

## Sustainable Development Review

At Swire Pacific, we do not view sustainability as a cost or just a set of good intentions; it is a key strategic objective for the business. Sustainability represents an opportunity for innovation, growth and improved efficiency. It helps to fulfil our aim to create long-term value for our shareholders by safeguarding our natural resources, supporting the communities in which we operate, concentrating on the wellbeing of our staff and encouraging our suppliers to maintain high ethical and environmental standards.

The Swire Pacific Sustainable Development Office helps to set policies and monitors their implementation by business units. Policies are set to reflect key sustainability trends, as well as to address major risks and opportunities in sustainability. The Sustainable Development Office also 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. Sustainability matters are overseen by a sustainability committee, which reports to the Swire Pacific Group Risk Management Committee. The Head of Sustainable Development reports directly to the Chairman.

### Environment

We believe that business growth should not come at the cost of the environment. We wish to protect the environment we work in, by encouraging our staff to work to this end, by improving efficiency, by using appropriate technologies and by funding appropriate research and development. This is because ultimately we believe that when we help the world in which we operate to thrive, so do we.

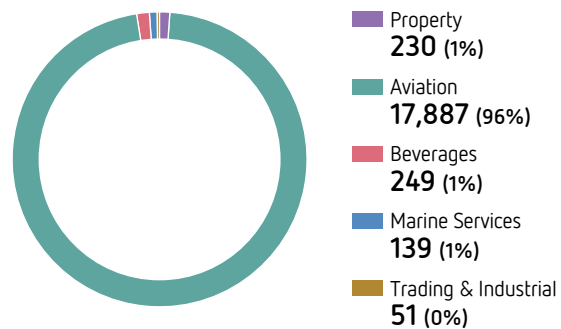
In 2016 we launched our new Group-wide Environmental Sustainability Strategy –“THRIVE”. The THRIVE strategy focuses on six key target areas that have been identified as material to our businesses between now and 2030 with the initial emphasis on 2020 milestones for carbon, waste, water, sustainable materials, biodiversity and climate resilience.

#### Greenhouse Gas Emissions

Mitigating and adapting to the effects of climate change is one of the major challenges for our businesses. To reduce the risks associated with climate change, greenhouse gas emissions must be reduced. We work with industry groups and regulators to support emissions reductions.

### 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.

In 2016, our greenhouse gas emissions were 18.6 million tonnes of CO<sub>2</sub>e, an increase from 18.3 million tonnes of CO<sub>2</sub>e in 2015. This increase is principally attributable to more jet fuel consumption by the Cathay Pacific group, as a result of more flights being operated.

The Aviation Division accounted for 96% of our total emissions in 2016. Cathay Pacific has set a target of improving fuel efficiency by 2% per annum up to 2020, and achieving carbon neutral growth thereafter. This exceeds the agreed industry target of 1.5%. Our strategy for achieving this follows IATA's four pillar strategy (for details, please refer to: <http://www.iata.org/policy/environment/pages/climate-change.aspx>). In 2016, Cathay Pacific increased fuel efficiency by 1%, principally as a result of using more fuel efficient aircraft. Ten A350-900 aircraft were delivered in 2016. These aircraft are 25% more fuel efficient than the existing wide-body fleet.

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 municipal solid waste into sustainable aviation fuel. All of our A350-900 delivery flights used jet fuel that contains a 10% blend of biofuel.

Cathay Pacific's FLY greener programme offset 14,400 tonnes of CO<sub>2</sub> in 2016, by investing in offsets generated by Gold Standard certified offset projects, including projects in Taiwan and Mainland China.

## Energy

Electricity consumption represents our second largest source of greenhouse gas emissions. Our emissions from using electricity in 2016 were 618,000 tonnes of CO<sub>2</sub>e, a 4% increase from 2015. This increase primarily results from an increase in the scope of this report, as more projects have now been fully operational for the whole year.

