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2015 SUSTAINABLE DEVELOPMENT REVIEW

# MANAGING FOR THE LONG TERM

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We develop our businesses  
along sustainable lines with a view  
to maximising long-term  
shareholder value.

# SUSTAINABLE DEVELOPMENT

Sustainable development is a key strategic objective for Swire Pacific.

We believe that safeguarding natural resources, reducing our environmental impact, supporting the communities in which we operate, concentrating on health and safety and on our staff and their wellbeing (and that of others with whom we engage) help to create long term value for our shareholders. Swire Pacific does not view sustainability as a cost, but as an opportunity for innovation, growth and improved efficiency.

Through its sustainable development office, Swire Pacific sets policy and monitors its implementation by business units. Policies are set to reflect key sustainability trends, the risks to which the Group is subject and opportunities in sustainability available to the Group. The sustainable development office coordinates committees and working groups that enable operating companies to exchange information and best practices with a view to improving efficiency, reducing costs and engaging with staff. The Head of Sustainable Development reports directly to the Chairman.

Our sustainability reporting follows the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level. For further information about this, please refer to the Swire Pacific reporting methodology, which can be found at [http://www.swirepacific.com/en/sd/sd/gri\\_report2016.pdf](http://www.swirepacific.com/en/sd/sd/gri_report2016.pdf).

We identify topics that reflect the impact that our businesses have inside and outside our operations. We engage with those that have an interest in or are affected by what we do – staff, investors, financial institutions, NGOs, academics, government departments and the media. The topics covered in this report are those that have been identified as being of particular importance to Swire Pacific.

## ENVIRONMENT

Swire Pacific's objective is to minimise the adverse consequences of its impact on the environment, concentrating on greenhouse gas emissions, water and waste. The objective is consistent with our approach to long-term sustainable business

development. To help us get there, we are improving efficiency, innovating and investing.

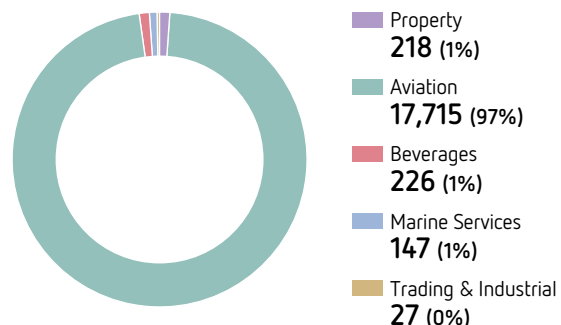
## Greenhouse Gas Emissions

Mitigating the effects of climate change is one of our major challenges as a business. We believe that climate change poses a risk to our operations. We disclose our carbon footprint through the Carbon Disclosure Project and work with industry groups and regulators to support emissions reductions.

In 2015, our greenhouse gas emissions were 18.3 million tonnes of CO<sub>2</sub>e, an increase from 17.7 million tonnes of CO<sub>2</sub>e in 2014. This increase is principally attributable to more jet fuel consumption by the Cathay Pacific group, as a result of more flights being operated.

