly arrange for professional fire safety experts to conduct inspections and maintenance for fire control facilities on a daily, monthly and semi-annual basis, with a view to updating and maintaining the effectiveness of fire control facilities and equipment as needed.

To facilitate the protection of customers' life, interests and property, we have formulated robust fire-fighting and emergency evacuation plans, while also conducting semi-annual drills to improve the fire-fighting and prevention abilities of all our hotel staff in the face of an emergency. In collaboration with fire control and rescue departments, we conduct regular fire emergency evacuation drills and eliminate potential fire safety hazards. As of December 31, 2020, over 6,000 locations across our brands had completed evacuation drills. To raise the safety awareness of our employees, we provide pre-service fire safety training for all new recruits, be they contractual, seasonal, temporary, or interns. The training course allows them to understand how to use basic fire-fighting tools, including fire extinguishers, fire hydrants, safety gates, and alarm systems. New employees can only begin formal work after they pass the training course examination. Employee safety training is provided at least once every six months to ensure that 100% of our employees receive updated and relevant training. The fire safety knowledge of all employees is tested on an annual basis. As of December 31, 2020, no major fire accident occurred on Huazhu premises.

In order to protect the physical and personal safety of our guests and their belongings, we abide by the principle of "All Room Occupants Must be Registered", while restricting elevator operations in accordance with the occupancy floor of the keycard holder. Furthermore, our security guards conduct comprehensive hotel-wide inspections every two hours to identify and eliminate any potential safety hazards. During the pandemic, an online doctor consultation service, provided by WeDoctor, was available 24/7 on the "Hello Huazhu" channel of the Huazhu App, accessible to all members of Huazhu.





People

**Business** 

Environment



## **Food Safety**

Huazhu equips its hotel kitchens with advanced dishwashing units that have sanitation functionality and uses disinfecting detergents in hotel kitchens and dining rooms. All regularly-used surfaces within kitchen facilities as well as all kitchen utensils are cleaned and disinfected every day. We also invite third-party agencies to conduct aperiodic quality management inspections, during which dining rooms and kitchens are also scrutinized. Feedback from inspectors is submitted to the Business Department and timely improvements are made accordingly.

We continue to optimize the food supply chain and maintain a partnership with Meituan, Meicai, Shuhai, and other high-quality domestic companies across the food supply chain, eliminating small non-compliant suppliers to ensure the safety and reliability of purchased ingredients.

JI Hotels provide hotel guests with healthful, safe and natural food by using a food supply chain in which food is provisioned by reliable and easily traceable suppliers as well as its own ecological farm operations.

Legacy DH hotels are equipped with sound food safety management systems and strictly abide by local rules and food safety regulations. Following the Hazard Analysis of Critical Control Points (HACCP)<sup>13</sup>, Diversey GmbH conducts audits on the management of Steigenberger Hotels twice a year, and identifies and controls potential hazards occurring in food production, manufacturing and processing cycle, as well as during subsequent services.

Legacy DH endeavors to ensure the safety and reliability of food from farm to table. At the procurement stage, it carefully selects high-quality food suppliers via its e-procurement platform. Suppliers included in the database of which all strictly abide by EU laws and regulations on food safety, e.g. the *General Food Law Regulation*. At the storage stage, legacy DH adheres to the principle of "firstin-first-out", with the best-before-date and status of food being examined every day. At the food traceability stage, all kitchens are required to keep their CCP<sup>14</sup> documents and activity records available to ensure high traceability, thereby minimizing the risk of food poisoning.

<sup>13</sup> A food safety management system accepted by GFSI and the whole world.
<sup>14</sup> CCP, short for Critical Control Point.

# People

Huazhu has always valued talent as the cornerstone of corporate sustainability. Insisting on the philosophy of mutual prosperity between the company and its employees, we are devoted to creating an equal and diverse working environment, ensuring employees' remuneration, benefits, basic rights, and interests. By empowering our employees to realize their potential and enable their development, value is created for all involved.





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People

## Employment and Benefits



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Community

Adhering to the concept of putting people first, Huazhu endeavors to cultivate a welcoming and inclusive workplace, providing competitive remuneration and benefits, improving its democratic management and employee communication mechanisms, all with the goal of shaping a positive working environment that places humanistic at the forefront.



## Diversity and Inclusion

Huazhu is committed to building a diversified workforce. We uphold employment policies whereby applicants will not be judged by their race, skin color, religion, or gender. Candidates will be selected based on the standard of "Virtue Plus Ability but Virtue Before Ability". A thorough evaluation of candidates in terms of their traits, qualities, experience, potential and educational background forms the selection process. Both the recruitment process and results thereof are fair and transparent. When recruiting executives, we will define our position requirements according to the role applied for and hotel classification, and develop a portrait of hotel managers and corresponding competency models to help recruitment teams identify qualified candidates more accurately and efficiently. Legacy DH is committed to fostering a diversified and inclusive corporate culture where every employee is viewed as a unique individual, whose distinctive ideas and attributes are welcomed and respected. Huazhu has formulated and distributed the Employee Manual as well as management SOPs to all staff. The legitimate rights and interests of all employees conferred by labor contracts signed between them and the Group are fully respected and safeguarded. We prohibit illegal employment activity, abuse of power, discrimination, bullying, harassment, use of child labor and forced labor. Furthermore, we actively provide job opportunities to people with disabilities and members of vulnerable groups.

