

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.

Governance

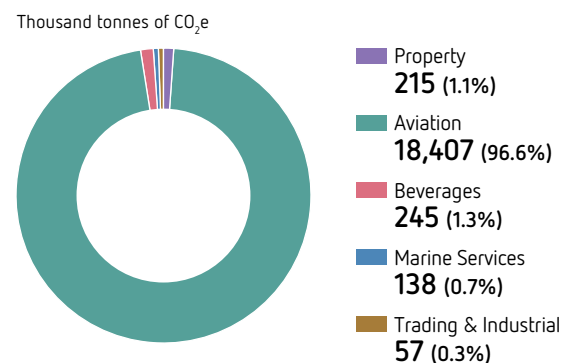
The Swire Pacific Board is ultimately accountable for sustainability matters. Information on sustainability matters is reported to the Group Risk Management Committee (GRMC), which is chaired by the Finance Director. The GRMC reports via the Audit Committee to the Board. The GRMC oversees the Swire Group Sustainability Committee, the Energy Committee, the Supply Chain Working Group and the Environmental Best Practices Working Group. Later in 2018, semi-annual meetings of division heads (which will be chaired by the chairman of the Board) about sustainability will start to be held.

The Sustainable Development Office (which reports, through the Head of Sustainable Development, to a member of the Board) is responsible for setting sustainable development policy, for monitoring the implementation of policy and for implementing SwireTHRIVE, the group's sustainability strategy. Policies are intended to reflect key sustainability trends and to address major risks and opportunities in sustainability. The Sustainable Development Office coordinates the sustainable development committees and working groups. These committees and groups enable operating companies to exchange information and best practices with a view to developing specific policy recommendations, improving efficiency, reducing costs and engaging with staff.

Risk Management

Swire Pacific and its operating companies have an Enterprise Risk Management (ERM) system, which is intended to identify, assess, monitor and manage risks, including those related to sustainability. The Board of Directors and the management of each division are responsible for identifying and analysing risks (including those relating to sustainability) underlying the achievement of business objectives and for determining how such risks should be managed and mitigated.

Total GHG Emissions by Division



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

Environment

If our business is to thrive in the long-term, we need to play a part in protecting the environment upon which we depend. Our SwireTHRIVE strategy (introduced in 2016) is intended to enable us to play that part. Its purpose is that our businesses should consider their impact on the environment as part of their aim for long term success.

SwireTHRIVE focuses on environmental sustainability because our success (and that of the communities in which we operate) depends on a thriving natural environment. We concentrate on carbon, waste, water, sustainable materials, biodiversity and climate resilience.

The Swire Pacific sustainable development fund offers financial support to operating companies for projects which can deliver long term sustainability benefits, but which cannot be justified by reference to our cost of capital targets.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. In 2017, operating companies set targets for reducing carbon intensity. These are intended to reduce the Group's carbon intensity up to 2020 by 8-10% by comparison with a 2015 frozen efficiency baseline (a frozen efficiency baseline being one from which performance is projected with the assumption of no improvement in current efficiencies). Achieving these targets will depend on innovation and new technologies. In 2017, our greenhouse gas emissions were 19.06 million tonnes of CO₂e, compared with 18.56 million tonnes of CO₂e in 2016. Cathay Pacific used more fuel because it operated more flights.

The Aviation Division accounted for 96.6% of our total emissions in 2017. 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 (see: <http://www.iata.org/policy/environment/pages/climate-change.aspx>). In 2017, Cathay Pacific increased fuel efficiency by 1.8%, principally as a result of using more fuel efficient aircraft. Twelve A350-900 aircraft were delivered in 2017. 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 Cathay Pacific's A350-900 delivery flights used jet fuel that contains a 10% blend of biofuel. 22 of these aircraft had been delivered by 31st December 2017.