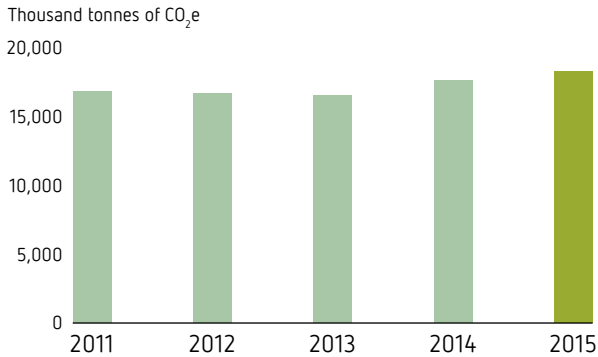
## Total GHG Emissions by Division

Thousand tonnes of CO<sub>2</sub>e



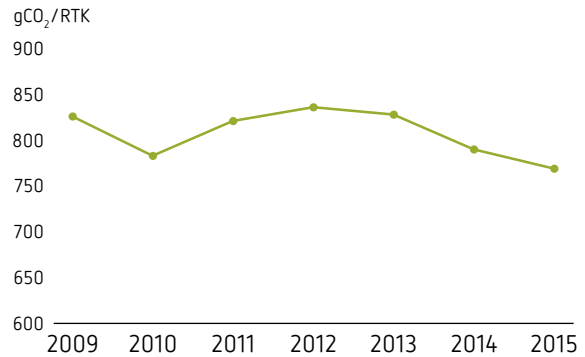
Note: The figures above consist of Scope 1 and Scope 2 greenhouse gas emissions as defined by the Greenhouse Gas Protocol.

### Total GHG Emissions



The aviation division accounts for 97% of our total emissions. Cathay Pacific seeks to manage emissions in accordance with IATA's four pillar strategy. The airline has set a target of improving fuel efficiency by 2% per annum up to 2020, and achieving carbon neutral growth thereafter. In 2015, Cathay Pacific increased fuel efficiency by 3%, principally as a result of using more fuel efficient aircraft.

### GHG Intensity at Cathay Pacific



municipal solid waste into sustainable aviation fuel. Our use of electric vehicles is increasing.

Cathay Pacific's FLY greener programme offset 15,600 tonnes of CO<sub>2</sub> in 2015, by investing in offsets generated by a clean cook stove project in Shaanxi Province, Mainland China, and a wind project in Taiwan.

### Energy

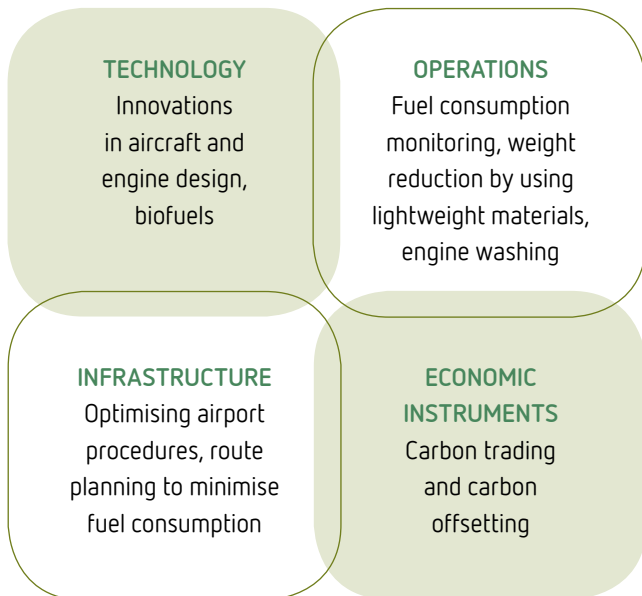
Electricity consumption is our second largest source of greenhouse gas emissions. Our emissions from using electricity in 2015 were 593,000 tonnes of CO<sub>2</sub>e, a 1% decrease from 2014.

Making our buildings and operations more energy efficient is a priority. Our sustainable building design policy requires new and substantially renovated buildings to try to obtain the highest or, as a minimum, the second highest international or local building environmental certification. At the end of 2015, 71 of our buildings had received Beam plus or LEED certification.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. Having reached its previous target two years ahead of schedule, Swire Properties has increased its energy reduction target to 64 million kWh per year by 2020. The Swire Properties energy management plan, which has been in place since 2001, has resulted in a 16% decrease in energy usage from 2001 to 2015 despite a 14% increase in gross floor area. Energy intensity in Hong Kong (excluding hotels) has decreased by 29% since 2001.

In 2015, energy audits were conducted in six operating companies, with savings of 5 million kWh per year identified. Swire Properties also offers free energy audits to tenants. Since 2008, audits have covered 393,575m<sup>2</sup> of commercial office space, identifying savings of 5 million kWh per year.