#### The Number of Huazhu Employee<sup>15</sup>



<sup>15</sup> The statistic caliber excludes employees of legacy DH.



Huazhu values its employees' voice. We facilitate the establishment of a labor union to protect employees' freedom of association and encourage them to give opinions. In order to provide employees with smooth communication channels, we have opened the "Love in Huazhu" Wechat official account and Htone platform, and launched the "Connecting to Huazhu" program, so as to listen to hotel employees' voices on a regular basis and address their concerns promptly, thereby improving their sense of belonging and satisfaction. We invited third-party agencies to carry out the employee engagement survey, conducted in the form of online questionnaires and offline focus groups, to understand our employees' thoughts and concerns. According to the survey, the engagement rate of employees reached 77%.





**Business** 



## Employee Experience

Huazhu scrupulously implements performance appraisal systems, provides fair and competitive salaries, dividends and equity incentives, and offers diversified benefits to all employees that extend to their family members, comprehensively enhancing their risk resilience. Moreover, we explore and promote flexible working systems, allowing for adjustable working hours and locations, thus increasing working efficiency and quality of life for the workforce.

The interests of our employees serve as a focal point for the operation of our sporting clubs and monthly employee activities. In 2020, Huazhu organized various outdoor running events and Gobi Desert hikes to reward the spirit of perseverance while promoting a positive and healthy lifestyle.

To alleviate any potential financial burdens of our employees, we have established the "Huazhu Scholarship Fund" to provide the children of employees from low-income families with tuition fees during their undergraduate and postgraduate study at renowned universities. We also arrange meetings between our executives and these children to encourage their growth and development.

As Covid-19 broke out, we added an epidemic-related function on the Htone platform as quickly as possible, through which information about epidemic control in our China-based hotels was published twice a day (morning and evening). Targeted guidance on the prevention of spread was also delivered directly to hotel employees. To safeguard the physical and mental health of our employees, we bought Covid-19 insurance for everyone and provided them with health consultation services and mental counseling hotlines, available 24 hours a day, thus helping them understand the virus's distinguishing features and symptoms, as well as advice on how to cope with the psychological aspect of the epidemic. During the reporting period, no confirmed cases were reported among our employees.



Environment

## Development and Training

Huazhu is committed to helping its employees continually develop their abilities and enhance their competitiveness through smooth career development paths, scientific training systems and diversified training programs.



### **Career Development**

Huazhu has established and continuously improves its employee appraisal system, which strives to be fair, just and transparent, so as to streamline the employee promotion process. At the Group level, we have developed a 3-level hierarchy, i.e. Management (M), Professionals (P) and Hotel (H), to provide our employees with a clear career development path. At the departmental level, we provide customized career paths based on different businesses and positions to better meet position demand. In 2020, we successfully matched our employees to their appropriate positions and levels and completed the transition from a traditional position hierarchy to a modern one by identifying different positions and levels.

The balanced scorecard as our strategic management tool is anchored on four perspectives, reflecting the balance between financial and non-financial measurement approach; that between long-term and short-term targets; that between external factors and internal factors; that between results and process; and that between management performance and operational performance, etc. The evaluation is conducted every quarter and scores are added up and weighted at the end of each year to determine the promotion or demotion of employees. Hence, an evaluation system and a promotion path that are fair, just and transparent are developed for employees.

Huazhu supports the reasonable transfer of outstanding employees within the Group itself. We have issued the *Huazhu Group Internal Transfer Management System* to encourage employees to apply for inter-brand internal transfers after accomplishing a certain number of years of service. Currently, nearly 20% of our newly appointed hotel general managers are transferred from other brands within the Group.

The constant cultivation of our talent reserve is an excellent way for us to ensure business sustainability. In order to support our efforts in cultivating middle and high-end talents, we have launched the "Elite Program" (for directional function) and the "Future 'ZHU' Dreamer" program (for hotel operation), which are designed to select and recruit outstanding university graduates with high quality, huge potential, and international vision. In these programs, supervisors appointed by Huazhu will be responsible for training the new recruits, and internships will rotate across job roles and positions. Regular development activities focusing on industrial knowledge, skill enhancement and team bonding will be conducted on a regular basis.

Huazhu launched Huazhusheng, a university-enterprise cooperation program, to fill in the front-line staff gap for Huazhu by cultivating and promoting qualified graduates as core members of hotel management. In the form of "Modern Apprenticeship Classes", we select and invite college students to come to our hotels to participate in practical training and internships before graduation, so as to attract qualified graduates in advance and create a virtuous cycle for reserving talents. we have established cooperative ties with over 40 universities and nearly 1,000 talented individuals are recruited through the program every year.



