



Sustainability is our Responsibility

Sustainable
development
report 2009

Readers' guide

This report:

- > sets out Swire Pacific's governance procedures,
- > provides information on its economic, environmental and social footprints,
- > notes areas of concern and reports on examples of key initiatives to improve performance. If these examples do not cover the information you are seeking please refer to the reports for our major operating companies in [Appendix 3](#)

This report covers calendar year 2009 and follows the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. (Our last report dated June 2009 covered calendar year 2008.) GRI is the most widely used sustainability reporting framework in the world. Following it in our annual reporting helps us provide information which is easy to compare with other GRI reports. We report on the ten GRI performance indicators which are most relevant to our Group as a whole. Our companies cover additional indicators in their own reports.

The companies covered by this report are listed in [Appendix 3](#). They account for around 93% of turnover attributable to the Swire Pacific Group¹ and 92% of our employees. The significant changes in the Swire Pacific Group during 2009 were:

- > Increasing our interest in Cathay Pacific Airways to 42%
- > Increasing our attributable interest in Hong Kong Aircraft Engineering Co to 52%
- > Internal growth in our investment property, offshore oil support and Mainland China beverage businesses.

Improvements have been made in data collection but some items could benefit from further refinement. We will continue to enhance the robustness of data collected for disclosure in future reports.

¹ The percentage of Swire Pacific's interests covered by this report is calculated by taking the size of each entity multiplied by the percentage of that entity which Swire Pacific owns. See page 4 for an example of how to do this calculation for turnover.

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Report application level



To understand what we mean by 'GRI Profile Disclosures' and 'Performance Indicators' please read [Swire Pacific's approach to GRI reporting](#) on our website. This document also explains the initiative's reporting system and the definition of the items on which we report.

Chairman's message

We are committed to tackling these challenges which are key to delivering long-term sustainable development for our business.



Sustainable development

Our Group's value depends on the sustainable development of our businesses and the goodwill of the communities in which we operate. Our Sustainable Development Policy recognises this and commits us to managing the environmental, health and safety, employment, supply chain and community issues that our operations affect. Examples of our actions in these areas are set out in the other sections of this report.

The policy also commits us to work with others to promote sustainable development in the industries in which we operate.

Climate change

One example of how we have taken action in partnership with other companies is over the issue of climate change. We see reducing greenhouse gas emissions as essential to mitigating adverse climate change. We report our own carbon emissions and have joined over 950 companies in signing the Copenhagen Communiqué calling for an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crisis facing the world.

In addition, our associate, Cathay Pacific Airways, is an active supporter of IATA's four pillar strategy on greenhouse gas emissions from aviation. This strategy includes advocating a global agreement under which all airlines pay for their emissions, with a significant portion of the funds raised being spent on the reduction of greenhouse gas emissions in developing countries. In this way, airlines can make a significant contribution towards reducing greenhouse gas emissions in a manner which avoids competitive distortion and is consistent with the United Nation's principle of 'common but differentiated responsibility'.

We were disappointed at the limited progress made at the Copenhagen climate change conference but heartened by China and Hong Kong's commitments to reduce the carbon intensity of their economies by 40% – 45% between 2005 and 2020. We will continue to work to reduce the carbon intensity of our operations and to lobby for global action.

Environmental issues

Climate change is only one of the environmental issues which require action. Other issues we are addressing include more sustainable use of water, lowering the impact of our material consumption and reducing local air pollution in Hong Kong.

Health & Safety

We recognise safeguarding the health and safety of all stakeholders affected by our operations as being of critical importance. We are paying particular attention to vehicle safety in Mainland China, where considerable improvement is required.

Communities

We are committed to enhancing the communities in which we operate and to respecting their culture and heritage. This is demonstrated by the way we conduct business, through financial and material contributions and through staff volunteering programmes. Through The Swire Group Charitable Trust, to which Swire Pacific is the major contributor, we support programmes covering education, environment, arts and culture.

Looking forward

As the global economy recovers from the 2008/9 recession, resource limitations will again become prominent, while the impact of climate change and natural resources constraints are becoming ever more apparent. We are committed to tackling these challenges, which are key to delivering long-term sustainable development for our businesses and the communities in which we operate.

A handwritten signature in black ink, appearing to be 'CP' with a stylized flourish.

Christopher Pratt
Chairman

Governance and engagement

Providing the framework for action on sustainable development.



Swire Pacific

Swire Pacific is one of the leading listed companies in Hong Kong, with five operating divisions: Property; Aviation; Beverages; Marine Services; and, Trading & Industrial. All major Swire Pacific Group companies are headquartered in Hong Kong with the exception of Swire Pacific Offshore, which is headquartered in Singapore. Swire Pacific's operational activities are predominantly within the Greater China region, where the name Swire or Taikoo 太古 has been established for over 140 years. Refer to [Appendix 3](#) for more information on the companies covered by this report.

Governance

Swire Pacific is committed to conducting its affairs in accordance with high ethical standards. Its highest governance body is its Board of Directors, which is led by an Executive Chairman. Details of the operation of the Board and its supporting committees, including accountability, audit, and communication with employees and shareholders, are set out in pages 73 to 84 of the Swire Pacific Limited [2009 Annual Report](#). As at 11th March 2010, there were a total of seven Executive, four Non-Executive and six independent Non-Executive Directors.

Governance: Swire Pacific's role

Swire Pacific's role is to set policy and objectives and to provide oversight on policy implementation by its Group companies. The immediate oversight is provided by the Directors it appoints to the boards of the companies in which it is invested. Their role is complemented by the Group Risk Management Committee

(GRMC), which reports directly to the Swire Pacific Board and monitors Group policies and their implementation by its subsidiary and associate companies. The GRMC has five members and is chaired by the Finance Director.

Governance arrangements: The role of each group company

Managing sustainable development issues is a core responsibility for each company's management team. It involves assessing the issues facing the company, formulating strategy based on this assessment and implementing this strategy. It also requires self-assessment and auditing to confirm action has been taken, as well as reporting on performance.

The following tools help these management activities:

Formulating strategy:

- i. Enterprise Risk Management to identify and manage risks important to the sustainable development of the business
- ii. Stakeholder Engagement to identify stakeholder issues which may impact on the business
- iii. 'Best in Class' assessments to identify gaps between current business practices and the optimum way of delivering goods and services to customers. The speed at which it is practical to move to 'Best in Class' is impacted by investments in fixed assets and the pace of technological change

Confirming policy implementation:

- iv. Self-Assessment Questionnaires to confirm that action plans for implementing the sustainable development policy are carried out and risk management procedures followed

Reporting:

- v. Global Reporting Initiative's framework to report in a consistent, globally accepted manner to stakeholders

The Group's commitment to transparency includes its main operating companies reporting externally on sustainable development issues. Refer to [Appendix 3](#) for links to reports currently provided.

Stakeholder engagement

Our companies maintain stakeholder maps, detailing parties affected by their businesses – such as customers, business partners, staff, suppliers, shareholders and communities – and identifying which of these parties are most critical and what issues are of concern to them. During 2009, we sought independent confirmation of stakeholder views on the overall Swire Pacific Group, by having an external consultant run five focus groups covering employees, non-governmental organisations and sustainability professionals. In addition we conducted an employee survey and Cathay Pacific Airways and Swire Properties employed consultants to seek independent feedback from stakeholders on points impacting their businesses.

While the overall assessment of our action on sustainable development was positive, with Swire Pacific seen as generally better than its peers and having strong governance, it was suggested that we should:

- > Be more vocal in public debate on environmental and climate change issues where we have made considerable progress internally;

- > Be more proactive on social issues of concern
- > Provide greater evidence that our procedures drive implementation of our Sustainable Development Policy in all our controlled companies
- > Confirm that our suppliers are also addressing the issues covered in our Sustainable Development Policy
- > Spend more time engaging our staff on sustainable development issues and our approach to these issues.

We will be addressing these areas during 2010 and will report the results in our 2010 Sustainable Development report.

A more specific example of stakeholder engagement arose when a student-led group in Mainland China published a critical report on the working hours and deployment of contract workers at Swire Beverages plants in Mainland China. We worked with The Coca-Cola Company to respond promptly to the report publicly through an on-line forum and arranged to meet with the student group to explain our employment practices and initiatives taken. We had a legal expert, who was involved with the drafting of the labour laws in Mainland China, present to provide a detailed interpretation on points which were not immediately appreciated by the public.

Recognition and Awards

Please visit www.swirepacific.com/eng/about/awards.php for awards received by Swire Pacific and

[Swire Pacific's approach to GRI reporting](#) Appendix 1 section 2.10 for awards received by Group companies.

Economic performance

As noted in the Readers Guide, this report focuses on the companies listed in [Appendix 3](#). However, this section covers all companies included in our financial reporting. The table on the next page includes 100% of the turnover of consolidated subsidiaries, but only the Group's share of profit from associated companies and jointly controlled companies, in accordance with the accounting standards governing our Annual Report.

An alternative way of looking at the size of our Group's economic interests is to calculate its 'attributable turnover' by taking the turnover of each of its companies multiplied by the percentage of that company which it owns.

Management approach and policies on economic performance

Swire Pacific is managed for long-term shareholder value creation and to provide a reliable dividend stream. The Group focuses on the development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. It endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses. At the same time attention is paid to identifying and managing the risks underlying the achievement of business objectives – see the governance procedures noted on page 2 and 3.

For further financial information and management's review of the results for 2009, refer to the Swire Pacific Limited 2009 Annual Report, which is available at www.swirepacific.com.

Note: This 'attributable turnover' for Swire Pacific provides a materially fair number and is the best estimate that can be made with information that is publicly available. There are, however, minor distortions in the figures given, as some information relating to associated and jointly controlled companies is not publicly disclosed. In particular, the turnover is slightly overstated as it includes the minority interest in the turnover of Air Hong Kong and Taikoo (Xiamen) Aircraft Engineering Company (TAECO), and understated by not including a portion of the turnover for Hong Kong Air Cargo Terminals (Hactl), HUD Group, CROWN Beverage Cans Hong Kong and Akzo Nobel Swire Paints.