### IATA's Four Pillar Strategy:



We encourage the use of biofuels in the engines of our aircraft, vehicles and vessels. Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia. Cathay Pacific has a minority stake in Fulcrum BioEnergy Inc., a company which converts

We encourage the use of renewable energy in our operations. 56 million kWh of electricity was generated by solar panels in SPO, Swire Beverages and HAECO Xiamen in 2015. The amount of renewable energy produced by the group is small, but we are looking for opportunities to install renewable capacity in new and existing projects.

A number of our operating companies have systems designed to manage their environmental impact. Each of our divisions has operations covered by ISO 14001.

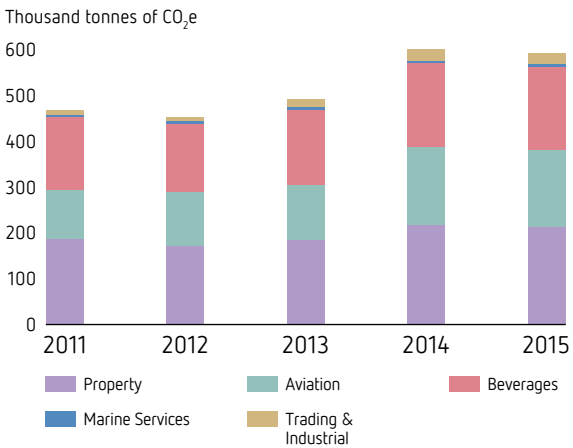
We work with others to provide innovative solutions to our energy needs. In 2015, Swire Properties extended its partnership with Tsinghua University, exploring energy efficiency and management.

**Water**

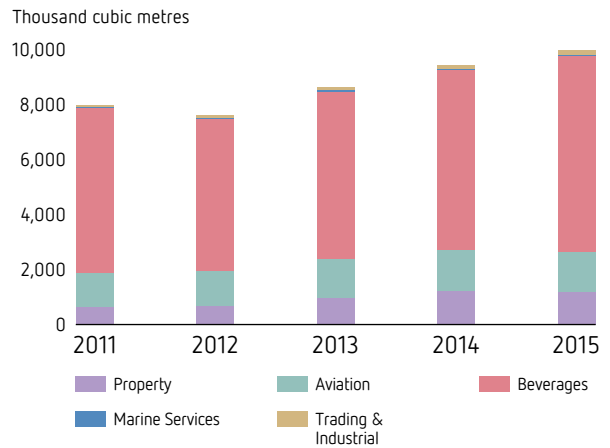
In 2015, we consumed 10.0 million cubic metres of water, an increase from 9.4 million cubic metres in 2014. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations capture rainwater for irrigation and cleaning.

The Beverages Division accounts for 71% of our water use, using water to make beverages and maintain hygiene. Swire Beverages has increased its water efficiency by 39% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2015, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, decreased slightly due to the upgrading of infrastructure and reusing treated waste water.