Poster of Huazhusheng program



Business

Environment

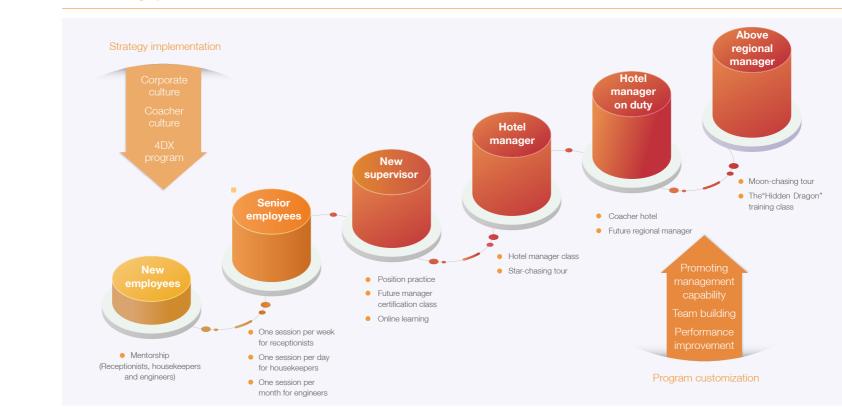


### **Talent Training**

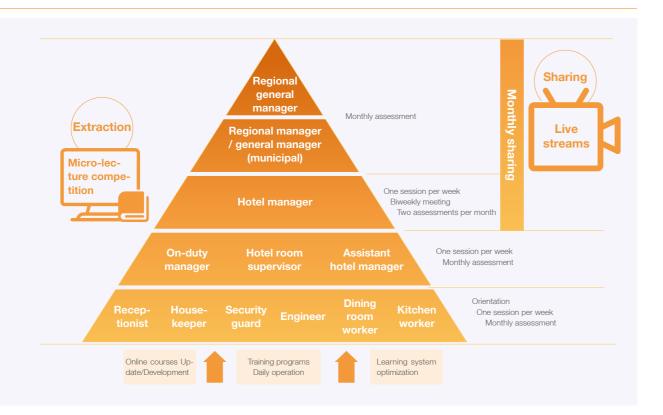
The Huazhu Training Center has been established as an internal talent cultivation platform for employees to take advantage of in preparation for various positions within the organization. It promotes development, communication, understanding of corporate culture, appropriate work experience, and organizational upgrading and transformation. In 2020, the Huazhu Training Center was awarded 15<sup>th</sup> place in the "Top 50 Corporate Training Centers in China" by *Training* magazine.

#### **Talent Training System**

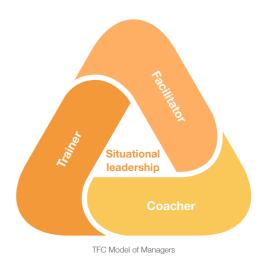
We have also established a brand academy, where a training system consisting of a series of programs for training new recruits, conducting on-the-job training, and cultivating talents for key positions is built, intending to upgrade both transferable skills and position-specific skills of staff in key positions. We have also launched an online training system comprised of "One Major Platform +N Supporting Platforms", through which training on work procedures, corporate culture, and job requirements is provided to meet demands for learning, passing exams, obtaining certificates, and evaluating performance. As of the end of the reporting period, Huazhu Training Center has developed a sound training path for both new employees and management teams from different hotel brands owned by the Group and has launched 30 more targeted training programs.







All managers should be capable of serving as a facilitator, trainer and coach within their role, with selected managers conducting regular training sessions each year to both comprehensively improve their teaching competence and form a top-down training system. As of the end of the reporting period, our brand academy had trained 1,330 in-service trainers for the Group.





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**Business** 

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To further strengthen our training offerings, we have implemented the HM(Hypermedia) training model, under which trainers are assigned to new employees in receptionist and housekeeping roles. In 2020, we developed the HM online training system, via which information on training can be recorded and the HER system of the Group is connected, thereby significantly simplifying the work procedures of staff involved and forming a learning loop for new employees.

Huazhu Group Limited

Besides the "Top-up Degree" program offered by Huazhu to its employees, in 2020, we also launched an online MBA degree program in collaboration with the Swiss Hotel Management School, the courses of which are delivered both online and in-person. This allows our employees to further cultivate their skillsets and meet the high standards of Huazhu. Since starting in October 2020, the program has enrolled approximately 50 employees.

Huazhu proactively encourages all of its business departments and platforms to contribute to the

development of a knowledge base for the hotel industry. We organize various employee competitions to tap into their potential, develop excellent frontline practical experience and theoretical knowledge, and build platforms for employees to demonstrate their expertise, thus contributing to turning Huazhu into a Group with a positive learning atmosphere. In 2020, we held the 3<sup>rd</sup> Micro-lecture Competition and received 3,056 entries in total, 41 of which entered the final and won awards. A piece of work entitled *Hotel English to Your Will: Check-in* obtained the honor of "Top 100 Micro-lectures" in the 2020 (6<sup>th</sup>) China Enterprise Micro-lecture Competition organized by *Training* magazine.