2009 Attributable turnover	Average 2009 %	Consolidated HK\$M	Not consolidated HK\$M	Attributable total HK\$M	
Property					
Hong Kong	100.00	7,808		7,808	
Outside Hong Kong	100.00	533		533	
		8,341		8,341	
Aviation					
Cathay Pacific & subsidiaries	41.50		66,978	27,795	Note
HAECO & subsidiaries	45.60		4,045	1,845	Note
HAECO jointly controlled companies	10.08 – 40.25		329	150	
HAESL	20.50		7,036	1,442	
TAECO	29.56				Note
Hactl	24.15				Note
			78,388	31,233	
Beverages					
Hong Kong	87.50	1,904		1,666	
Taiwan	80.00	1,489		1,191	
USA	100.00	3,560		3,560	
Mainland China	35.88 – 100	1,446	14,340	8,105	
		8,399	14,340	14,522	
Marine Services					
Swire Pacific Offshore	100.00	3,892		3,892	
HUD Group	50.00				Note
		3,892		3,892	
Trading & Industrial					
Swire Resources excluding PUMA	100.00	1,835		1,835	
Taiwan Motors Group	100.00	2,158		2,158	
Other subsidiaries	100.00	406		406	
Akzo Nobel Swire Paints	30 – 40				Note
CROWN Beverage Cans					
Hong Kong and Hanoi	22 – 45				Note
		4,399		4,399	
Head office & eliminations					
	100.00	(122)	(4,564)	(1,497)	
Total		24,909	88,164	60,890	

Annual results (EC1)	Property HK\$M	Aviation HK\$M	Beverages HK\$M	Marine Services HK\$M	Trading & Industrial HK\$M	Head Office HK\$M	Eliminated on consolidation HK\$M	Group HK\$M	2008 HK\$M	Change %
2009										
Direct Economic Value generated										
Turnover which is consolidated	8,341	–	8,399	3,892	4,399	168	(290)	24,909	24,670	1.0%
Valuation gains on investment properties	14,383	–	–	–	–	23	–	14,406	177	8039.0%
Finance income	141	–	7	2	21	1,250	(1,225)	196	173	13.3%
Profit on sale of investments / other net gains	162	–	69	(28)	32	26	–	261	1,999	-86.9%
Share of profits of associates & jointly controlled companies	163	1,899	381	81	254	–	–	2,778	(1,968)	-241.2%
	23,190	1,899	8,856	3,947	4,706	1,467	(1,515)	42,550	25,051	69.9%
Economic Value distributed										
Purchases of goods and services	2,233	–	6,111	979	3,807	373	(290)	13,213	13,325	-0.8%
Employee wages and benefits	901	–	1,427	879	446	33	–	3,686	3,523	4.6%
Payments to providers of capital	1,311	78	114	–	1	5,317	(1,225)	5,596	5,049	10.8%
Payments to government*	3,189	–	140	40	50	(12)	–	3,407	47	7148.9%
Charitable donations and community investments [†]	18	–	3	7	1	2	–	31	34	-8.8%
	7,652	78	7,795	1,905	4,305	5,713	(1,515)	25,933	21,978	18.0%
Economic Value retained										
Depreciation / amortisation	148	–	308	405	51	1	–	913	811	12.6%
Profit after dividends	15,390	1,821	753	1,637	350	(4,247)	–	15,704	2,262	594.3%
	15,538	1,821	1,061	2,042	401	(4,246)	–	16,617	3,073	440.7%
2008										
Direct Economic Value generated										
Turnover which is consolidated	7,952	–	8,001	4,007	4,813	162	(265)	24,670		
Valuation gains on investment properties	184	–	–	–	14	(21)	–	177		
Finance income	63	–	10	10	18	1,391	(1,319)	173		
Profit on sale of investments / other net gains	64	–	75	90	1,725	45	–	1,999		
Share of profits of associates & jointly controlled companies	183	(2,831)	269	76	335	–	–	(1,968)		
	8,446	(2,831)	8,355	4,183	6,905	1,577	(1,584)	25,051		
Economic Value distributed										
Purchases of goods and services	2,000	–	5,903	1,104	4,244	339	(265)	13,325		
Employee wages and benefits	758	–	1,353	888	490	34	–	3,523		
Payments to providers of capital	1,395	91	90	3	14	4,775	(1,319)	5,049		
Payments to government	(134)	–	114	66	12	(11)	–	47		
Charitable donations and community investments [†]	20	–	3	8	2	1	–	34		
	4,039	91	7,463	2,069	4,762	5,138	(1,584)	21,978		
Economic Value retained										
Depreciation / amortisation	114	–	307	347	43	–	–	811		
Profit after dividends	4,293	(2,922)	585	1,767	2,100	(3,561)	–	2,262		
	4,407	(2,922)	892	2,114	2,143	(3,561)	–	3,073		

* HK\$2,754 million of the payments to Government is an increase in deferred tax on the property revaluation reserve.

[†] Charitable donations reported above are made by subsidiaries. In addition, associated and jointly controlled companies made donations in cash and services in excess of HK\$20 million during 2009. Most of the Group's donations are made via the Swire Group Charitable Trust. Our guideline is to allocate funds totaling 0.5% of Swire Pacific's last three year's average underlying attributable to this trust.

The reported Group profit for 2008 has been decreased by HK\$55 million as a result of a change in the accounting policy for Asia Miles. Details can be found on page 109 of the Swire Pacific annual report.

Environmental performance

Swire Pacific is committed to being a good steward of the natural resources and biodiversity under its influence and to ensuring that all potentially adverse impacts of its operations on the environment are identified and appropriately managed.



We report on environmental issues which our internal assessment and stakeholder engagement find to be of particular relevance to our Group. The importance by company of these issues is as follows:

	Energy consumption and GHG emissions	Local air pollution	Water consumption	Material consumption and disposal	Noise pollution	Biodiversity risks
Properties	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues
Aviation – airlines	Most significant issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues
Aviation – services	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues
Beverages	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues
Marine Services	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues
Trading and Industrial	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues	Other important issues

most significant issues
 other important issues

Energy consumption and greenhouse gas emissions

The need to reduce energy consumption and hence greenhouse gas (GHG) emissions to avoid destabilising the climate is a key ongoing focus for all our operations.

Our engagement & stewardship

At an international level, we are a member of The Climate Group, whose members include the world’s most influential businesses and sub-state Governments www.theclimategroup.org.

The Climate Group's aim is to assist the world economy on the path to a low-carbon, prosperous future.

In Hong Kong, we have joined the Climate Change Business Forum – a business partnership set up to address climate change through research, communication and the sharing of best practice initiatives www.climatechangebusinessforum.com.

Swire Pacific and Cathay Pacific Airways joined over 950 companies in signing the Copenhagen Communiqué, supporting an ambitious, robust and equitable global deal on climate change.

During 2009, our listed companies, Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company (HAECO) continued responding publicly to the Carbon Disclosure Project www.cdproject.net questionnaire giving details of their GHG emissions and action taken to minimise future emissions. Significant non-listed Group companies complete an abbreviated form of the questionnaire, to provide inputs for consolidation by Swire Pacific.

Our carbon footprint

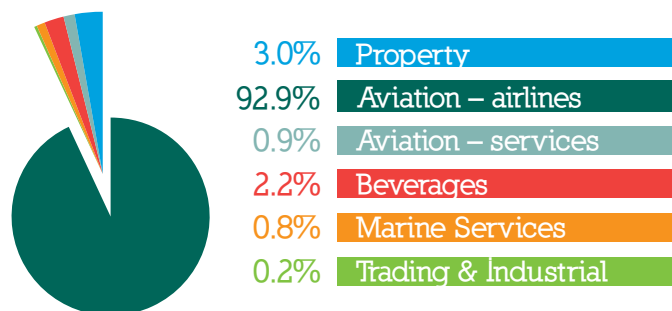
In 2009, GHG emissions attributable to Swire Pacific totaled 6.27 million tonnes of CO₂e – a 0.5% increase on 2008 despite efforts to improve energy efficiency in our operations. The increase is attributable to:

1. A 0.2% increase in emissions from airlines due to Swire Pacific's increase in ownership of Cathay Pacific more than offsetting a 3.4% decrease in the emissions of the airlines.
2. An 8.8% and a 3.3% increase in GHG emissions, due respectively to the growth of the Property and Beverages divisions. Part of these increases was due to a 3.7% increase in the carbon intensity of electricity purchased from China Light and Power which is the sole supplier to Kowloon and the New Territories.

GHG emission by business division

Business Division	Tonnes of CO ₂ e		Change %	Mix %
	2009	2008		
Property	189,496	174,172	8.8	3.0
Aviation – airlines	5,831,056	5,818,639	0.2	92.9
Aviation – services	53,894	55,616	-3.1	0.9
Beverages	140,244	135,708	3.3	2.2
Marine Services	48,643	44,538	9.2	0.8
Trading & Industrial	10,289	10,966	-6.2	0.2
Total*	6,273,621	6,239,639	0.5	100

* Total may not be the exact sum of numbers shown here due to rounding.



GHG emission by types of usage

Types of emission sources	Tonnes of CO ₂ e	Change %
Direct emission from stationary combustion sources	31,667	0.5
Direct emission from mobile combustion sources	5,903,560	94.1
Direct emission from fugitive gases	9,790	0.2
Indirect emission from purchased electricity & steam	328,604	5.2
Total	6,273,621	100

Each company in our Group has adopted a carbon or energy intensity metric, which is appropriate to its business and budgeted to reduce its intensity, as measured by this metric. We ask our companies to aim for 'Best in Class' performance compared to their peers, when budgeting intensity reductions.

Recurrent carbon emissions are quantified and reviewed against 'Best in Class' performance as part of the project approval process for major investments.



Aircraft fuel efficiency

Fuel consumption by the Group's airlines contributes around 93% of our GHG emissions. Led by Cathay Pacific Airways, these companies have a multi-year ongoing programme to improve fuel efficiency through fleet modernisation, route optimisation and aircraft weight reduction. During 2009, they participated in the International Air Transport Association's decision to adopt the following targets:

- > Average improvement in fuel efficiency of 1.5% per year from 2009 to 2020;
- > Cap on aviation CO₂ emissions from 2020 (carbon-neutral growth); and
- > Reduction in net CO₂ emissions of 50% by 2050, relative to 2005 level.