Our operating companies exchange information about energy efficiency through our energy committee. 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 2016, 75 buildings, representing 70% of our total property portfolio (including buildings in our investment and trading portfolios) had been certified or provisionally certified as green buildings under independent third-party rating systems, including BEAM Plus and LEED.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. The Swire Properties energy management plan, which has been in place since 2001, has achieved a 17.8% decrease in energy usage from 2001 to 2016 despite a 16.6% increase in gross floor area. Energy intensity per square metre decreased by 2% in Swire Properties' Hong Kong and Mainland China property portfolios in 2016.

Swire Properties offers free energy audits to tenants. Since 2008, audits have covered 433,000m<sup>2</sup> of commercial space, identifying savings of 6.3 million kWh per year.

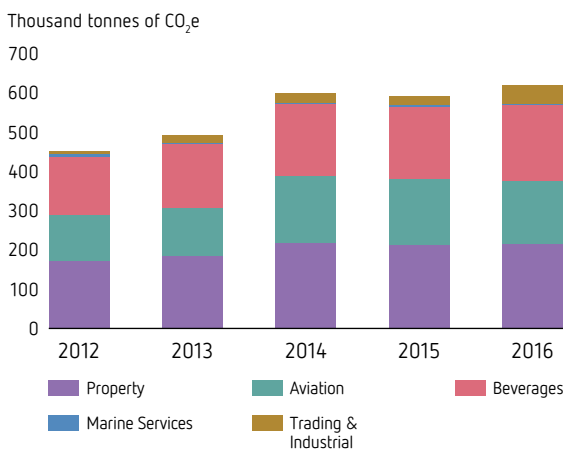
We encourage the use of renewable energy in our operations. 56 million kWh of electricity was generated from renewable energy sources at SPO, Swire Beverages and HAECO Xiamen in 2016. The expansion of the Group's renewable capacity through implementation of new and existing projects will be greatly assisted by the Swire Pacific Sustainable Development Fund. This fund will make available up to HK\$100 million per annum for innovative sustainable projects which, but for disbursements from the fund, would not meet the Group's cost of capital targets.

A number of our operating companies have systems designed to manage their environmental impact. Each of our divisions has operations covered by ISO 14001. In 2016, HAECO Xiamen became one of Mainland China's first maintenance, repair and overhaul organisations with an environmental management system implemented to ISO 14001:2004 standard.

Swire Properties has obtained ISO 50001:2011 certifications for its energy management systems at its entire Hong Kong property portfolio, and at its Taikoo Li Sanlitun, Beijing and TaiKoo Hui, Guangzhou developments in Mainland China.

We work with others to provide innovative solutions to our energy needs. In 2016, Swire Beverages joined Swire Properties in establishing a partnership with Tsinghua University to explore energy efficiency and management at Swire Beverages' bottling plant operations in Mainland China.

## Indirect GHG Emissions by Division

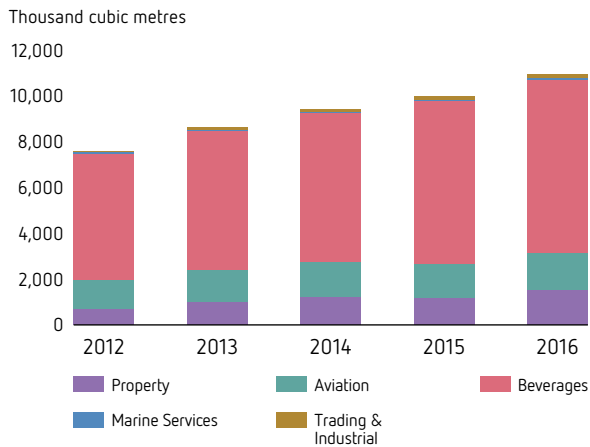


## Water

In 2016, we consumed 10.9 million cubic metres of water, an increase from 10.0 million cubic metres in 2015. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations use rainwater for irrigation and cleaning.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 69% of our water use. Swire Beverages has increased its water efficiency by 37% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2016, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, increased slightly due to calibration of new production lines in Fuzhou, an increase in the frequency of new product trials and a slight increase in production of still products. The Beverages Division reuses treated water and replaces and repairs water piping.