The number of employees, including those of Huazhu's franchised hotels<sup>16</sup> participating in Huazhu online learning courses from mobile terminals in 2020 reached 120,000, together with 15,000 counts of offline training offered to employees from different brands and positions, accounting for 93.48% of all employees, with an average training time per person of up to 68.4 hours.

15,000 counts of offline training offered to employees

2020

93.48% of employees have been trained

Community

<sup>16</sup> Both contracted employees of the company and those of our franchised hotels are counted, excluding employees of legacy DH.

We always look for ways to improve ourselves in the aspects of corporate governance, ethical business and cooperation with suppliers and partners. This is critical in our pursuit of innovation and sustainable development.

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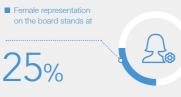
Environment



Community

## Corporate Governance

One of our main endeavors is to achieve effective management and operation of the Group, which includes controlling risks, standardizing internal control systems, having anti-corruption mechanisms in place, and creating an enterprise management structure with clearly defined rights and responsibilities. By maintaining high efficiency, honesty and integrity, our investors can be assured of our sound enterprise management. Our board of directors has been assembled with recognition and respect to different backgrounds in terms of gender, age, culture, education, and experience, allowing for a diversity of opinions and people. In 2020, our Board of Directors deliberated on and approved the Policy on the Diversity of Directors. Currently, female representation on the board stands at 25%.

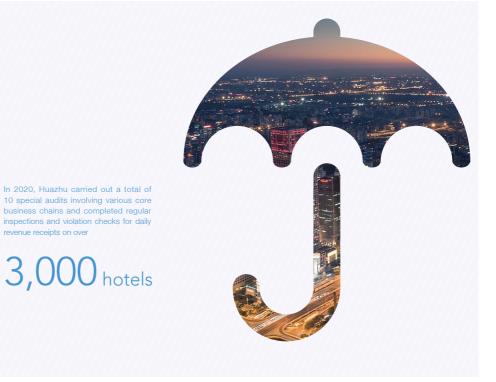


In 2020, Huazhu handled and closed a corruption case during the reporting period. The Group verified and handled the case in accordance with relevant regulations and based on the actual situation. Meanwhile, our whistleblowing feedback rate reached 100% and we have been strengthening our efforts in corruption identification, handling, verification and punishment.

### **Risk Prevention and Control**

We make unremitting efforts in strengthening our risk management system, prioritizing risks in operational practice systematically and working intensively to identify, address and avoid risks. In line with the requirements of the *Sarbanes-Oxley Act*, we conduct audits on a regular basis, covering all hotels in China, and cooperate with relevant departments to rectify or optimize risk handling processes and mechanisms. We prioritize all types of internal risk in hotel operations and hold specialized lectures on tax optimization and risk control for current and potential franchisees. We also hold courses increasing awareness of legal risk in the Huazhu Training Center to enhance our employees' and particularly management staff's knowledge of risk prevention and control at all levels.

2020



### **Business Ethics**

We abide by all applicable laws of the places where we operate, actively develop effective control mechanisms, complaint channels and solutions, and strictly maintain business integrity. In 2020, we formulated and issued the *Anti-Fraud Policy*, based on the original *Code of Business Conduct and Ethics*<sup>17</sup> to reduce operational risks and regulate business conduct.

The C-Suite of the Group set a good example by following all rules and regulations in conducting work;

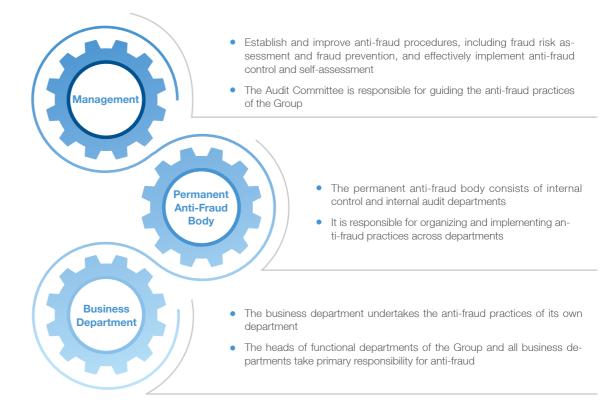
The Code of Professional Ethics and Business Conduct is signed by new employees, and all employees are required to sign the Anti-Corruption Self-Inspection Form once a year;

Diversified communication, education and training on business ethics is conducted and business ethics are promoted in the form of animations and videos via employee manuals, LAN, official accounts, so as to help employees identify whether certain behaviors are legal and morally correct;

All social stakeholders, directly or indirectly related to the Group, are informed of relevant Huazhu management information regarding business ethics, including the *Honesty and Integrity Agreement* on business ethics in cooperation agreements, and reporting channels for unethical and dishonest behavior have been established.