Cathay Pacific Airways is also a founding and active member of the Aviation Global Deal Group, which proposes a global sectoral approach to include emissions from international aviation in a global climate change treaty.

In 2009, total GHG emissions from the Group's airlines reduced by 3.4%, mainly due to reductions in our capacity in response to the global economic downturn. This led to an increase in passenger and cargo loads per aircraft, increasing weight and consuming more fuel per aircraft, thus affecting our carbon intensity in terms of emissions per Available Tonne Kilometre².



Building energy efficiency

Our second largest contribution to GHG emissions comes from the electricity used in premises managed by Swire Properties. We tackle this issue on four fronts:

1. **Building operation:** Reducing electricity consumed to operate our buildings. In 2009, we invested HK\$48 million in energy efficiency works across our operating portfolio in Hong Kong.
2. **Building design:** Designing new buildings so they consume less energy. In 2009, we invested HK\$31 million in sustainable features and installations for new projects in Hong Kong and Mainland China. For new projects, we aim to achieve the Hong Kong Building Environment Assessment Method (BEAM) Platinum grade in Hong Kong and the US Leadership in Energy and Environmental Design (LEED) Gold standard in Mainland China. Our new office tower, One Island East, received BEAM Platinum rating in 2009. Our Office Tower One at TaiKoo Hui in Guangzhou was pre-certified as meeting LEED Gold standard.
3. **Tenant engagement:** Swire Properties was one of the first property management companies to provide free energy audits to office tenants. By the end of 2009, we have conducted energy audits for 9% of our office tenants, with a total floor area covering 886,700 square feet, and identified annual energy reduction potential of 1,375,000 kWh per annum. We have a target to provide free energy audits for all our office tenants by 2013.

² Available Tonne Kilometre (ATK) – refer to Appendix 4 for definition.

4. Research and development: Contributing to initiatives that advance the industry's knowledge of and response to environmental impacts, such as upgrading the BEAM system for buildings in Hong Kong. We have also established research funds with universities to explore best practices in building energy efficiency. These include:

- > A fund of HK\$3 million over three years with Tsinghua University to conduct practical energy efficiency research in Swire Properties' portfolio. Between 2007 and 2009, the energy studies resulted in a total reduction of 9 million kWh of electricity and 6,300 tonnes of CO₂e at Festival Walk in Hong Kong.
- > A fund of HK\$3 million over three years with Hunan University to conduct research on intelligent building control.

Production energy efficiency

Swire Beverages reduced its energy intensity by 12% to 0.33 MJ per litre of production in 2009 with a 5% reduction in energy consumption for production, while producing 6% more product. Actions taken to reduce consumption during 2009 include the recovery and reuse of waste heat from production. The installation of a heat recovery unit on the chilling system at our production units in Guangzhou and Xiamen has resulted in a saving of over a thousand tonnes of steam per year.

Swire Beverages cumulative improvement in energy intensity since 2004 is 34%.

Swire Beverages also installed a further 64,000 new coolers and vending machines which are 30-40% more efficient than previous models. This brings to 264,000 the number of energy-efficient coolers and vendors installed since 2004.

Low carbon energy

Swire Pacific recognises the importance of using low-carbon fuel where possible. Two initiatives taken during the year were:

- > In 2009, Taikoo (Xiamen) Aircraft Engineering Company (TAECO) substituted biodiesel made from waste oil for 25% of the fuel consumed by its ground service equipment, such as forklifts, mobile air conditioning units and light weight vehicles. This saved approximately 110 tonnes of CO₂e emissions³. The use of biodiesel was, however, suspended in winter, because of the change in viscosity of biofuel at low temperature. We will continue to work with the supplier to overcome this problem.
- > Swire Beverages continued to extend its methane recovery and reuse programme from its on-site wastewater treatment. A new methane boiler was installed in Swire Coca-Cola Xiamen in 2009, resulting in a saving per annum of 181 tonnes of CO₂e emitted when producing steam.

We have very little option to choose lower carbon electricity supply as nearly all our operations are in Hong Kong and Mainland China and are served by franchised monopoly suppliers. More details on their primary energy sources

are given in the [Swire Pacific's approach to GRI reporting](#) document on our website.

Carbon offsetting

Carbon offset programmes are generally on a small scale compared to the size of the GHG emissions, but have a valuable role in raising awareness and supporting the development of emissions reduction projects.

All Swire Pacific Group controlled companies offset their business air travel.

FLY greener, the offset programme established by Cathay Pacific Airways and Dragonair, had its second full year of operation in 2009. This programme offers passengers the option of using cash or frequent flyer miles to offset the emissions associated with their flights. Offset projects supported by **FLY greener** included a natural gas project in Beijing, a micro hydro power plant project in Guizhou and a wind farm in Heilongjiang. In 2009, 11,360 tonnes of CO₂e, were offset under **FLY greener**.

Swire Pacific Offshore is funding a voluntary Reduced Emissions from avoided Deforestation and forest Degradation (REDD) scheme in Central South America. The Project Design Document for this scheme was developed in 2009 and once independently validated, will provide credits covering all Swire Pacific Offshore's Scope 1 and 2 emissions from 1st July 2009 onwards.

³ Though burning of biodiesel will release carbon dioxide, it is regarded as carbon neutral to the atmosphere since the carbon content of biodiesel was originated from biomass, e.g. plants, and then eventually absorbed, e.g. via photosynthesis of green plants, into the closed carbon cycle.



Local air pollution

The Group's ground vehicles and flight operations contribute to local air pollution. Many of our initiatives for reducing our climate change impact also serve to reduce our impact on local air quality. In addition, we help improve air quality by maintaining and operating our ground vehicles to the highest standard and are actively considering a group target in accelerating fleet modernisation by phasing out all pre-Euro 3 vehicles in the Swire Pacific Group. Actions taken by our companies include:

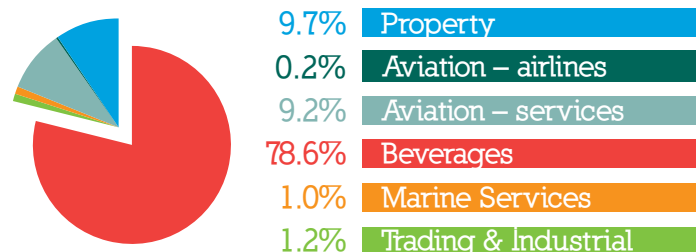
- > Hong Kong Airport Services Ltd (HAS) has a fleet of 500 motorised ground support vehicles, of which over 20% are electric tractors. We plan to replace all pre-Euro 3 vehicles with vehicles which comply with the latest emission standards (Euro 4 or 5) by 2011, depending on the business environment. We will also expand the use of electric vehicles and explore the use of other alternative fuels where possible.
- > In 2009, the HUD Group began to switch some of its waste transfer container vessels from marine gas oil to onshore electricity supply when they berth alongside the refuse transfer stations in Hong Kong. In addition,

four diesel-powered, high pressure washing machines and two diesel cranes were changed to electric power to increase efficiency and reduce local air emissions.

Water consumption and conservation

Business Division	Cubic metres of water		Change%	Mix%
	2009	2008		
Property	505,429	451,757	11.9	9.7
Aviation – airlines	12,733	11,664	9.2	0.2
Aviation – services	477,933	504,170	-5.2	9.2
Beverages	4,088,639	4,058,775	0.7	78.6
Marine Services	51,715	56,111	-7.8	1.0
Trading & Industrial	63,940	67,086	-4.7	1.2
Total*	5,200,389	5,149,563	1.0	100

* Total may not be the exact sum of numbers shown here due to rounding.



As detailed on [Appendix 2](#) (page 29), companies covered by this report consumed a total 8.0 million cubic metres of water in 2009. The breakdown of the 5.2 million cubic metres of this consumption which is attributable to Swire Pacific's interests is shown above.

Swire Beverages accounts for 78.6% of the water consumption attributable to Swire Pacific's interests. Besides water used in its products, Swire Beverages uses water in production processes to maintain high product quality and hygiene. In 2009, Swire

Beverages used approximately 6.2 million cubic metres of water, a 3% increase from 2008, about half the 6% increase in production volume during this time. Its water intensity was 1.90 litres of water per litre of product – an improvement of 3% over 2008 and 34% compared to 2004. All of our seven bottling units in Mainland China received the 'Water Conservation Outstanding Performance Award' from the China Beverages Industry Association in 2009. Six of them received the award for the second consecutive year.

In addition to water conservation, Swire Beverages also seeks to minimise its wastewater discharge. Wastewater from our bottling facilities is treated to meet or exceed relevant legal requirements prior to discharge. Most of our facilities have their wastewater treated to a quality that can support aquatic life. Swire Beverages' bottling facility in Xiamen has upgraded its wastewater treatment facility to allow treated wastewater to be reused in cooling and other non-production operations. We are working closely with The Coca-Cola Company Limited and non-governmental organisations to return the amount of water used in our products to the environment through community projects. These include funding water-efficient irrigation for primary products that provide our key raw materials such as sugar and oranges.

Vogue Laundry is another major water user in the Group. Its total water consumption in 2009 was 0.3 million cubic metres – a 22.2% reduction from 2008, resulting from efficiency improvements and lower business volume. To minimise water usage, Vogue Laundry has replaced its old tunnel washers with Continuous Batch Washing (CBW) units, which save approximately 26% of water per kg of linen washed. There are currently four sets of CBW units in operation, handling approximately 80% of Vogue Laundry's washing volume.

Ozone-depleting substances (ODS)

Our ODS emissions in 2009 were 17.0 tonnes of CFC-11 equivalent compared to 12.0 tonnes in 2008. The largest source is 16.5 tonnes of Halon 1301 fire extinguishers installed in aircraft. These fire extinguishers are serviced by HAECO, which recycles and reuses Halon to minimise its release to the atmosphere. The use of Halon 1301 is required for aircraft and there is currently no effective alternative. Other ODS emissions are from the refrigerants used in the air conditioning systems of Hong Kong Air Cargo Terminals (Hactl) and Swire Properties.