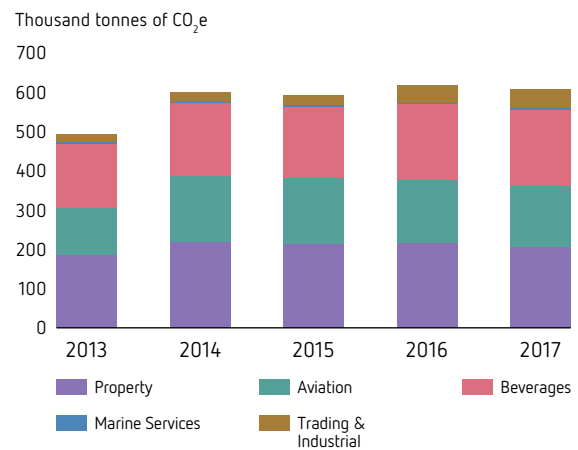
Carbon offsets are purchased by Cathay Pacific and Swire Pacific Offshore. Cathay Pacific's FLY greener programme offset 13,696 tonnes of CO₂ (tCO₂) in 2017, by investing in offsets generated by Gold Standard certified offset projects, including projects in Taiwan and Mainland China. In 2017, Swire Pacific Offshore purchased credits worth 452,824 tCO₂ emissions under the United Nations Framework Convention on Climate Change, the EU Emissions Trading System and Climate Care.

Energy

Electricity consumption represents our second largest source of greenhouse gas emissions. Our indirect emissions (which are primarily derived from using electricity) in 2017 were 608,516 tonnes of CO₂e, a 1.5% decrease from 2016. This decrease primarily reflects improvements in energy efficiency at Swire Properties' properties in Mainland China.

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.

Indirect GHG Emissions by Division



Note: The data is adjusted to reflect actual situation.

Swire Properties designs, constructs and operate properties with a view to reducing electricity use. At the end of 2017, 54 buildings, representing 64% of its total property portfolio, had been certified or provisionally certified as green buildings under BEAM, BEAM Plus and LEED independent rating systems. Some other buildings were renewing their BEAM Plus Existing Buildings ratings.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. Since 2008, Swire Properties has reduced its annual energy consumption in its Hong Kong portfolio by 53 million kWh, which is in line with its 2020 target. In its Mainland China portfolio it has reduced its annual energy consumption by 17 million kWh from the consumption which would have occurred if no changes had been made, putting it on track to meet its 2020 target.

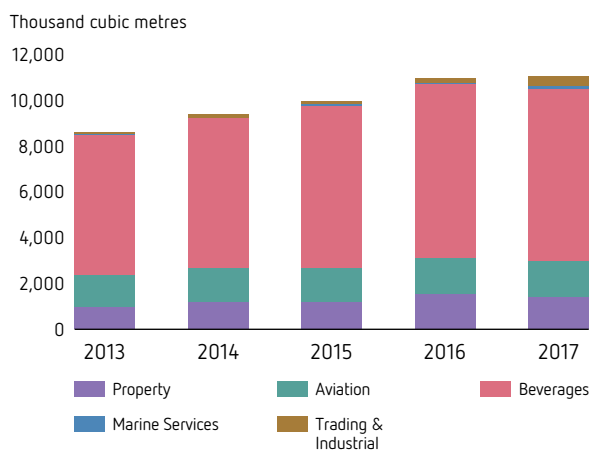
Swire Properties offers free energy audits to tenants. Since 2008, audits have covered 468,000 m² of commercial space, identifying potential annual energy savings of 7.9 million kWh.

We encourage the use of renewable energy in our operations. 11.08 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Beverages and HAECO Xiamen in 2017. The Swire Pacific sustainable development fund is available to support suitable renewable energy projects.

Each of our divisions has operations covered by ISO 14001.

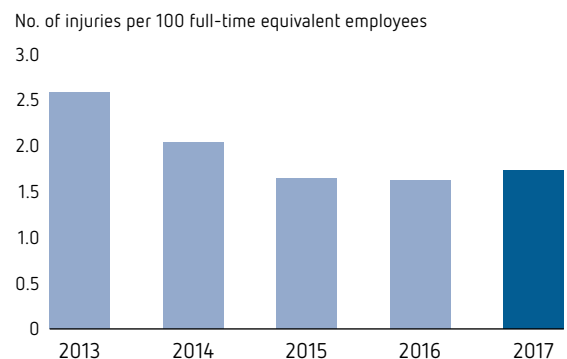
Swire Beverages and Swire Properties explore energy efficiency and management under a contractual arrangement with Tsinghua University.

Water Consumption by Division



Note: The data is adjusted to reflect actual situation.

Lost Time Injury Rate



Note: The data is adjusted to reflect actual situation.