•

We have formed a multi-level, anti-fraud supervision and enforcement body to carry out corruption reporting and supervision actions with clear anti-fraud procedures and in accordance with the *Whistleblowing Policy*<sup>18</sup>.



We advocate for a corporate culture that emphasizes integrity, in accordance with internal and external anti-corruption requirements. The Group has joined and since actively participated in enterprise integrity and compliance activities initiated by the Trust and Integrity Enterprise Alliance, the China Enterprise Anti-fraud Alliance and other industry anti-corruption alliances. In 2020, a total of 8,900 authentic anti-corruption self-inspection forms were submitted by actively participating staff from Group headquarters and business departments, which constituted a response rate of 99.96%. All staff, including those from middle and senior management, cumulatively completed 105,918.95 hours of compliance training on anti-corruption internal control, achieving a 100% coverage target for internal control and compliance training.

<sup>&</sup>lt;sup>17</sup> The document has been disclosed on the official website, please click https://ir.huazhu.com/static-files/5c239fd9-2bd1-4f08-8017-ebaa043167bf .

<sup>18</sup> The document has been disclosed on the official website, please click https://ir.huazhu.com/static-files/74ce7abd-3df8-4a89-84bf-869268826bab .



Client



People

Business



Huazhu maintains close cooperation with business partners during operation, promotes the coordinated development of the industrial chain, and achieves a mutually beneficial outcome for all parties.

## Supplier Management

Huazhu builds a fair, transparent and just supplier management system that guarantees performance and quality while complying with local laws and regulations. According to the *Procurement Management Policy*, we carry out hierarchical management for suppliers and assess, approve and review accordingly. We implement supply chain risk assessments in each step of procurement, auditing and making adjustments for suppliers with risks. As of December 31, 2020, we had 606 suppliers, all of which are domestic. We encourage our suppliers to apply for ISO 9001, ISO 14001, ISO 45001, and other relevant certifications, with a total of 213 suppliers ISO certified in 2020.

Huazhu has launched "Huazhu Easy Purchase", an online, intelligent purchasing platform equipped with functions including procurement, engineering, designing, washing and catering, which is designed to integrate high-quality industrial resources of supply and demand while collecting the procurement data of the Group. The platform promotes the intelligent and e-commerce transformation of procurement, provides suppliers with services like return without reason within seven days, prior refund and third-party guarantee payment, thus providing price, quality and rights guarantee for the upstream and downstream of the industrial chain.

We actively communicate with our suppliers, paying attention to the promotion of regular business, assisting them with common issues and promoting management optimization for their benefit. In 2020, we conducted a total of 13 training sessions for suppliers, sharing technological achievements and benchmark services to advance our strategic partner ecosystem.



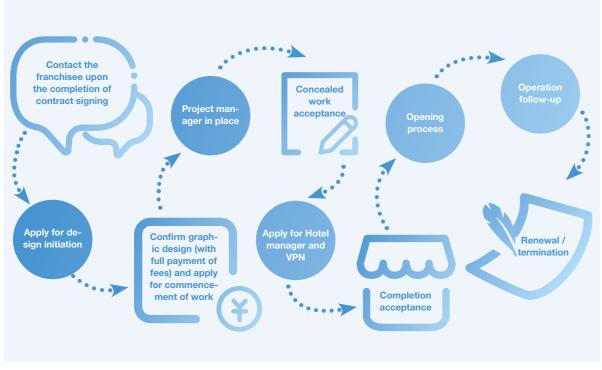
Environment





### **Franchisee Management**

Huazhu has established a complete set of independent standardized management modes, covering phases from franchise development and management to later acceptance. We develop, audit and select franchisees according to the development goal of "Thousands of Hotels in One Thousand Cities" and our internal entry standards. We coordinate the scientifically-based and appropriate distribution of franchised hotels in areas of operation according to the *Minimum Distance Protection Policy for Franchisees*, so as to avoid the regional competition of franchised hotels. Once a franchise relationship is confirmed, we will sign a series of contracts with franchisees, including the *Management Contract*, the *Honesty and Integrity Agreement*, and the *Confidentiality Agreement*, and implement franchisee lifecycle management, so as to help them carry out follow-up business smoothly and protect the legitimate rights and interests of both parties.



Huazhu Franchisee Lifecycle Management Process

To achieve standardized construction of franchised hotels, Huazhu regulates relevant practices in strict compliance with the requirements of the internal *Safety Management Manual* as well as national and industrial building standards for construction plans of different hotel types. These moves are intended to avoid standard deviation in the construction process, keep quality, construction period and cost under control, and ensure the consistency of product quality and service.