### Water Consumption by Division



All wastewater is required to be treated so that it meets or exceeds legal requirements and can be returned to the environment.

Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. In 2015, The Coca-Cola Company and its bottlers (including Swire Beverages) met and exceeded their 2020 water replenishment goal. They achieved a positive water balance by returning 191.9 billion litres of clean water back to nature, which is equivalent to 115% of water used in global sales volume.

### Health and Safety

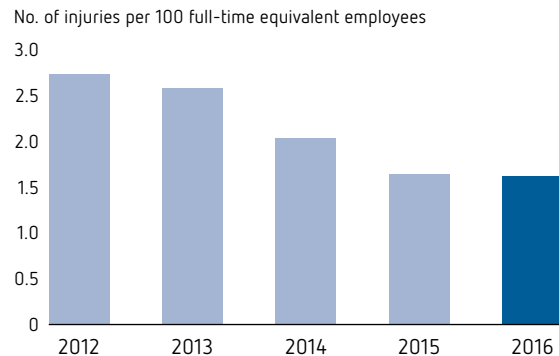
The health and safety of our employees, visitors and partners is of critical importance. We believe that all incidents are preventable. We aim to improve our health and safety management systems continuously with a view to causing zero harm.

#### Our Performance

In 2016 the number of injuries per 100 full-time equivalent employees (lost time injury rate or 'LTIR') decreased to 1.62 from 1.64 in 2015. This represents a 1.2% decrease from 2015 and a cumulative 41% decrease over the past 5 years.

Regrettably there was one fatality in 2016. This occurred when an employee at Qinyuan Bakery in Mainland China was struck by a vehicle while he was delivering goods to a store. Following a full investigation, road safety procedures have been improved and relevant training enhanced to raise staff safety awareness.

### Lost Time Injury Rate



#### Towards Zero Harm

The Swire Pacific Zero Harm Framework focuses on five areas: management commitment, a safe workplace, safe behaviour, continuous improvement of management systems and effective injury management. In 2016:

- Safety became the first agenda item for key management and committee meetings within the Group.
- Swire Beverages adopted interview-style job safety analyses to identify hazards with a view to improving workplace safety.
- Cathay Pacific and HAECO were engaged in manual handling campaigns to reinforce safe behaviour and reduce injuries related to manual handling.
- All HAECO group companies in Hong Kong achieved OHSAS18001 safety management certification.
- Swire Properties and Swire Resources conducted cross safety observation to share best practices.
- Rehabilitation service providers were appointed to improve staff injury management and to implement a return-to-work programme.

The annual Swire Pacific Health & Safety Conference took place in November 2016. This year's theme was "Safety is good for business". It was attended by representatives from Group companies in Hong Kong, Mainland China, Taiwan, Singapore and the USA.

## Staff

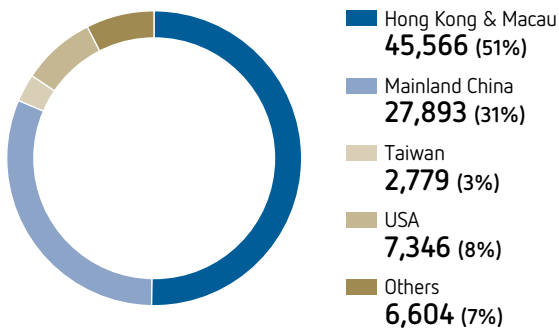
Swire Pacific is a people business. We believe in our people. Our success is built by creating the most talented and diverse workforce possible. We believe that diversity of thought helps us to identify and mitigate risk, create market opportunities and deliver strong, sustainable business performance.