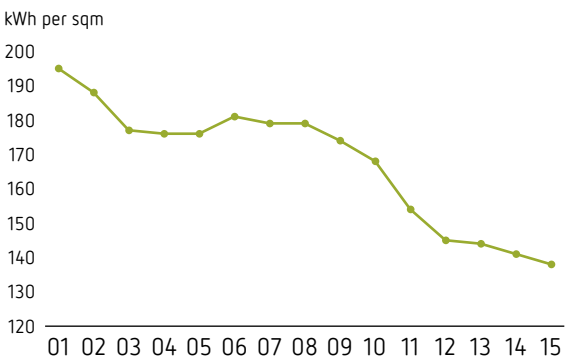
**Indirect GHG Emissions by Division**



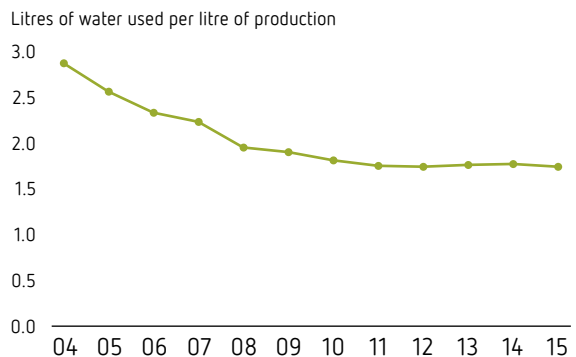
**Water Consumption by Division**



**Energy Intensity at Swire Properties**



**Water Efficiency at Swire Beverages**



All waste water is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment. In the Zhengzhou bottling plant in Mainland China, 100% of waste water is treated before being used by the municipal government in an urban wetland.

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. Projects of TCCC and its bottlers (including Swire Beverages) in the Haihe River basin in Mainland China in 2015 have resulted in 10 billion litres of water being replenished.

### Waste

We started reporting the amounts of waste disposed of and recycled at a group level in 2014. In 2015 there was an increase of 6% in the amount of waste disposed of and an increase of 3% in the amount of waste recycled. Operating companies manage waste by improving procurement and by using less packaging. We aim to recycle more paper, plastic, metal, glass, construction material, food and electronic items. Management and use of waste can be an opportunity. Our investments in Fulcrum BioEnergy is designed to take advantage of this.

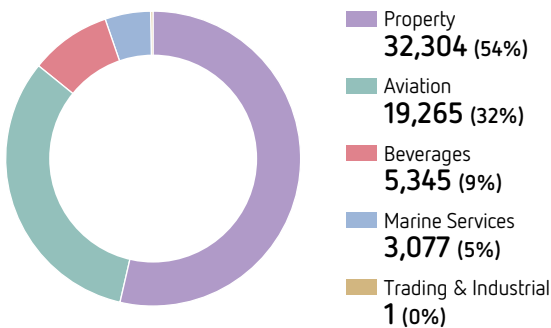
### Aircraft Recycling

In 2015, four Cathay Pacific A340-300 aircraft were recycled at a facility in South West France on their retirement from the Cathay Pacific fleet. Up to 90% of the weight of the aircraft was recycled. Aluminium accounts for 40% of an aircraft's weight. This is melted down and reused. Engines and landing gear are dismantled and made available for reuse.



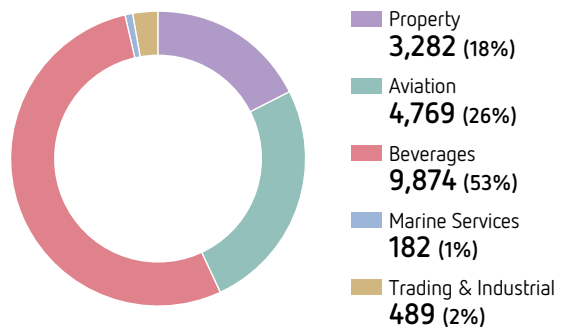
### Waste Disposed of by Division

Tonnes



### Waste Recycled by Division

Tonnes



## HEALTH AND SAFETY

The health and safety of our employees, visitors and partners is of critical importance. We believe that all incidents are preventable. We aim to improve our health and safety management systems with a view to causing zero harm.

### Our Performance

In 2015 the number of injuries per 100 full-time employees (lost time injury rate or 'LTIR') decreased to 1.64. This represents a 19% decrease from 2014 and a 43% decrease over the past 5 years.