Huazhu applies the same safety standards to owned hotels and franchised hotels, and conducts safety inspections and drills for owned hotels and franchised hotels on a daily, monthly and semiannual basis following the *Safety Management Manual* to fully guarantee the operational safety of our hotels. Besides, we actively guide and help franchisees carry out environmental bearing capacity assessments. As of December 31, 2020, 5,988 franchised hotels had carried out such environmental bearing capacity assessments, representing a participation rate of 71.4%.

In order to help franchisees improve their business performance, Huazhu adopts a customized approach. We offer training courses on investment, operation and management, and conduct targeted training on franchisees, in which, "Lecture Hall for Investors", "Huazhu World Congress" and "Franchisee Brand Meeting" have become excellent courses for our franchisees. In addition, we have been continuously strengthening communications with franchisees. In 2020, Huazhu held 44 "Lecture Halls for Investors", five "Huazhu World Congresses" and 17 "Franchisee Brand Meetings", with over 3,000 franchisees participated.

Since the outbreak of COVID-19, we have continuously upgraded and enhanced our support policies for franchisees, such as providing emergency low-interest loans and exemption of franchisee management fees during the expropriation period for all hotels commandeered by government agencies or medical and health institutions, so as to relieve their financial burdens.



Huazhu Group Limited

granted.

Client

## **IPR Management**

People

**Business** 



Environment





# Environment

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While providing first-class hotel services to our guests, Huazhu also pursues an environmentally-friendly development model, emphasizing environmental management and the reduction of our overall footprint. This falls in line with the national goal of peaking emissions and carbon neutrality, contributing to the global efforts to tackle climate change.



Client

People



**Business** 

Environment



Community

## Environmental Management System

We constantly update and improve our environmental management systems, particularly as both our owned hotels and franchised hotels are urged to implement equivalent policies that contribute to the realization of a low carbon society.

We strictly implement an environmental impact assessment and follow the "three simultaneity"<sup>19</sup> requirement of environmental protection to ensure the compliance of both owned hotels and franchised hotels.

Our headquarters in Jiangqiao has been built in compliance with the *Assessment Standard for Green Building* (GB-T-50378-2014) and received the Two-Star Green Building certification.

We explore systematic environmental management with legacy DH hotels certified by ISO 14001 and ISO 50001. In the future, we will promote environmental management standard certification in more hotels.

<sup>9</sup> According to the *Environmental Protection Law of the People's Republic of China*, the environmental protection facilities must be designed, constructed and put into use simultaneously with the main project.

## **Environmental** Climate Action

We support the objectives set forth in the *Paris Agreement*, comply with its requirements for global sustainability, and work towards building a resource-conserving enterprise with refined management practices. To achieve this, we:

Set objectives for energy and resource consumption in hotel management, link them with hotel performance assessments, and regularly track the implementation of objectives. In 2020, functionality for manual input, data comparison and real-time alarms was realized for the energy consumption system of 100% of our owned hotels, with e-mails sent to remind the hotel manager and relevant personnel to take action in case of abnormal data.

Promote the concept of sustainability and reduce greenhouse gas emissions in operation. In 2020, we set the cleaning frequency of air conditioners, improved air conditioning efficiency, and reduced unnecessary energy consumption of air conditioning units while ensuring clean air.

Improve the effectiveness of energy management by enabling a timer to control the ON and OFF time of electrical equipment, with intelligent adjustments made according to seasonal demand.

Promote paperless hotel operation and green offices, and improve operational efficiency through the support of science and technology. In 2020, we achieved paperless operation at our JI Hotels and then built upon this success across the Group. The online circulation and paperless conversion rate of hotel documents reached 87.78% at Huazhu.

Collaborate closely with third-party non-profit organizations. Legacy DH worked together with Atmosfair, a local partner, and launched the social climate protection and carbon dioxide neutralization program, which has passed the relevant certification requirements of the United Nations.

#### Energy and Resource Utilization in 2020<sup>20</sup>

Indicator	Unit	2020
Natural gas <sup>21</sup>	m <sup>3</sup>	12,178,759.77
Purchased electricity	KWH	259,191,923.23
Purchased heat	GJ	2,022,006.60
Purchased steam	m <sup>3</sup>	23,703.13
Total energy consumption	tce (ton of standard coal equivalent)	117,514.56
Energy consumption intensity	kgce/per occupied room per year	5.23

#### GHG Emissions in 2020<sup>22</sup>

Indicator	Unit	2020
Scope 1 <sup>23</sup> : Direct GHG emissions	tCO <sub>2</sub> e	26,624.61
Scope 2 <sup>24</sup> : Indirect GHG emissions	tCO <sub>2</sub> e	230,066.30
Total GHG emissions	tCO <sub>2</sub> e	256,399.08
Total intensity of GHG emissions	kgCO <sub>2</sub> e/per occupied room per year	11.41

<sup>20</sup> The statistic caliber covers all the directly-operated stores of the Group, excluding relevant data of franchisees and legacy DH.

<sup>21</sup> Natural gas consumption is calculated according to the local natural gas supply price and monthly natural gas cost.