HCFCs are being phased out and replaced by HFCs, a non-ODS emitting alternative, in new installations.

Swire Beverages has reduced its ODS to a very low level by using HFC134a, which has zero ozone-depleting potential. HFC134a does, however, act as a relatively powerful greenhouse gas. We are therefore working with The Coca-Cola Company Limited on the introduction of commercial refrigeration equipment that uses CO₂ as a refrigerant and has a low global warming potential. We have currently installed over 480 of these units in Mainland China and Hong Kong.

Material consumption and disposal

Reducing material consumption and minimising waste generation are important to all our companies. Examples of our reduction initiatives:

- > Swire Beverages reduced its non-recyclable solid waste per litre of production by 45% from 2.88 grams per litre (g/L) production in 2004 to 1.68 g/L in 2008. It is also working to minimise its use of packaging. Reductions in weight since 2004 are up to:
 - Plastic bottles by 21%
 - Metal caps by 4%
 - Can bodies by 7%
 - Glass bottles by 40%
- > Swire Beverages has also installed a total of 15 reverse vending machine (RVM) and manual collection points in Hong Kong, to encourage recovery of post consumption waste. The RVM allows consumers to deposit empty beverages bottles and to collect redemption credits.
- > Swire Properties encourages and assists its tenants to reduce, reuse and recycle their solid waste. Our long-term goal is to develop a robust separation scheme together with our tenants and provide appropriate recycling facilities at our

properties. In 2009, we started helping our food and beverages tenants at Festival Walk in Hong Kong to collect used cooking oil for production of biodiesel at a recycling plant in Tuen Mun; the monthly collection rate has reached 5,000 litres.

- > In 2009, Cathay Pacific Catering Services (CPCS) began donating surplus food from meal preparation and leftovers to a local pig farm.
- > Swire Coca-Cola Hong Kong donates its broken glass bottles to a local recycler for brick making and its soya bean residue to a local organic farm.



Consumers can deposit PET bottles into this machine to collect redemption credits. The RVM can identify the returned bottles, reject abnormalous objects and compact accepted bottles to maximise storage and facilitate subsequent transportation.

Chemicals are used in many of our operations, such as dry cleaning at Vogue Laundry and aircraft maintenance at HAECO. Vogue is working to eliminate the use and emission of perchloroethylene, a volatile organic compound commonly used as dry cleaning solvent. It has nine machines in total using perchloroethylene. The perchloroethylene machine is an enclosed system and equipped with an activated carbon unit to reduce fugitive emissions. Perchloroethylene consumption was 11% less in 2009 than in 2008.

Aircraft painting and stripping requires the use of chemicals. In 2009, Dragonair switched to a chromate-free primer on Dragonair A320/A321 aircraft. Chromate is a heavy metal and considered as toxic and carcinogenic. The Cathay Pacific Airways fleet and remaining Dragonair A330 aircraft will switch to chromate-free primer in 2010.

Also in 2009, we used a new generation peroxide stripper instead of phenolic strippers on all our fleets. The new stripper uses hydrogen peroxide and benzyl alcohol, which are non-toxic and harmless to the environment.

Noise

The companies covered by this report with significant potential noise issues are Cathay Pacific Airways, Dragonair, Air Hong Kong and Swire Properties.

Cathay Pacific Airways endorses the International Civil Aviation Organisation (ICAO)'s balanced approach to controlling

noise emissions around airports, which focuses on reducing noise at source, regulating land-use around airports, adapting operational procedures and implementing operating restrictions. We have been working with the Civil Aviation Department (CAD) on noise mitigation for many years. We support the CAD and other regulators in following ICAO principles of a balanced approach, particularly for land use planning and zoning, to avoid noise-sensitive buildings such as schools and hospitals being built on the flight path. We will continue to work with manufacturers and other airline partners on ways to reduce noise in our aircraft, including upgrades to our fleet.

In 2009, we reduced our fines relating to noise standard infringements at London's Heathrow Airport by half and received no fines from New York's JFK Airport. However, we continued to receive noise infringement notifications from airports in Frankfurt and Brussels.

Swire Properties aims to comply with noise regulation at all times and to minimise the impact on our tenants and communities by implementing necessary noise reduction initiatives. For all major construction activities, we require our contractors to submit an Environment Management Plan covering noise control and monitoring strategies at our sites. We installed noise barriers and used non-percussive demolition where possible at one of our residential developments in Mid Levels, Hong Kong, because of the close proximity of neighbouring residential buildings. We also reduced noise during permitted hours to avoid disruption to our tenants



Hydraulic crushers reduce noise during construction.

and neighbours during refurbishment works associated with development of The Upper House and the Pacific Place Contemporisation Project.

Biodiversity

We develop, own and manage land and properties largely contained in urban environments and as such do not currently have a biodiversity strategy or action plan in place. We comply with government requirements related to biodiversity, including the Hong Kong Environmental Impact Assessments Ordinance and the Nature Conservation Policy.

Although our activities rarely touch upon protected habitats or areas of high biodiversity value, we do have an interest in some

land in the Tai Ho Valley, located in the northern part of Lantau Island. The area was considered suitable for private and public housing by the Hong Kong Government until 1999, when it was then identified as a potential area for enhanced conservation. The area contains woodland, marshland, stream courses, mudflats and mangroves, which together are considered high in ecological value. We have been working with the Government, environmental NGOs and Tai Ho villagers to design our development in a manner that preserves the existing ecology in Tai Ho and complies with Government regulations and strategy for the Tai Ho Valley.

We recognise the problem of non-sustainable consumption of endangered seafood and encourage all our companies to follow WWF Hong Kong's Seafood Guide. Cathay Pacific Airways and Dragonair recognise the importance of sourcing inflight food from sustainable sources. They ban shark's fin from their inflight menus and are working with relevant teams to develop and formalise our approach.

Statistics to support the following environmental performance indicators are shown in *Appendix 2*:

- EN3 – Direct energy consumption by primary energy source
- EN4 – Indirect energy consumption by primary source
- EN8 – Total water withdrawal by source
- EN10 – Percentage of water recycled and reused – treated and untreated wastewater recycled
- EN21 – Total water discharge by quality and destination
- EN16 – Total direct and indirect greenhouse gas emissions by weight

Performance 2009

- ★ Embedding implementation of the Sustainable Development Policy including further work on the aspiration to be 'Best in Class' on climate change issues and improvements in metrics for energy and carbon intensity with associated plans for reducing these intensities.
Progress has been made, including introducing energy and carbon intensity reductions into budgets.
- ★ Encourage technology and experience transfer amongst Group companies to reduce our environmental impact.
Our Environment Best Practices Working Group met four times during the year and has made good progress in sharing best practices on our intranet.

Agenda 2010

- > Monitoring of actual versus budget carbon and energy intensity.
- > Developing additional guidance documents on environmental management practices.
- > Extending internal audits to cover the implementation of the Sustainable Development Policy

Health & Safety

We are committed to the principle that business objectives should never compromise safety. Our Group Occupational Health & Safety Policy reinforces our commitment that, in so far as it is reasonably practical, all our operations will be carried out in a manner that safeguards the health and safety of employees, customers, visitors, contractors, and the wider community.



Health & Safety management

Implementation of this policy is overseen by the Health & Safety (H&S) Committee, which reports to the Group Risk Management Committee (GRMC). Key aspects of this implementation include:

- > Operating companies are responsible for the implementation of their own Safety Management Systems while regular safety audits are conducted by a range of internal and external parties.
- > Occupational health and safety (OHS) is an integral element of corporate risk management and risk assessment techniques are used to identify OHS concerns during our operations. Safety Management Systems are enhanced through the development of a safety culture focused on training and learning.
- > OHS programmes are implemented by Group companies to minimise hazards in the workplace and the risk of accidents, injury and occupational diseases. Qualified staff coordinate OHS seminars and training programmes on key H&S issues.
- > Full and open reporting on OHS matters is required, to create a safety culture based on continual improvement. The Group's injury reporting system ensures that a rapid and effective response procedure is in place in the event of injuries and accidents.

Injury statistics

In 2009, the number of Lost Time Injuries reported across the Group reduced by 20% to 1,817 cases. During the year, there were 2.90 injuries per 100 full-time equivalent employees (FTE), compared with 3.74 injuries per 100 FTE in 2008.

Injury severity data for 2008 and 2009 is provided in the form of Lost Days and Lost Day Rate in table LA7 of [Appendix 2](#).

A total of 56,925 days were lost across the Group due to injuries in 2009. This represents a reduction of 11% from 2008. The Lost Day Rate was 90.83 days lost per 100 FTE.

Regrettably, in 2009, there were four work-related fatalities within the workforce of companies covered by this report, compared to five such fatalities in 2008. All four fatalities were vehicle and traffic related accidents. On 28th August 2009, an accident in Hong Kong involving a Hong Kong Airport Services (HAS) bus resulted in three HAS staff losing their lives and another 22 staff being injured. HAS provided support to the families of those who died and to those who were injured and hospitalised. On 20th October 2009, an employee of Swire Coca-Cola Beverages Hefei Ltd. died after crashing his motorcycle on the way to visit a customer. Swire has co-operated closely with the relevant authorities during the investigations following these fatalities. Post accident analyses have been conducted, resulting in additional mitigation measures to reduce the potential for similar accidents to occur in future. The Group recognises the continuing need to place a high priority on motor risk management programmes, particularly within companies that operate sizeable fleets of passenger and commercial vehicles.

Further progress has been made by Group companies during the year on the systems for reporting injury data, but we acknowledge that challenges still exist in ensuring the completeness and consistency of such data.

Health & Safety initiatives

Examples of key Health & Safety initiatives and achievements in 2009 include:

Mainland China – Proactive Motor Safety Initiatives



'Love your Family, Drive Safely' poster for Swire Beverages road safety campaign

As part of an ongoing initiative to improve motor vehicle safety in Mainland China, Swire Beverages has implemented a number of measures to improve the management of both its delivery fleet and the vehicles used by its sales teams. Most vehicles now display a complaint hotline to encourage pedestrians and other drivers to comment on the performance of drivers. A buddy riding system is being introduced under which supervisors and managers ride delivery trucks to directly observe driving

practices. We are putting Global Positioning System units in trucks in Nanjing as a pilot project. The resulting ability to track vehicle speeds and routes has led to improvements in both safety and logistics efficiency.