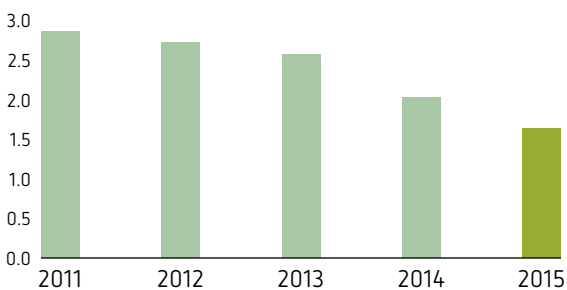
The lost day rate (LDR) is used to track the severity of injuries. LDR fell by 4% in 2015 and by 29% over the last five years.

The reduction in LTIR and LDR reflects safer behaviour by staff and rehabilitation by operating companies. Cathay Pacific and Hong Kong Airport Services started a three-year slips, trips and manual handling campaign in 2015, with a view to reducing relevant injuries by raising staff awareness and training staff on manual handling techniques.

There were no fatalities in 2015.

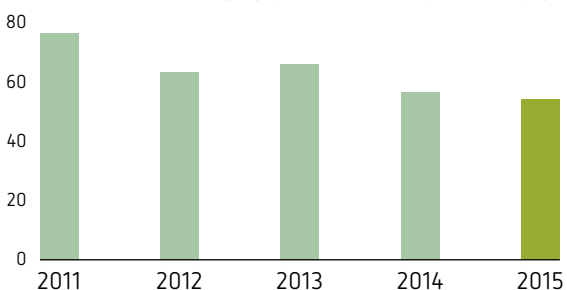
### Lost Time Injury Rate

No. of injuries per 100 full-time equivalent employees



### Lost Day Rate

No. of lost scheduled working days per 100 full-time equivalent employees



## Towards Zero Harm

The Swire Pacific Health & Safety Policy was updated in 2015 to reflect our aim of causing zero harm. Safety is the first agenda item at Group Risk Management Committee meetings.

Establishing a strong safety culture, where employees take responsibility for their own safety and the safety of others, is key to achieving zero harm. We aim to identify and manage potential hazards before an incident occurs by reporting near misses and conducting regular safety audits.

In 2015, Swire Properties obtained OHSAS 18001 certification for two operations in Mainland China. The HAECO Group standardised safety management in all HAECO Group companies. All HAECO Group companies in Mainland China aim to obtain OHSAS 18001 safety management certification by the end of 2016.

### Developing a Safety Culture

A safety culture assessment developed in conjunction with DuPont in 2014 has been extended to all Swire Beverages bottling plants in Mainland China. This provides management with a guide to what needs to be done in order to improve safety and a baseline against which to monitor improvements.

## COMMUNITY INVOLVEMENT

We believe that if the communities in which we operate prosper, so do our businesses. We support the communities in which we operate through the Swire Group Charitable Trust and through the community programmes of our operating companies.

### The Swire Group Charitable Trust ("The Trust")

The Trust was established in 1983. It is overseen by a Philanthropy Council chaired by an executive director of Swire Pacific. The Trust receives all its income from companies in the Swire group and provides funds for charitable purposes to non-profit organisations, mainly in Hong Kong and Mainland China. Its principal focus is on education, the environment, and arts and culture. In 2015, the Trust established the Seeds in Education Fund (which is intended to encourage diverse views and approaches in the education field), started to concentrate on areas of extreme hardship in Hong Kong (in order to support the needs of highly vulnerable groups) and donated HK\$38.8 million to charity.

The following grants were made or renewed during 2015:

Recipient	Grant Amount	Grant Purpose
<b>Arts and Culture</b>		
<b>Arts with the Disabled Association in Hong Kong</b>	HK\$1.5 million annually	To promote the arts and artistic talent among persons with disabilities, to create equal opportunities for them in the world of art and to foster social integration
<b>Hong Kong Maritime Museum Limited</b>	HK\$1.0 million	To pay transport costs for pupils at disadvantaged schools so as to enable them to participate in the museum's education programme
<b>Music Children Foundation Limited</b> Project Name   Drum Fun	HK\$0.8 million	To provide free Chinese drum classes to primary students in Sham Shui Po
<b>Education</b>		
<b>The British Council</b> Project Name   World Voice	HK\$0.9 million	To provide primary school teachers with singing tools and techniques designed to enable them to provide a creative and inclusive learning environment for their pupils
<b>Hong Kong English Foundation Limited</b> Project Name   Community English Language Laboratory	HK\$2.0 million annually	To improve English language capabilities in Hong Kong through a community centre offering free English language training
<b>Life Education Activity Programme</b>	HK\$6.0 million annually	To help prevent substance abuse by providing health-based education programmes for children
<b>Taikoo Primary School</b>	HK\$2.0 million annually	To strengthen the school's English and Mandarin language teaching and support special projects
<b>Various (16 NGOs)</b> Project Name   Seeds in Education Fund	HK\$11.2 million	To encourage diverse views and approaches in the education field
<b>Environment</b>		
<b>ADM Capital Foundation Limited</b> Project Name   Ocean Asia Project	HK\$1.2 million	To increase public knowledge of and demand for sustainable seafood
<b>Bloom Association Hong Kong Limited</b> Project Name   HK Reef Fish Survey	HK\$2.7 million	To increase knowledge of reef fish in Hong Kong waters through underwater surveys
<b>The University of Hong Kong</b> Project Name   Swire Institute of Marine Science	HK\$30.0 million	To expand and upgrade a marine research station
<b>World Wide Fund for Nature Hong Kong</b> Project Name   Sea For Future	HK\$7.9 million	To safeguard Hong Kong's future marine life and restore fisheries through increased marine protection
<b>Extreme Hardship</b>		
<b>Christian Action</b> Project Name   Centre for Refugees	HK\$1.9 million	To provide basic needs, financial aid for children's education and psychosocial support for refugees and asylum seekers
<b>Po Leung Kuk</b> Project Name   Community Canteen	HK\$2.0 million	To provide free or low priced hot meals so as to ensure that elderly and other people with severely limited financial means have proper and nutritious meals



## Swire in the Community

Operating companies arrange their own community programmes in the communities in which they operate. In 2015, staff and their families and friends in Hong Kong contributed over 13,000 hours of voluntary service.

### **We align our community programmes with our businesses.**

The Dragonair Journey of Dreams provided over 50 young beneficiaries of the Child Development Fund with the chance to experience the thrill of flying with their families and mentors. Cathay Pacific's community flight took some 200 residents from less-advantaged families into the skies over Hong Kong. With Feeding Hong Kong, Cathay Pacific Catering Services collects unopened food items and beverages from inbound flights to Hong Kong. 116,000 kilograms of food has been collected and given to the less fortunate since collections started in October 2015. 11,200 people participated in 'Walk for Love' events in 2015, organised by Swire Beverages in Mainland China. Over RMB 3.5 million was raised at these events to enable schools in remote villages to purchase water purifiers to provide safe drinking water to pupils. Swire Coca-Cola HK promotes the importance of hydration and a balanced diet for over 10,000 primary school students in Hong Kong.

### **We support local communities near where we operate.**

SPO supports the Propeller Club of Manila, a non-profit organisation which offers training to young people from underprivileged families in the Philippines. They are trained to become fitters, mechanics or cooks. With the Regional Maritime University in Ghana, SPO provides scholarships, internships, exchange programmes and employment opportunities to students from Cameroon, Cote d'Ivoire, Ghana, Nigeria and Sierra Leone. Swire Properties' annual White Christmas Street Fair was held on Tong Chong Street in Taikoo Place in Hong Kong in December 2015. It attracted over 25,000 visitors with the support of over 290 community ambassadors and raised HK\$1.1 million for Operation Santa Claus. Staff of operating companies clean beaches in Hong Kong and plant mangroves in Taiwan.