Water

Our businesses depend on water. Water stress can affect our suppliers and the communities and biodiversity in the areas in which we operate. We aim to use water responsibly and sustainably and to protect our water sources. Where possible, we try to discharge water back into the environment in a clean and safe condition. In 2017, we consumed 11.05 million cubic metres of water, an increase from 10.9 million cubic metres in 2016. This increase is due to an increase in the operations of our Qinyuan bakery business. We set water intensity targets and encourage operating companies to use water more efficiently. Some of our operations use rainwater for irrigation and cleaning. We aim to reduce our water consumption by 3-4% from its 2015 baseline.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 67.8% of our water use. Swire Beverages has increased its water efficiency by 41% since 2004. It has a target of a 25% improvement in water efficiency by 2020 over 2010 levels. In 2017, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, decreased slightly. We replaced and repaired pipes, improved cleaning processes and reused wastewater.

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 continually with a view to causing zero harm.

Our Performance

In 2017 the number of injuries per 100 full-time equivalent employees (lost time injury rate or 'LTIR') increased to 1.73 from 1.62 in 2016. This represents a 6.8% increase from 2016. This is mainly due to increased LTIR at the Cathay Pacific group. Total LTIR has reduced by 33% over the last five years.

Regrettably there were four fatalities in 2017. Two were in Hong Kong, one in Mainland China and one in the USA. Three were vehicle-related incidents. They occurred at Swire Waste Management Limited, Cathay Pacific Service Limited and Swire Coca-Cola, USA respectively. The fourth was a fall from height incident at Swire Cold Chain Logistics (Nanjing) Company Limited. Full investigations of each incident were conducted. Relevant job safety procedures have been improved and training has been given to raise staff safety awareness.

Towards Zero Harm

We aim through training, learning and transparent reporting to improve our health and safety performance and safety culture continually. In 2017:

- Swire Properties conducted safety observations in its properties in Hong Kong and shared relevant best practices.
- Cathay Pacific, HAECO and Swire Coca-Cola USA held manual handling campaigns to reduce related injuries through training and the application of proper lifting techniques.
- Most HAECO group companies adopted standardised incident investigation techniques. Relevant training was provided to health and safety representatives.
- Swire Beverages conducted safety reviews at all their newly acquired plants in Mainland China and the USA.
- SPO reviewed their safety risk management process, conducted training and extended the process to their fleet.

The annual Swire Pacific Health & Safety Conference took place in November 2017. This year’s theme was “Embedding Safety Culture”. It was attended by 65 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 depends critically on our employees. By providing an environment in which all employees are treated fairly and with respect, we aim to be an employer of choice that attracts the most talented employees. We aim to recruit the best people, to offer competitive remuneration and benefits, to have a diverse workforce that represents the diversity of our local communities and to provide training to enable staff to realise their potential.

Employee Profile

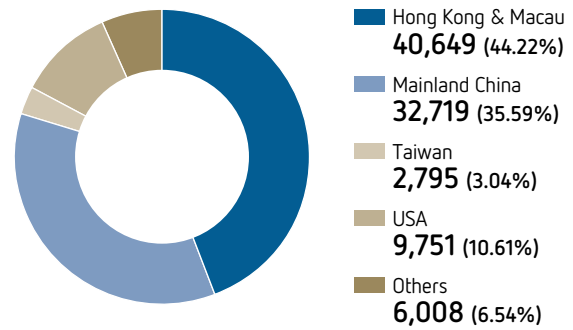
At the end of 2017, the Swire Pacific group (including joint venture and associated companies) employed over 91,000 staff, an increase of 2.32% from the end of 2016. The increase is due to the acquisition of new bottling plants at Swire Beverages. Most staff are based in Hong Kong and Mainland China.

Equal Opportunities and Diversity

We believe that the diversity of our employees provides us with a broad 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.

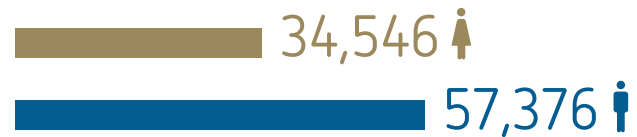
Our Diversity Council and our Women’s Network help us to accomplish our aim of creating a diverse and inclusive workforce. In 2017 the percentage of women on the Board was 18.2%.

Employee Numbers by Region



* Employee numbers are ascertained by reference to the relevant GRI reporting requirement.

Employee Breakdown by Gender



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

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. There is 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 learning and development programmes for promising staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos' training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with Swire values.