As part of an initiative to promote safe driving practices, drivers' families have been invited to participate in family safety days and awareness programmes. An example of this can be seen in the poster on the left, which was used in Xian to promote family awareness of the need for vehicle safety. The initiative was well received and there are plans to roll it out, together with other staff safety programmes, across other beverage plants in Mainland China.

Swire Pacific Offshore – safety award



In November 2009, Swire Pacific Offshore's Captain Tani Parmisano was presented with an award acknowledging the ongoing excellent safety performance of the vessel Pacific Pilot which has been on hire to Brunei Shell Petroleum since July 2005 and has completed five years without a Lost Time Injury (LTI).

Shop safety competition



Swire Resources have introduced monthly Shop Safety Days and a Shop Safety Competition to raise the overall awareness of health and safety issues amongst their Hong Kong staff. During this process shop managers gained considerable health and safety experience, shared their safety knowledge with staff and identified a number of areas for improvement in their shops.

A series of visits were made by managers to shops from other retail chains, in order provide opportunities for benchmarking their performance and to encourage them to strive for higher safety standards.

Redesign of paint shop increases efficiency and safety

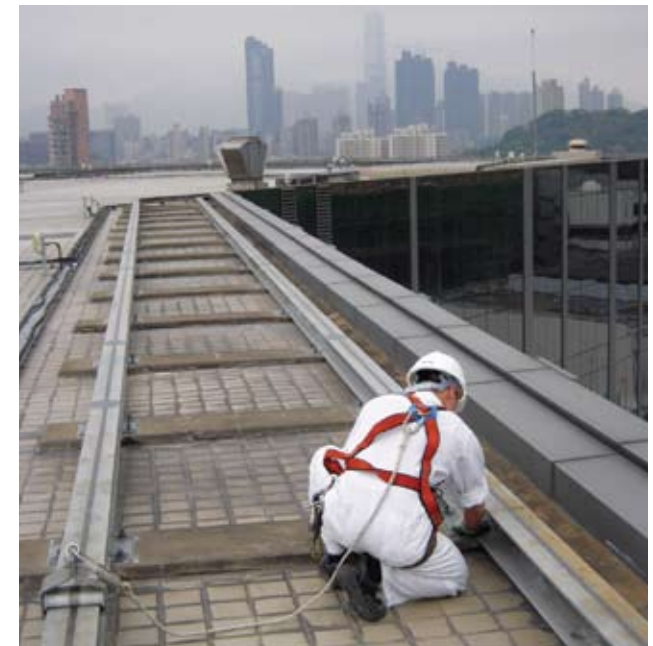
HAECO incorporates safety concepts into the design of its facilities. A recent example of this is the new layout of their paint shop which was re-designed by an in-house engineer. The objectives of this project were to increase ventilation efficiency and to provide a healthier working environment for paint spraying staff. The paint booths inside the paint shop are now enclosed with fixed panels instead of the original plastic curtain strips. This has increased the efficiency of the extraction hood and minimised the spread of paint mist to the adjacent paint spraying preparation area. The result is a healthier working environment for all staff working in the vicinity.

Risk assessment leads to effective risk reduction

The following is an example of our risk assessment process identifying a risk exposure and developing a solution to mitigate it.

The picture on the right shows a worker on the roof of Festival Walk, a Swire Properties commercial development in Hong Kong. Maintenance workers on the roof of these buildings previously attached their safety harnesses to fixed anchor points. A risk assessment identified that this practice meant workers were exposed to the risk of falling from height when moving between anchor points. After a review of alternative mitigation measures Swire Properties designed a system which now uses

the gondola track as a secure point for connecting workers' safety harnesses. This has reduced the risk of working on the roof at Festival Walk and has provided maintenance workers with increased mobility.



Examples of other initiatives across the Group included:

Swire Properties

Launched a pre-work exercise demonstration video for frontline security employees.

Cathay Pacific Airways

- > Began developing a Fatigue Risk Management System to enhance management of any fatigue-related risks through education, training and more effective management of crew rostering.
- > Launched a new Work Injury Care Programme for cabin crew, to provide post-injury rehabilitation and facilitate timely return to work for injured crew.
- > Commenced annual half-day OHS training for all cabin crew in mid-2009, with around half of our 8,000 cabin crew undergoing training in 2009.

Swire Resources

Achieved Good Class Indoor Air Quality (IAQ) objectives for its Somerset House office and was awarded the 'Good' Class Indoor Air Quality (IAQ) Certificate issued by the Business Environment Council.

TAECO

Integrated staff OHS performance into its year-end appraisal system effective from November 2009.

HAECO

Outdoor working-at-height contingency procedures were linked to the web-based Aviation Meteorological Information Dissemination System, which was introduced by the Hong Kong Observatory.

Performance 2009

- ★ Improving H&S performance through enhancements to safety management systems.
Status: Progress made as reported in this section. Further action planned for 2010.
- ★ Establish a Mainland China Health & Safety Best Practice Working Group.
Status: The working group will have its first meeting in mid 2010.
- ★ Further improve the accuracy of reporting injury statistics.
Status: Injury definitions reviewed and issued resulting in greater consistency of data. Further work planned to ensure accurate consolidation of industry specific injury data in Group statistics.

Agenda 2010

In 2010, we will continue to focus on the three areas identified for 2009. We will also pay special attention to safety issues for our operations on roads in Mainland China.

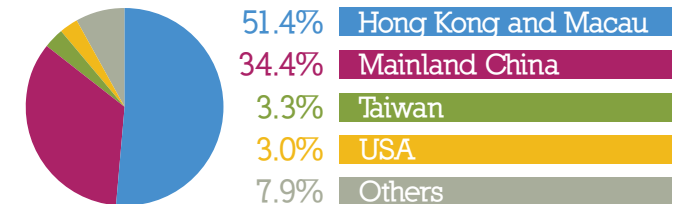
Being an employer of choice

Our people are key to the sustainable development of our businesses. We support, reward, develop and motivate our staff to ensure we have the capability to achieve our business goals. We strive to be an 'employer of choice' by providing an environment that promotes diversity and respect, safeguards health and safety and offers equal opportunities and an appropriate work-life balance. Our Code of Conduct articulates our commitment to providing a work environment that makes this possible.



Employee profile

Companies covered by this report employ a workforce of over 69,000, representing 92% of the Group's global workforce⁴.



As illustrated in the chart, Swire Pacific's principal areas of operations are in Greater China, with Hong Kong as our home base. The majority of staff employed in other regions work for Cathay Pacific Airways' outposts, Swire Coca-Cola USA and Swire Pacific Offshore. The workforce covered by the report grew by 5.4% in 2009, with the majority of the growth being in Swire Beverages' operations in Mainland China. The regional spread and mix of employment contract type have not changed substantially during the year. See [Appendix 2](#) (page 31) for statistical data.

Staff turnover

All Group companies monitor staff turnover carefully. Having lower than industry staff turnover is one indicator of a company's attractiveness as an employer. It can also be a competitive advantage, as it lowers training costs and results in more experienced staff.

The average turnover for the companies covered by this report was 15.5% of employees per annum. Within this average, turnover rates vary greatly between companies and staff category. Companies in the Aviation Division, where many jobs require years of training, tend to have low turnover rates – for example 5.9% at Cathay Pacific Airways and 7.4% at Hong Kong Aero Engine Service Limited (HAESL). Companies employing young staff in jobs with a short training period tend to experience much higher rates, albeit still usually well below industry averages.

⁴ Swire Pacific, including its subsidiaries, jointly controlled companies and associated companies, employs over 75,000 staff globally.

Staff communication

We use an intranet to communicate with our staff about corporate developments and other areas of interest to our employees. This year, we launched a new Group intranet, with enhanced content and navigation features, with a mission to increase its usage and make it accessible to more of our staff.

Swire News, which is a bilingual corporate newsletter providing business updates amongst Group companies, is widely read by staff as well as by retirees, customers and other stakeholders. Individual Group companies also use Intranet platforms and publish their own corporate newsletters to disseminate information and engage with their staff.

Employee satisfaction and feedback are important. Swire Pacific surveyed its Hong Kong employees in November 2009, to gauge their motivation and views on staff communication, and the Group's CSR commitment. There were 4,745 respondents, with a high level of staff satisfaction indicated by favourable answers to questions such as 'Would you recommend Swire to your friends as a good place to work?' There was also reasonable awareness of Swire's CSR commitment, but feedback that more two-way communication with staff is necessary. Group companies that conducted more detailed surveys include:

- > Swire Beverages, which continues to conduct its annual staff surveys in Mainland China. The overall feedback from this remained very positive in 2009. The main concerns cited by the staff were market compensation, a perceived lack of job rotation opportunities, and too few internal communication channels.

- > Cathay Pacific Airways has been regularly collecting feedback from its staff through a number of surveys to better understand staff aspirations. Towards the end of 2009, the airline introduced a sustainability baseline survey, to assess the level of awareness of its sustainable development initiatives amongst staff and to identify areas where further training and communication is required. The findings and actions taken will be studied in 2010.

Work-life balance

We have numerous programmes to enhance work-life balance. For example during 2009 the Swire Staff (H.K.) Association, membership of which is opened to all Swire Pacific group staff, organises 45 subsidised lifestyle activities such as yoga, line dancing, cooking classes, arts and crafts. It also organised summer activity programmes for children of staff, free tickets to performances by the Hong Kong Philharmonic and an exclusive day for staff and families at the Ocean Park.

Talent sourcing and development

We aim to recruit people with a diverse range of talents and skills. Our management trainee programme has attracted high quality graduates from Hong Kong, Mainland China and overseas, instilling in them the Swire traditions of striving for operational excellence, whilst being original and forward-looking. Our diversified interests expose management trainees to a variety of challenging business environments, allowing them to develop the expertise necessary to become effective business leaders.