**We use the expertise of our staff.** With the Hong Kong Housing Society, Swire Properties community ambassadors operate the Welcome Home: Elderly Safe Living Scheme. In 2015, more than 80 homes of elderly residents in Quarry Bay were visited. Technical staff from Swire Properties installed handrails and non-slip flooring in order to make the homes

safer for the residents. Since 2007, more than 600 volunteers from Cathay Pacific have taught English under the English on Air programme to more than 2,200 teenagers in Tung Chung. Under the Dragonair aviation certificate programme, Dragonair pilots mentor potential aviators by giving them first hand knowledge of the aviation industry.

**We engage with our customers.** In 2015, Asia Miles members redeemed over 300 gift packages. The packages contained HIV diagnostic test kits for 4,800 pregnant women and 32,000 doses of Tetanus Toxoid vaccine to support UNICEF's Aids to Zero campaign. Asia Miles members donated miles for conversion into warm sweaters for 400 elderly persons in Hong Kong. Cathay Pacific's Change For Good Programme has raised over HK\$155 million for UNICEF since inception. Swire Properties raised over HK\$500,000 for the Boys' & Girls' Clubs Association of Hong Kong by selling 60,000 books donated by users and tenants of Swire Properties developments.

**Measuring our impact.** SPO uses a social return on investment methodology to assess the impact of its community programmes. Cathay Pacific uses the London Benchmarking Group guidelines to measure the impact of the English on Air programme. Over 70% of participants indicated that the programme had encouraged them and increased their confidence in speaking English.

**Recognition.** In 2015 Swire Pacific was awarded the 10+ Caring Company Award by the Hong Kong Council of Social Service for good corporate citizenship.

## STAFF

We recognise that our success is dependent on the wellbeing of our staff. We try to be an employer of choice by providing an environment in which all employees are treated fairly and with respect. We want talented individuals to want to work for us. We try to recruit the best people, to offer competitive remuneration and benefits and to provide training to enable staff to fulfil their potential.

### **Employee Profile**

Swire Pacific employs over 82,000 staff globally, an increase of 0.1% from 2014. Most staff are based in Hong Kong or Mainland China.

### Equal Opportunities and Diversity

Swire believes in equal opportunities for all its employees. We recognise that our businesses (which are themselves commercially diverse) benefit from the diversity of our workforce. So it follows naturally that Swire encourages diversity and its concomitant, equal opportunities. A properly diverse workforce is one whose members are not discriminated against. Employees are required to be fully compliant with applicable employment and other laws and must not tolerate unlawful discrimination, harassment or other breaches of applicable law. We have a diversity council (the members of which include the heads of each division) and a gender diversity committee.

The majority of our staff are in Hong Kong and Mainland China. In Hong Kong, there is no legal framework for collective bargaining with trade unions. In Mainland China, we are normally required to deal with official trade unions. Employees can present grievances through established channels.

### Code of Conduct

We have a publicly available corporate code of conduct, which can be viewed at <http://www.swirepacific.com/en/governance/code.php>.

### Staff Retention

In order to recruit and retain talented staff, we offer competitive remuneration and benefits, even in difficult economic times. Decisions on remuneration are made by reference to job responsibilities, individual and business performance, conditions in the job market and the economy. We operate a 24-hour counselling and consultation hotline for employees. We recognise the importance of engagement and communication (in both directions) with staff. We communicate with staff through our intranet, newsletters, surveys and staff forums. We monitor staff turnover with a view to identifying and managing problems.

### Swire Women’s Network

The Swire Women’s Network was launched in November 2015. The aim of the network is to attract talented female employees to join the group and to develop and retain them within the group.