<sup>22</sup> The emission of greenhouse gases is calculated according to the *Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Other Industrial Enterprises* by converting the consumption of energy and resource utilization; Power consumption is calculated by reference to the *2012 Average Carbon Dioxide Factor of China Regional Power Grid.* 

<sup>23</sup> Direct GHG emissions (Scope 1): mainly include emissions from the use of natural gas.

<sup>24</sup> Indirect GHG emissions (Scope 2): mainly include emissions from purchased electricity, purchased heat and purchased steam.





Huazhu Group Limited

Client

People

**Business** 

Environment

## Water Management

We always seek to refine the way we manage water resources at all our hotels, monitoring water consumption and regularly inspecting facilities for leaks and damage. We make full use of water that can be recycled and minimize discharge. In 2020, our owned hotels moderately reduced the valve water pressure without affecting the customer experience, limiting water output to 5-6 liters per minute and reducing water waste. Legacy DH hotels installed automatic water shut-off valves on faucets, which reduced water consumption by nearly half while ensuring guest satisfaction.

In 2020, the total water consumption of our owned hotels was 5,316,102.07 tons, with a water consumption density of 0.24 tons per occupied room per year.

2020

Total water consumption of our owned hotels

5,316,102.07 tons

Water consumption density

0.24 tons/per occupied room per year





Procurement

0

## Waste Management

We endeavor to expand on our resource-saving initiatives by exploring methods for waste reduction. Our general waste mainly comprises kitchen water in restaurants, office water and hotel waste, while hazardous waste includes office consumables, hotel cleaning supplies and disinfectants. We manage waste guided by a principle of reduction, reuse, recycling and proper disposal. Awareness Raising

Utilization

Hotel room: banner stands shall be placed in front of the reception of all owned hotels and franchised hotels in Shanghai and Beijing to remind guests that "no disposable daily necessities for hotel rooms are provided without asking", and this program will be successively promoted in all hotels of all brands. We send reminders via channels like the Huazhu App, WeChat and Huazhu Xiaoer, and recommend guests to use the "HELLO Borrowing" service of Huazhu.

Catering: Do not provide disposable tableware such as chopsticks, spoons, knives and forks without asking. Set up signs of reasonable consumption to remind customers to make proper orders and reduce waste.

Carry out environmental impact assessments in the procurement process and give preference to environmentally friendly products.

In 2020, we launched the activity of "Hi Inn 6.0 Green Living" on the Huazhu App, in which guests are offered room rate deductions if they can provide the hotel with environmentally friendly towels and bath towels which they no longer use, so as to encourage more people to choose a green life.

Food waste and domestic waste are handed over to the property management company of

Classify and manage all kinds of waste, and recycle any types of waste that can be recycled or reused.

the hotel or local municipal department for integrated disposal.

Optimize the back-end disposal of hazardous waste and entrust professional agencies to dispose of those that cannot be reused.

# -Community-

Huazhu prioritizes creating a better life as its corporate mission by investing continuous efforts into community welfare and extending its outlook of care into the communities where it operates, particularly focusing on provisions for women and children.

# Caring for Special Groups

In 2008, Huazhu established the Shanghai HanTing Social Welfare Foundation with aims to subsidize groups who are in difficulty and promote social welfare. We pay continuous attention to vulnerable groups and provide aid in infrastructure, finance, employment and education for the disabled, women and left-behind children in impoverished areas.

2020

Total raised

RMB 1,174,638

Helped left-behind children in poor areas

4,588

Lauched online classrooms

Sponsored "Homes for

Women and Children"

10

ms Trainned teachers in rural areas

200

100

Renovated schools over



Huazhu raised a total of RMB 1,174,638 in contributions in 2020. This was used to sponsor 10 "Homes for Women and Children" in Mouding County, Yunnan Province, 31 online classrooms for 4,588 left-behind children in poor areas including Guizhou, Guangxi, Gansu, Jiangxi, Sichuan, Henan, the renovation of over 100 schools, and the training of 200 teachers in rural areas.

Huazhu Group Limited

2014

Held a public welfare activity under

the theme of "helping students with

a caring heart and making their

memory of this summer everlast-

ing" in 14 HanTing hotels in Tianjin

and Hebei, etc. to provide a free

rest area for examinees during the

college entrance examination, with

quality services provided ranging

food, accommodation, supplies,

and care.

#### Client



People



**Business** 



Highlights of Shanghai HanTing Social Welfare Foundation in Caring for Special Groups over the Years





#### 2016

2015

Launched the "Literacy HanTing" program to promote nationwide reading and fund schools in remote mountain villages.



Signed a funding agreement with U-Light for its "Wisdom Spreading Program" of public welfare to build a network for **31** mountain village schools and provide online courses in English, reading and comprehensive quality, etc. The program also provided training opportunities for over 200 rural teachers, to help alleviate the social problem of unevenly distributed educational resources between urban and rural areas in China.