In 2009, through our in-house organisational and leadership development company, Ethos International, we introduced an enhanced 'Swire Leadership and Management Development Programme' ('SLMD') to develop the capabilities our executives need to perform and progress in their careers. The programme combines workshops, training modules, action learning, executive coaching, 360-degree feedback activities, and other development tools and programmes. The overall programme provides feedback on each participant's core strengths and development needs, as evidenced by their own personal reports, and those of their peers and managers. It then provides development plans based on needs. Each level of the SLMD programme is tailored to meet the needs of employees at different stages of their career development. Participating employees, including management trainees, also attend business management programmes at international institutions such as INSEAD, Stanford University and The Richard Ivey School of Business.

Group companies provide a wide range of training programmes for the development of management capability, language proficiency and the acquisition of technical skills. Examples of company-specific training include the provision of engineering apprenticeships and mechanical trainee programmes at aircraft maintenance companies in our Group, Swire Resources' Retail Academy courses, and cabin crew training programmes conducted by Cathay Pacific Airways and Dragonair.

Performance 2009

- ★ Commence a new 'Swire Leadership Development Programme' ('SLMD') designed by our specialist training company, Ethos International.
The SLMD has been rolled out across Swire Group companies.
- ★ Introduce a Hong Kong Government sponsored internship programme for university graduates.
49 students were offered internship opportunities, with 21 receiving offers of full-time positions at the end of their internships.
- ★ Enhance the Group's online communication platform.
A new Group intranet with enhanced content and navigation features was launched in 2009.

Agenda 2010

- > Expand the number of Swire Group internships in order to provide opportunities for young undergraduates to further their career prospects.
- > Improve our on-line recruitment processes for Group management trainees, in order to make these more accessible, transparent and easier to use.
- > Further roll out of the SLMD programme.

Our business partners

Our supplier and customer relationships impact our reputation and brand. We seek to ensure that our ongoing requirement to purchase goods on competitive terms is not met at the expense of labour standards, health and safety or the environment. We also advocate the responsible use of our products and services by our customers and consumers.



Our customers

A common thread that runs through our diverse range of businesses is a commitment to sourcing and providing quality products and services and to conducting business in a manner that safeguards the health and safety of our employees, our customers and the wider community.

We work with our customers and consumers to encourage the responsible use of our products and services. Recent initiatives include Swire Properties' engagement of its tenants in environment and community programmes and Swire Resources encouraging its consumers to reduce the use of plastic bags.

Our suppliers and joint venture partners

Our long-term partnerships with leading corporations such as The Coca-Cola Company, Rolls-Royce, Boeing, Crown and Akzo Nobel provide the opportunity to share best practice and co-operate in tackling environmental and community issues. For example, we proactively share experience on good health and safety practices and working together on incident investigations with Rolls-Royce. We also work with The Coca-Cola Company and WWF to help protect the Yangtze River watershed in China.

Our Supply Chain Sustainability Working Group brings together procurement professionals from Group companies to share best practices on working with suppliers on sustainability issues. The Working Group has co-ordinated our companies' adoption of Supplier Codes of Conduct and is progressively making compliance with these Codes a requirement of our purchase contracts. These codes can be accessed online on the respective companies' websites. The Group's intranet is used for our procurement professionals to share knowledge, guidelines and best practices on managing supply chain risks.

Developments on Supplier Codes of Conduct during the year included:

- > Cathay Pacific Airways revised its Supplier Code of Conduct to further expand upon the standards themselves and to simplify the approach to collecting data from its suppliers.
- > Swire Properties performed its first survey of the extent to which its 350 leading suppliers in Hong Kong and Mainland China comply with its Supplier Code of Conduct. It will make compliance with this Code a requirement of significant new contracts in 2010 and will work on extending the requirement to other suppliers over time.
- > Swire Beverages continued to monitor compliance with its Supplier Guiding Principles (adopted in 2002). Swire Beverages works closely with its peers to share best practices in ethical procurement standards.
- > Swire Resources, with retail and wholesale interests in active footwear and sports and lifestyle apparel, sources products from factories that comply with the codes of conduct of its major clients. In 2009, it developed a Standard Manufacturing Practice to cover items which it procures in its own name.

The Working Group has also focused on the impact of our purchasing practices on forestry conservation. In 2009, we renewed the Swire Group Paper Guideline covering our preference for purchasing and using paper products with recycled content and/or content from sustainably managed forests accredited and certified by the Forest Stewardship Council (FSC). As a pilot, a collaborative purchasing process was launched to purchase business cards and to be followed by office paper made with FSC accredited material. The Working Group will continue to work to increase the extent to which pulp products procured by Group companies are sourced from sustainably managed forests.

While the range and diversity of our businesses results in different levels of engagement with suppliers and customers, we are committed to working with them to improve the sustainability of the value chains in which we operate.



Akzo Nobel Swire Paints

Performance 2009

- ★ Focus on reducing the environmental impact of all the paper products we purchase.
A renewed Swire Group Paper Guideline was launched, and, as noted in this report, pilot initiatives launched to enable all Group companies to source business cards and office paper using only FSC certified paper.
- ★ Develop a platform for knowledge sharing and programmes to engage suppliers
We have set up a new section on the Group intranet for procurement professionals to share guidelines and best practices.

Agenda 2010

- > Further develop Supplier Codes of Conduct, including establishing a minimum standard for Swire Group companies.
- > Evaluate the cost benefit of purchasing Fairtrade and Rainforest Alliance certified products.

Swire and the community

The communities in which we operate provide the resources, infrastructure and markets that support our businesses. We endeavour to understand the needs of these communities through ongoing dialogue with stakeholders and we contribute to them in the way we run our businesses, through sponsorship and charitable funding, and through encouraging our staff to contribute their time and talent to voluntary community service.



Philanthropic donation and sponsorship

In 2009, our Group contributed more than HK\$45 million in philanthropic donations, as well as providing additional support in the form of goods and services. A substantial portion of the donations were made to our major community partners, with whom we maintain close liaison, with a view to enhancing their capabilities and realising opportunities for longer-term development.

The majority of our philanthropic funding is channelled through the Swire Group Charitable Trust (Swire Trust), of which Swire Pacific's subsidiaries and associates are major contributors, providing funding totalling about 0.5% of the company's last three years' average underlying attributable profit. The Swire Trust is administered by the Swire Philanthropy Council, which is chaired by an Executive Director of the Swire Pacific Board and meets regularly to review recurrent sponsorship commitments and new funding proposals.

Swire Trust focuses its philanthropic giving in the areas of education, arts and culture, and the environment.

Individual Swire companies also make contributions supporting healthcare, youth initiatives, the care of the elderly and a wide range of other social initiatives.

Education and focus on youth

Swire Pacific has a long history of supporting education, underlining our belief that knowledge is fundamental to the enrichment and long-term sustainable development of a society. Only education can provide our younger generation with the competencies and the opportunities they need to build a better future for their communities.

Each year, the Group funds 27 undergraduates at Hong Kong's local universities and five postgraduate students from Mainland China to study in Hong Kong. We also offer a variety of scholarships, from primary schooling to post-graduate university studies, to children of our staff. Through scholarships, material support to faculties, and the work of our staff on various school boards, we seek to make a difference in this area.



Our commitment to supporting education dates to the beginning of the last century, when Swire endowed the Taikoo Chair of Engineering at the University of Hong Kong and established the Taikoo Primary School. Today, we continue to provide a number of scholarships and funding for additional teaching at Taikoo Primary School. In 2009, the Swire Trust funded a new vessel to support research at the Swire Institute of Marine Science (SWIMS), the Hong Kong University Research Centre on Marine Biology. SWIMS, situated at Cape d'Aguilar, was established with major funding from Swire in the late 1980s.

Swire is also committed to helping the 'next generation' of young people in each of the communities it serves. We do this, not only by supporting education initiatives, but also by providing youth with opportunities for development and growth.

Maintaining Hong Kong's position as one of the world's leading business centres requires its young people to have international exposure. The Swire Trust therefore supports the Swire International Young Fellows Programme at the Hong Kong University of Science and Technology (HKUST). Each year, this programme supports six overseas students taking on full-time undergraduate studies at HKUST and participating in cultural exchange and campus activities.

In addition to academic scholarships and research funding, we support a diverse range of educational programmes. These include sponsorship of the Community English Language Laboratory (CELL) in Hong Kong, which has assisted tens of thousands of students to improve their spoken English, and the Life Education Activity Programme (LEAP), which provides health education and drug prevention programmes for students from the ages of five to 15. In the 2008/2009 school year, more than 73,000 students, including some 4,000 at special needs schools, benefited from LEAP's educational initiatives.

Swire Beverages continues to support ten Project Hope Schools, which are operated by the government in poor rural communities of Mainland China. During 2009, this support included donating computers, books, sports equipment, and staff volunteering their time to visit the schools to encourage the teachers and to play with the students. In particular, as a commemoration of their 20th anniversary, Swire Coca-Cola Hangzhou donated RMB 500,000 to build a new Hope School at Da'an, near Wenzhou in Zhejiang Province.

Swire Beverages also supported the launch of the Right to Play partnership, which helps disadvantaged migrant children living in Mainland China. Swire Beverages contributed to the development of a curriculum for children, which includes education on health and wellness, diet and nutrition, safety and disease prevention. Senior managers in the company were trained in Right to Play's teaching methodology and they

have subsequently delivered this training to children in several communities where Swire Beverages is active.

Environment

In addition to working to minimise the impact of our operations on the environment, we support work to advance the understanding of environmental challenges. Three examples of this work are listed below:

1. Swire sponsored the Gold Coast Route of the Green Long March (GLM) for a second year in 2009 and has committed to a third year for 2010. The GLM is a student-led environmental campaign, jointly supported by Beijing Forestry University, FutureGenerations and the Chinese Youth Federation. Through environmental case studies, field research and awareness campaigns, the GLM seeks to provide the students and the people they contact with a strong understanding of environmental issues and commitment to sustainable development. The route we sponsor runs from Zhanjiang in Guangdong Province to Xiamen in Fujian Province. Staff from Taikoo (Xiamen) Aircraft Engineering Company, the Swire Coca-Cola bottling plants in Guangzhou and Xiamen, and the Dragonair office in Xiamen, contributed to GLM activities in 2009.