### Training and Education

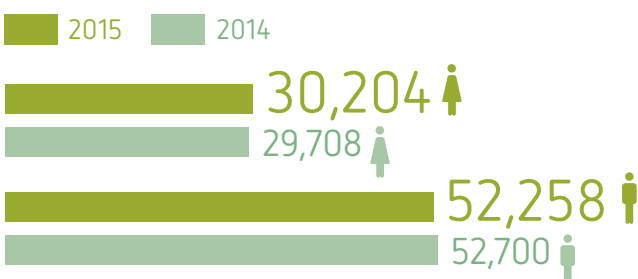
We try to provide all training necessary for staff to develop their full potential. We try to provide more (and more targeted) training every year. All training required by law is provided. Ethos International, Swire’s in-house leadership development company, provides training for promising staff.

### Managing for the Future

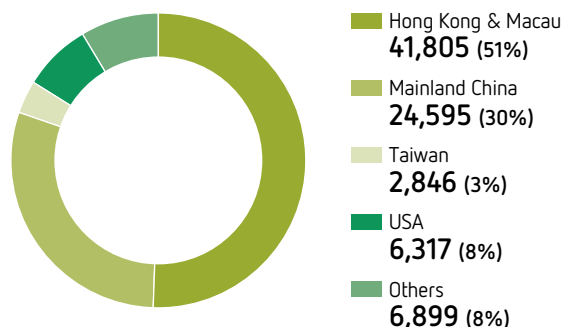
Under our management trainee programme, we select high calibre graduates to work in our operating companies in general management roles. Over the following 15 years we coach and mentor them, send them on courses and plan the steps in their careers. Trainees are expected to be highly flexible, open minded and capable of dealing with new challenges.

Our summer internship programme gives exceptional students the opportunity to gain experience of working with us. Interns first learn about what we do and our values. They are then posted to operating companies to work on business projects.

### Employee Breakdown by Gender



### Employee Numbers by Region



## WORKING WITH OTHERS

Our operating companies are responsible for their own supply chain management. They are supported by our supply chain sustainability working group, which assists operating companies by sharing best practices and developing sustainability policies and guidelines for suppliers.

Our supplier corporate social responsibility code of conduct has been adopted by all Swire Pacific operating companies. It deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the code is assessed.

Operating companies use a risk matrix based on the above supplier code of conduct, with a view to managing and mitigating risks. Attention is focused on high risk suppliers and suppliers with whom we spend the most. The results determine which suppliers need to be audited in order to ensure compliance.

Our sustainable procurement policy commits operating companies to purchasing where possible products which do not adversely affect the environment. It can be difficult to source sustainable products. Our guidelines on doing so are in accordance with international standards. We include sustainability criteria in procurement decisions where possible. With Business For Social Responsibility, Cathay Pacific has identified ways to procure more sustainable plastic containers and cutlery. Suppliers were requested to disclose weight, recycled content, polymer type and energy and water used and carbon emitted during production.

### Recognition

Swire Pacific and Swire Properties are in the Dow Jones Sustainability Index – Asia Pacific. Swire Pacific and HAECO are in the Climate Disclosure Leadership Index. SPO won the Leadership in Sustainability Award at the 16th Annual Business Awards organised by the British Chamber of Commerce, Singapore and the Environment Protection Award at the Seatrade Maritime Awards Asia 2015.

## Description of Our Supply Chain by Division

### PROPERTY



Swire Properties' principal suppliers perform or assist in the planning, design, construction, marketing, sale, leasing, management, maintenance and demolition of properties.

### AVIATION



The principal suppliers to our airlines are manufacturers of aircraft and engines and suppliers of fuel and engineering services.

### BEVERAGES



Supplies obtained by the beverages division directly from TCCC include juices, concentrates and other ingredients, fountain packaging and advertising materials. Things which TCCC authorises third parties to supply to the beverages division include packaging, speciality merchandise, sales and marketing equipment, sweeteners and carbon dioxide.

### MARINE SERVICES



The principal suppliers to SPO and HUD are shipyards, engine manufacturers and suppliers of fuel.

### TRADING & INDUSTRIAL



The principal suppliers of footwear and apparel to Swire Resources and of vehicles to Taikoo Motors are international brand-owning companies, with their own sustainability policies and standards.