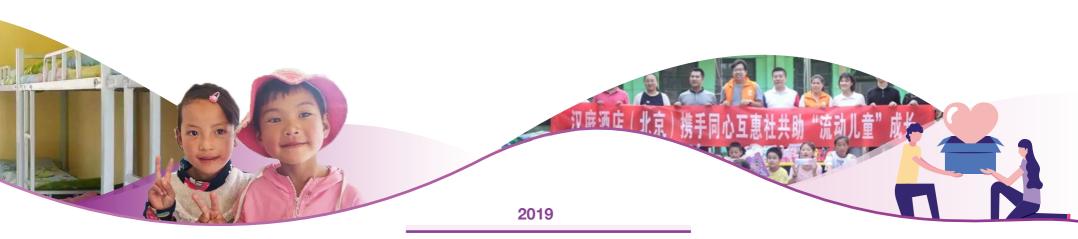
Hi Inn Hotel registered and established the Water Drop Volunteer Team, and carried out the oral health volunteer activity "Caring for Hearing-impaired Children and Tapping the Silent World" in the Shanghai Rehabilitation Center for Hearing-impaired Children.

#### 2017

Cooperated with the Teaching Corps in North-west Yunnan and carried out the "Love from Huazhu 2017 - Northwest Yunnan Dormitory Reform Program", providing standardized transformation of hardware facilities to 100 boarding schools in mountainous areas under poor conditions.

Hi Inn Hotel Water Drop Volunteer Team carried out the volunteer activity of "the Artistic Growth of Children in Difficulties" together with Ganguan Road Women's Federation and Hongbi Children's Health Development Center.

Beijing Division of HanTing Hotel held "HanTing Edu-Aid" events together with Tongxin Experimental School (Chaoyang District, Beijing) to repair school buildings and donate clothes.



#### 2018

Carried out pilot renovation of "New Ecological Bathroom Project" in Daerdi Primary School, Lanniqing Township, Ninglang County, Lijiang City, together with Teaching Corps in Northwest Yunnan, to provide new school buildings and bathrooms for more than **1,300** teachers and students in the mountainous area, and help them overcome bath time challenges.



Established the "Baobei" Foundation together with the Rende Foundation to help disabled abandoned infants receive rehabilitation treatment.

Organized charity sales and donated **RMB 20,000** to the Baobei Foundation.

Launched the "Excellent Seedling Program" for rural students together with U-Light to provide supplementary courses to poor students who are excellent in character and learning.

HanTing Hotel (Beijing) reached a strategic cooperation agreement with Tongxin Huhui to create HanTing's exclusive media to spread love, and officially joined the "Tongxin Huhui Merchant Alliance for Love Transmission" for long-term attention to and caring for the welfare of migrant children and groups in poor areas.

Carried out the "Huazhu Workplace Public Welfare Experience Tour" for **32** disabled people together with Shanghai Disabled Persons' Federation and Shanghai Lequn Social Work Service.

#### 2020

Donated **RMB 100,000** and carried out a Shanghai-Yunnan poverty alleviation cooperation project with Jiading District to care for poor women and children, with **10** "Homes for Women and Children" built.

Established the Lankao Charity Fund with Jiaoyulu Executive Leadership Academy to provide targeted aid to left-behind children.

Organized the program of "HanTing Community Public Welfare Humanistic Library", accumulated more than **7,000 books**, and carried out book donations and reading activities in **18** remote mountain village primary schools.

Donated **RMB 4,012,426** to left-behind children together with the senior management members of Huazhu.





## **Community Partners**



People



Business

As Covid-19 raged across each corner of China at the beginning of 2020, Huazhu responded to the aggressive pandemic by promptly formulating 42 guidelines for pandemic prevention and control, encouraging hotels across the country to heed the national call and fully engage in the supply of pandemic prevention and control services. At the first opportunity, we implemented collaborative efforts for the prevention, control and elimination of the virus through disinfection, contactless services, minimal staff engagement and contact, thus facilitating a safety-first approach.

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During the 2020 Spring Festival period, we secured accommodation for medical workers posted across the country and for people stranded in stricken areas such as Wuhan. We provisioned clean and comfortable accommodation services to meet the guarantine needs of people returning from overseas or arriving from other cities. Backed by our robust logistical network and organizational capabilities, we distributed over 4.06 million masks, nearly 3,000 boxes of sanitizer and other protective supplies to our hotels in operation. In addition, we launched the crowdfunding initiative "One Hundred Thousand Smiles" on World Smile Day, encouraging the public to cheer for Wuhan and send their goodwill and best wishes to the city. By the end of 2020, 905 Huazhu hotels had assisted the government in providing quarantine services, accommodating 119,853 guarantine guests and 29,844 medical professionals from across the country. Our self-service app "Huazhanggui" was used for check-in, ordering and other contactless services over 3.61 million times. These efforts contributed to a spotless record of zero safety accidents and zero infections among guests in our hotels.









**GRI Index** 

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People

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