- The Sustainable lifestyle Target Education Programme (STEP), launched in 2008 with WWF Hong Kong, helps primary school children understand the concept of climate change and an environmentally responsible lifestyle. It runs a week-long programme that incorporates drama, games, an exhibition, classroom exercises and online support. The programme, endorsed by the Education Bureau of Hong Kong, reached out to around 10,000 students at 12 primary schools in the 2008/2009 school year.



- The Swire NOCS Ocean Monitoring System (SNOMS) partnership with the University of Southampton in the U.K. is now in its third year. Equipment placed on board M.V. Pacific Celebes, a vessel owned by The China Navigation Company (a subsidiary of the Swire Group's private business arm), measures carbon dioxide levels in the ocean to improve understanding of the transfer of carbon dioxide between the atmosphere and the oceans and the impact of this on climate change. The Swire Trust has funded the equipment and data analysis. During 2009, Swire sponsored a student from Xiamen to undertake a PhD at Southampton University studying this area. For more information, see www.noc.soton.ac.uk/snoms.

Arts & Culture

Swire is a long-term patron of the arts and culture in Hong Kong, aspiring to help maintain Hong Kong's position as Asia's World City.

The Swire Trust has been the Principal Patron of the Hong Kong Philharmonic Orchestra since 2006, committing HK\$13 million per annum in sponsorship. This funding supports the orchestra in bringing classical music to the public in Hong Kong and Mainland China through a series of free concerts and educational programmes. Arguably, the most popular of these has been Symphony Under the Stars, a free outdoor concert attended annually by some 15,000 people. The Swire Trust also enables the orchestra to host world-renowned international performers and to present the talents of local young musicians.



The Hong Kong Arts Development Council conferred the 2008 Award for Arts Sponsorship to our Property Division in recognition of its continuing support of the development of arts and culture in Hong Kong. Swire Properties is the founding sponsor of Shakespeare4all, which encourages local primary school children to learn teamwork and gain confidence in

speaking English by working alongside theatre professionals through the summer to put on public performances of specially adapted Shakespearean plays.

In 2009 Swire Properties launched a programme of workshops for high school students in Beijing, Shanghai and Hong Kong, in which they fused poetry and photography, creating a unique and individual form of art with the guidance of renowned photographers, poets and architects.

Employee volunteering

Employee volunteering is an integral part of our community development work. It helps us connect with our local communities, allowing our staff to gain skills and motivation, while contributing to society. Through partnerships with many different not-for-profit organisations, our staff gain a wide range of opportunities to understand and contribute their time and skills to benefit the environment and to help the more vulnerable members of our society.

Major Group companies covered by this report have already formed staff volunteer teams. We recognise that serving the community is a personal choice. To support our staff becoming involved, we encourage Group companies to offer employees two paid days each year to participate in corporate volunteering programmes.

To enhance staff communication in this area, in addition to the in-house community engagement newspaper, HungBakLam, a new Community Focus corner was launched on the Group intranet in 2009. These platforms provide the forum for our staff to share their volunteering experiences and observations on the needs of our communities.

Some of the ways in which employees have volunteered their time and capabilities:

Child and youth development

The development of disadvantaged children and young people remains a key concern for our staff in their outreach to the community.

Brian Chu from Swire Resources

Brian joined a team of staff volunteers from various Swire Group companies on a trip to Mainland China's Guangxi province to see for themselves the plight of deprived communities there. During their community service trip, the team was able to put smiles on faces of some underprivileged students. Brian said that:

'By the end of this visit, I felt that the help we were able to offer was, in fact, very little. The people in the village we visited inspired me with the strength and exuberance of life. They reminded me of the importance of caring for each other.'



Environmental conservation

The majority of our companies offer environmental programmes to raise staff awareness about issues associated with the environment. We encourage our staff to adopt an environmentally responsible lifestyle and inspire their families and friends to help protect the environment. We do this through various environmental seminars and lectures, through staff outings to environmental programme areas, through partnership with WWF in the 'Twist and Turn' programme, and through involvement in various volunteer programmes, such as treeplanting, coastal cleanup, and conservation initiatives.

Li Mei Rong from Taikoo (Xiamen)

Li Mei Rong took part in the 2009 Green Long March as a volunteer, spending a week with Mainland China's university students in conducting street surveys and campaigns to raise public awareness on environmental protection. She commented:

'The event has made me realise how precious our natural resources are. It is our duty to protect our environment. If we don't look into addressing the environmental challenges that we face, we risk leaving behind a disastrous living environment to future generations.'



The elderly

Hong Kong's ageing population means more support is needed for our senior citizens.

Peggy Yung from HAECO

Hong Kong Aircraft Engineering Company organises community programmes regularly to care for the physical and mental well being of underprivileged senior citizens in Hong Kong. Staff volunteer Peggy found that:

'I learnt what it means by "It's a blessing to give than to receive". The elderly contributed their life to their families, to our society. They deserve our respect. When I served as a volunteer for the first time, it was interesting to see our colleagues put down their serious selves in an environment outside work. It was a great feeling to be able to serve a common community goal together!'

Volunteers using their skills and expertise

Some of our activities involve applying ourselves to areas where our experience and expertise can make a real difference.

Kevin Ma from Swire Properties

Kevin Ma, Assistant Project Manager of Swire Properties, has participated in the company's Mr. Fix community programme for more than three years. The programme rallies Swire Properties' technical team to use their expertise to help underprivileged elderly people with home-repair work. Kevin recalled:

'One time I helped a single mother do some home repair work. She found it hard to believe that we were there to help 'for free', and kept asking me if she had to pay for my service. When she finally believed we had no other intention but to help, she was very touched and thankful. The smile on her face gave me enormous motivation to continue to serve.'

Consumer engagement

Swire companies also find ways to partner with customers and consumers in assisting the communities they serve. This is a great way to engage large numbers of people. Examples of how our companies engage the public include:

- > In addition to its notable art on permanent public display, Swire Properties hosted cultural and arts exhibitions and performances at its managed commercial and residential complexes in 2009, making art accessible to its tenants and shoppers. This is a continuation of the programme which Swire Properties started over three decades ago, to bring a diverse range of outstanding arts and cultural activities – from exhibitions, dramas and musical performances, to dances and visual arts programmes –

to the community of Hong Kong. This programme is being expanded to cities in Mainland China, as Swire Properties opens commercial centres there.

- > Swire Beverages' bottling plants in Mainland China have partnered with their key retail customers to run public campaigns to raise awareness of climate change issues and to inspire a sustainable lifestyle among their consumers.

Through these varied channels and activities, we share our concerns for the community and the environment with members of the public and work with them for improvement.

Performance 2009

- ★ Expand our community engagement work in Mainland China.
More community actions were launched across the Group's subsidiaries in Mainland China; and more employees were engaged in the programmes we currently run in China.
- ★ Enhance our staff communications relating to community engagement.
Created an online platform to share news and experience on community work.
- ★ Engage staff in practising green and low-carbon lifestyles.
*Staff from a number of our companies participated in the Hong Kong Carbon Reduction Campaign organised by The Climate Group.
A pilot project was launched with the support of WWF Hong Kong to inspire interests and practices on sustainable living.*

Agenda 2010

- > Engage our staff who have relevant expertise or talents in capacity building for non-profit organisations.
- > Launch a 'Leaders for Good' programme for future potential leaders of the Swire Group to raise awareness about (and involvement in) sustainable development issues.
- > Engage more staff in practising a sustainable lifestyle.

Appendix 1

Swire Pacific Sustainable Development Policy

We adopt this policy because

- > Long-term value creation for our shareholders depends on the sustainable development* of our businesses and the communities in which we operate.
- > We wish to excel as corporate citizens.

Our policy

> Industry leadership

We will work with others to promote sustainable development in the industries in which we operate.

> In our operations

We will meet or exceed all legal requirements and:

- Be a good steward of the natural resources and biodiversity under our influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed.
- Operate as far as is reasonably practicable in a manner which safeguards the health and safety of all our stakeholders.
- Strive to be an employer of choice by providing an environment in which all employees are treated fairly and with respect and can realise their full potential.
- Favour suppliers and contractors who promote sustainable development and encourage the responsible use of our products and services by our customers and consumers.
- Promote good relationships with the communities of which we are a part and enhance their capabilities while respecting people's culture and heritage.

Making it happen

- > All companies in which Swire Pacific has a controlling interest will have action plans for applying this policy in a way which is relevant to their businesses. We will encourage other companies in which we have an interest as a shareholder or through our supply chain to implement similar policies.
- > We will encourage and empower our staff to be proactive on sustainable development matters both at work and in the community.
- > We will monitor our performance and report regularly.
- > We will review this policy periodically, having regard in particular to stakeholder dialogues.

* Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. – 'Our Common Future', 1987 – World Commission on Environment and Development.