We believe that our success depends critically on our ability to attract and retain talented people in an increasingly competitive marketplace. We aim to be an employer of choice through offering a competitive remuneration package and investing in our staff's training and development so they can reach their potential. For when our staff thrive, so do we.

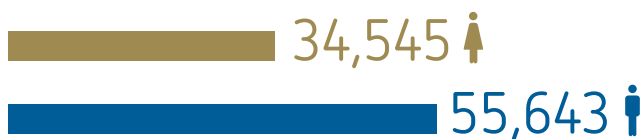
### Employee Profile

At the end of 2016, the Swire Pacific Group (including joint ventures and associated companies) employed over 90,000 staff globally, an increase of 9.29% from the end of 2015. Most staff are based in Hong Kong or Mainland China.

### Employee Numbers by Region



### Employee Breakdown by Gender



## Equal Opportunities and Diversity

We believe that the diversity of our employees provides us with a broader range of skills and experience with which to respond to the challenges and opportunities facing our commercially diverse businesses. We therefore work to create an inclusive workforce, which offers equal opportunities for all our employees.

Our Diversity Council and Women's Network help us to accomplish our aim of creating a diverse and inclusive workforce. Over the last three years the percentage of women in our workforce has increased from 36% to 38%.

Consistent with our Code of Conduct, we do not tolerate unlawful discrimination or harassment in the workplace. Employees are required to be fully compliant with applicable employment and other laws.

### Code of Conduct

Our corporate code of conduct is publicly available and can be viewed at <http://www.swirepacific.com/en/governance/code.php>.

### Staff Retention

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 engage with our staff through our intranet, newsletters, staff surveys and forums. We monitor staff turnover with a view to identifying and managing problems.

### Training and Education

By our training and development programmes, we aim to attract and retain outstanding people and enable them to realise their career goals. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning. Ethos International, Swire's in-house leadership development company, provides training programmes for promising staff. The programmes were developed in partnership with INSEAD and Forum for the Future.

### Managing for the Future

Under our management trainee programme, we select high calibre graduates to work in general management roles in our operating companies. Over the following 15 years we coach and mentor them, send them on courses and plan the steps in their careers.

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

### Working with Others

We have suppliers in many countries. Some of these countries have lower sustainability standards than others. We try to select suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

Our operating companies are responsible for their own supply chain management. Support is provided by our supply chain sustainability working group. The group's role is to share best practices and to develop 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. The results determine which suppliers need to be audited in order to ensure compliance.

Our Sustainable Procurement Policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

### Community Involvement

We believe that if the communities in which we operate thrive, so do our businesses. We support the communities in which we operate through the Swire Group Charitable Trust ("The Trust") and through the community programmes of our operating companies. More information on the activity of the Trust and our operating companies can be found in their separate sustainability reports, which can be found at [http://www.swirepacific.com/en/sd/sd\\_reports.php](http://www.swirepacific.com/en/sd/sd_reports.php). In 2016 the Trust distributed HK\$55,673,632 in funds.

### Reporting and Recognition

In July 2017, we will be publishing a separate standalone sustainability report. Our sustainability report will follow the Global Reporting Initiative's ("GRI") G4 reporting guidelines at the core level and the ESG Reporting Guide for listed companies issued by Hong Kong Exchanges and Clearing Limited. This report together with separate reports from our major operating companies will be available at [http://www.swirepacific.com/en/sd/sd\\_reports.php](http://www.swirepacific.com/en/sd/sd_reports.php).

PricewaterhouseCoopers have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific Limited for the year ended 31st December 2016. Further information on the scope and boundaries of the sustainability data found in this report can be found along with the full text of the limited assurance report from PricewaterhouseCoopers at [http://www.swirepacific.com/en/sd/sd\\_reports.php](http://www.swirepacific.com/en/sd/sd_reports.php).