Managing for the Future

The Swire Leadership Programme accepts up to 20 high-calibre graduates every year with a view to developing their professionalism for a long-term career. Over the following 12 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 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

At Swire Pacific we understand the importance to our businesses of the economic, social and environmental health of the communities in which we operate. Our community involvement reflects our belief that, when the communities in which we operate prosper, so do we. We concentrate on doing things where we believe we can make a difference. Our emphasis is on education, arts and culture and the environment.

We support the communities in which we operate through the Swire Group Charitable Trust and through the community programmes of our operating companies. In 2017, Swire Pacific introduced Swire China Scholarships, which will provide funding to Hong Kong students at nine universities in Mainland China.

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. In 2017 the Trust distributed HK\$59,476,691 in funds.

Reporting and Recognition

We will report in detail on our sustainability performance in a separate sustainability report which will be published in July 2018. Our sustainability report will be prepared with reference to the Global Reporting Initiative's ("GRI") standards core option and will follow 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.

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 2017. 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.

We report to the Carbon Disclosure Project ("CDP"). In 2017 Swire Pacific, the HAECO Group and Cathay Pacific all received a CDP climate change programme score of B.

Swire Pacific Limited is included in the Dow Jones Sustainability Asia Pacific Index and the Hang Seng Corporate Sustainability Index and in the MSCI ESG Leaders, ESG Universal and SRI Indices. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2017, Swire Properties was the only listed company from Hong Kong and Mainland China to be included in the Dow Jones Sustainability World Index.

Statistics – Environmental

	Note	Property		Cathay Pacific group		HAECO group	
		2017	2016	2017	2016	2017	2016
Total Energy Consumption (thousand GJ)							
Direct energy consumption		143	154	249,292	245,730 ⁵	384	349
Indirect energy consumption		959	1,023	504	682	470	481
Total	1	1,102	1,177	249,796	246,412	854	830
% Change year-on-year		-6%		1%		3%	
Total Greenhouse Gas Emissions by Weight (thousand tonnes CO₂e)							
Direct (Scope 1)	2	11	13	18,221	17,702	29	27
Indirect (Scope 2)		204	216 ⁵	80	80	77	78
Total	1	215	229	18,301	17,782	106	105
% Change year-on-year		-6%		3%		1%	
Total Water Used (thousand cbm)							
Water used	3	1,390	1,522	950	866	651	710
% Change year-on-year		-9%		10%		-8%	

Statistics – Health & Safety

	Property		Cathay Pacific group		HAECO group	
	2017	2016	2017	2016	2017	2016
Thousand hours worked	11,614	11,674	67,712	69,059	34,029	39,415
Total lost time injuries	83	105	1,112	970	249	299
Lost time injury rate (LTIR)	1.43	1.80	3.28	2.81	1.46	1.52
% Change year-on-year (LTIR)		-21%		17%		-4%
Total fatalities		–		–		–

Notes:

- Totals may not be the exact sum of numbers shown here due to rounding.
- For the Cathay Pacific group, only CO₂ 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.
- The number included in the 2016 report (based on estimates) has been revised to reflect the actual situation.
- The Health & Safety data for Swire Beverages excludes the following China bottling plants in Yunnan, Guangxi, Hubei, Hainan and Jiangxi provinces, the city of Zhanjiang in Guangdong province, and Shanghai Municipality.
- 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)	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
767	781	1,417	1,337	341	329	67	51	252,412	248,730
1,125	1,170	5	5	17	19	265	244	3,345	3,624
1,892	1,951	1,422	1,342	358	348	332	295	255,756 ^R	252,355
-3%		6%		3%		13%		1%	
52	55	106	108	28	27	7	6	18,454	17,938
193	194	1	1	3	3	50	46	608	618
245	249	107	109	31	30	57	51	19,062 ^R	18,555
-2%		-2%		3%		12%		3%	
7,493	7,585	-	-	115	77	455	178	11,054 ^R	10,938
-1%		-		49%		156%		1%	

Beverages (Note 6)		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
46,245	45,304	11,647	12,194	2,332	1,995	17,608	17,767	82	84	191,269	197,492
118	113	4	4	10	12	81	96	0	0	1,657 ^R	1,599
0.51	0.50	0.07	0.07	0.86	1.20	0.92	1.08	0.00	0.00	1.73	1.62
2%		-		-28%		-15%		-		7%	
1	-	-	-	-	-	2	1	-	-	4 ^R	1