We report to the Carbon Disclosure Project ("CDP") and to the Carbon Footprint Repository for Listed Companies in Hong Kong. In 2016 Swire Pacific, the HAECO group and Cathay Pacific all received a CDP climate change programme score of B.

Swire Pacific Limited and Swire Properties are included in the 2016 Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index and in the MSCI World ESG and MSCI Global SRI Indices. In 2016, Swire Properties joined Cathay Pacific in being listed in the FTSE4Good Index.

## Statistics – Environmental

	Note	Property		Cathay Pacific group		HAECO group	
		2016	2015	2016	2015	2016	2015
<b>Total Energy Consumption (thousand GJ)</b>							
Direct energy consumption		154	102	245,729	244,603	349	169
Indirect energy consumption		1,023	982	682	464	481	464
Total	1	1,177	1,084	246,412	245,067	830	633
% Change year-on-year		9%		1%		31%	
<b>Total Greenhouse Gas Emissions by Weight (thousand tonnes CO<sub>2</sub>e)</b>							
Direct (Scope 1)	2	13	6	17,702	17,535	27	12
Indirect (Scope 2)		216	212	80	85	78	83
Total	1	230	218	17,782	17,620	105	95
% Change year-on-year		6%		1%		11%	
<b>Total Water Used (thousand cbm)</b>							
Water used	3	1,522	1,169	866	846	710	633
% Change year-on-year		30%		2%		12%	

## Statistics – Health & Safety

	Property		Cathay Pacific group		HAECO group	
	2016	2015	2016	2015	2016	2015
Thousand hours worked	11,674	9,689	69,059	66,135	39,415	33,884
Total lost time injuries	105	92	970	913	299	238
Lost time injury rate (LTIR)	1.80	1.90	2.81	2.77	1.52	1.40
% Change year-on-year (LTIR)	-5%		1%		9%	
Total fatalities	–	–	–	–	–	–

### Notes:

- Totals may not be the exact sum of numbers shown here due to rounding.
  - For the Cathay Pacific group, only CO<sub>2</sub> emissions for aviation turbine fuel are reported as there is no scientific consensus on the global warming effect of other emissions. Cathay Pacific monitors developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre.
  - Virtually all water consumption by the Swire Pacific Group is withdrawn from municipal water supplies provided by local water supply authorities. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is insignificant in relation to the Group's total water consumption.
  - This figure excludes on-hire vessel fuel consumption as this belongs to scope 3 as defined by the Greenhouse Gas Protocol.
- R. Denotes sustainability data that has been reported on by PricewaterhouseCoopers. Please refer to the independent limited assurance report for further details.

Beverages		Swire Pacific Offshore (Note 4)		HUD group		Trading & Industrial		Total (Note 1)	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
781	657	1,337	1,443	329	331	51	29	248,730	247,334
1,170	1,034	5	6	19	22	244	131	3,624	3,103
1,951	1,691	1,342	1,449	347	353	295	160	252,354 <sup>R</sup>	250,438
15%		-7%		-2%		84%		1%	
55	44	108	115	27	27	6	2	17,938	17,740
194	182	1	1	3	4	46	25	618	593
249	226	109	116	30	31	51	27	18,556 <sup>R</sup>	18,333
10%		-6%		-3%		89%		1%	
7,585	7,105	-	-	77	57	178	155	10,938 <sup>R</sup>	9,963
10%		-		35%		15%		10%	

Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
45,304	42,328	12,194	15,443	1,995	1,765	17,767	9,808	84	77	197,492	179,130
113	119	4	10	12	13	96	79	0	0	1,599 <sup>R</sup>	1,467
0.50	0.56	0.07	0.13	1.20	1.47	1.08	1.61	0.00	0.00	1.62	1.64
-11%		-46%		-18%		-33%		-		-1%	
-	-	-	-	-	-	1	-	-	-	1 <sup>R</sup>	-

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