Appendix 2 Summary of statistics

Total energy consumption (EN3+EN4)

Company	Swire Pacific attributable		Energy consumption in GJ						Attributed to Swire Pacific		Change (in attributed to Swire Pacific) %
	Average 2009 %	Average 2008 %	Direct energy ¹ consumption (EN3)		Indirect energy consumption (EN4)		Total		Total		
			2009	2008	2009	2008	2009	2008	2009	2008	
Property											
Swire Properties – Hong Kong	100.00	100.00	3,376	3,561	854,302	796,713	857,678	800,274	857,678	800,274	7.2
Aviation											
Cathay Pacific Airways	41.50	39.98	177,109,872	182,319,642	128,819	121,105	177,238,691	182,440,747	73,554,057	72,939,810	0.8
Hong Kong Dragon Airlines	41.50	39.98	16,849,105	18,639,614	29,221	29,578	16,878,326	18,669,191	7,004,505	7,463,943	-6.2
AHK Air Hong Kong	24.90	23.99	4,024,392	3,700,960	–	–	4,024,392	3,700,960	1,002,074	887,860	12.9
Cathay Pacific Catering Services	41.50	39.98	148,640	151,550	147,164	151,911	295,804	303,460	122,759	121,323	1.2
Vogue Laundry	41.50	39.98	175,036	195,703	21,473	25,294	196,510	220,997	81,552	88,354	-7.7
Hong Kong Airport Services	41.50	39.98	99,785	107,659	10,417	9,026	110,202	116,685	45,734	46,651	-2.0
HAECO	45.60	44.49	110,068	125,793	119,834	110,082	229,902	235,875	104,835	104,941	-0.1
TAECO	29.56	28.80	9,202	15,750	61,646	81,953	70,848	97,703	20,943	28,138	-25.6
HAESL	20.50	20.02	124,958	110,472	71,450	71,535	196,408	182,007	40,264	36,438	10.5
Hactl	24.15	24.00	36,117	37,694	160,795	166,790	196,912	204,484	47,554	49,076	-3.1
Beverages											
Hong Kong	87.50	87.50	102,216	116,738	101,017	100,698	203,232	217,436	177,828	190,256	-6.5
Taiwan	80.00	80.00	138,085	147,732	56,444	58,094	194,529	205,826	155,623	164,661	-5.5
USA	100.00	100.00	296,378	304,477	40,253	41,114	336,632	345,590	336,632	345,590	-2.6
Mainland China	55.10	54.85	358,277	408,386	455,686	405,551	813,963	813,937	448,493	446,444	0.5
Marine services											
Swire Pacific Offshore ²	100.00	100.00	362,793	316,482	4,095	3,926	366,888	320,407	366,888	320,407	14.5
HUD Group	50.00	50.00	364,443	375,474	28,978	31,039	393,422	406,513	196,711	203,257	-3.2
Trading & industrial											
Swire Resources – Hong Kong	100.00	100.00	1,613	1,490	29,619	29,575	31,232	31,066	31,232	31,066	0.5
Taikoo Motor Group	100.00	100.00	6,400	8,806	21,996	25,168	28,396	33,975	28,396	33,975	-16.4
Taikoo Sugar – Hong Kong	100.00	100.00	–	–	211	214	211	214	211	214	-1.8
Taikoo Sugar – Mainland China	100.00	100.00	–	–	301	124	301	124	301	124	143.4
Total			200,320,756	207,087,983	2,343,723	2,259,489	202,664,479	209,347,472	84,624,269	84,302,804	0.4

Direct Energy consumption (EN3) (in 100%) breakdown by fuel type in GJ

	2009	2008	change in %
Stationary combustion sources			
Coal	57,740	125,215	-53.9
Gas	428,185	173,996	146.1
Other oil derivatives	278,295	555,373	-49.9
Mobile combustion sources			
Jet kerosene	198,075,263	204,763,629	-3.3
Marine gasoil	708,831	672,207	5.4
Other oil derivatives	772,442	797,562	-3.1
Total	200,320,756	207,087,983	-3.3

¹ Direct Energy sources can be divided into two categories: non-renewable and renewable sources. Non-renewable energy sources include LPG, Towngas, Natural Gas, Fuel Oil, Diesel Oil, Petrol, Jet Kerosene, Lubricant Oil, Marine Gasoil, Coal. Renewable energy sources include Biodiesel.

² The figure excludes On-hire vessel fuel consumption.

³ This year we have changed from using Higher Heating Value to the more commonly used Lower Heating Value coefficients to convert from fuel quantities to energy consumed. We have adjusted the 2008 numbers to match.

Total water withdrawal by source (EN8)

Percentage and total volume of non-sea reused (EN10)

Total water discharge by quality and destination (EN21)

Company	Swire Pacific attributable		Portable water used (m ³) ¹					Water recycled (as % of total)				Water from potable source discharged (as % of potable water used) ^{2,3}			
	Average 2009	Average 2008	Total		Attributable		Change in %	Treated		Untreated		To sea		To sewer	
	%	%	2009	2008	2009	2008		2009	2008	2009	2008	2009	2008	2009	2008
Property															
Swire Properties – Hong Kong	100.00	100.00	505,429	451,757	505,429	451,757	11.9	2.2	2.7					50.0	50.0
Aviation															
Cathay Pacific Airways	41.50	39.98	17,803	17,009	7,388	6,800	8.6							100.0	100.0
Hong Kong Dragon Airlines	41.50	39.98	12,879	12,166	5,345	4,864	9.9							100.0	100.0
AHK Air Hong Kong	24.90	23.99	–	–	–	–	N/A								
Cathay Pacific Catering Services	41.50	39.98	375,524	409,633	155,842	163,771	-4.8							100.0	100.0
Vogue Laundry	41.50	39.98	330,284	424,490	137,068	169,711	-19.2							100.0	90.0
Hong Kong Airport Services	41.50	39.98	11,125	10,429	4,617	4,170	10.7							100.0	100.0
HAECO	45.60	44.49	199,960	219,738	91,182	97,761	-6.7							90.0	94.3
TAECO	29.56	28.80	141,198	176,159	41,738	50,734	-17.7	36.4	3.9	0.5	1.5	24.8	66.4		
HAESL	20.50	20.02	80,582	90,027	16,519	18,023	-8.3								66.1
Hactl	24.15	24.00	128,225	–	30,966	–	N/A							100.0	
Beverages															
Hong Kong	87.50	87.50	727,796	788,030	636,822	689,526	-7.6	0.3	0.1	15.4	20.0			47.0	47.4
Taiwan	80.00	80.00	523,363	569,676	418,690	455,741	-8.1	2.8	2.4	13.2	13.3			63.7	65.1
USA	100.00	100.00	669,277	770,934	669,277	770,934	-13.2							44.3	50.8
Mainland China	55.10	54.85	4,290,109	3,906,242	2,363,850	2,142,574	10.3	1.9	3.8	6.8	7.0			36.0	42.4
Marine services															
Swire Pacific Offshore	100.00	100.00	–	–	–	–	N/A								
HUD Group	50.00	50.00	103,430	112,221	51,715	56,111	-7.8					46.6	37.9		
Trading & industrial															
Swire Resources – Hong Kong	100.00	100.00	3,367	2,967	3,367	2,967	13.5							100.0	100.0
Taikoo Motor Group	100.00	100.00	59,939	63,032	59,939	63,032	-4.9							100.0	
Takioo Sugar – Hong Kong	100.00	100.00	–	–	–	–	N/A								
Takioo Sugar – Mainland China	100.00	100.00	634	1,087	634	1,087	-41.7							100.0	100.0
Total			8,180,924	8,025,597	5,200,389	5,149,563	1.0								

¹ Water used: For the reasons noted in 'Swire Pacific's Approach to GRI Reporting' we only report potable water use. Virtually all potable water consumption by the Group is withdrawn from municipal water supplies provided by local water supply authority. Swire Properties' buildings have installed rainwater catching facilities but the amount of rainwater caught is less than 2% of the Group's total water consumption.

² Water discharged: We received zero non-compliance report in water discharge indicated that all of our wastewater met relevant legal requirements prior to discharge.

³ Water discharged: We discharge all sea water used for toilet flushing plus the % of potable water indicated above. Except Beverages companies, HAECO, TAECO and HUD which operate their own sewage treatment plant and have active monitoring of water discharged, our companies discharge all effluent into central drainage system provided by the government. The amount of potable water discharged is estimated based on the nature of their operation. For more details please refer to 'Swire Pacific's Approach to GRI Reporting'.

Total direct and indirect greenhouse gas emissions by weight (EN16)

Company	Emissions in tonnes CO ₂ e										Change in %	
	Swire Pacific attributable		100% of emissions				Attributed to Swire Pacific		Total	2008		2009
	Average 2009 %	Average 2008 %	Direct scope 1		Indirect scope 2 ¹		2009	2008				
		2009	2008	2009	2008	2009	2008	2009	2008			
Property												
Swire Properties – Hong Kong	100.00	100.00	2,179	2,362	187,317	171,810	189,496	174,172	189,496	174,172	8.8	
Aviation												
Cathay Pacific Airways ²	41.50	39.98	12,650,729	13,039,360	20,038	18,166	12,670,768	13,057,526	5,258,369	5,220,399	0.7	
Hong Kong Dragon Airlines ²	41.50	39.98	1,202,950	1,333,084	4,545	4,437	1,207,496	1,337,521	501,111	534,741	-6.3	
AHK Air Hong Kong ²	24.90	23.99	287,457	264,690	–	–	287,457	264,690	71,577	63,499	12.7	
Cathay Pacific Catering Services	41.50	39.98	15,689	18,771	22,892	22,787	38,581	41,558	16,011	16,615	-3.6	
Vogue Laundry	41.50	39.98	12,524	14,002	3,351	3,806	15,875	17,808	6,588	7,120	-7.5	
Hong Kong Airport Services	41.50	39.98	7,534	9,210	1,620	1,354	9,154	10,564	3,799	4,223	-10.1	
HAECO	45.60	44.49	8,254	9,056	18,641	16,512	26,895	25,568	12,264	11,375	7.8	
TAECO ³	29.56	28.80	637	1,372	14,432	19,186	15,069	20,558	4,454	5,921	-24.8	
HAESL	20.50	20.02	8,926	7,896	11,115	10,730	20,040	18,626	4,108	3,729	10.2	
Hactl	24.15	24.00	2,603	2,622	25,013	25,018	27,616	27,640	6,669	6,634	0.5	
Beverages												
Hong Kong	87.50	87.50	6,762	7,709	15,714	15,105	22,476	22,814	19,667	19,962	-1.5	
Taiwan	80.00	80.00	11,388	11,966	10,727	11,041	22,116	23,007	17,692	18,406	-3.9	
USA	100.00	100.00	23,946	22,391	4,672	4,771	28,618	27,162	28,618	27,162	5.4	
Mainland China	55.10	54.85	28,105	33,002	106,681	94,944	134,786	127,946	74,267	70,178	5.8	
Marine services												
Swire Pacific Offshore ⁴	100.00	100.00	30,853	26,337	702	586	31,555	26,923	31,555	26,923	17.2	
HUD Group	50.00	50.00	29,667	30,575	4,508	4,656	34,175	35,231	17,087	17,615	-3.0	
Trading & industrial												
Swire Resources – Hong Kong	100.00	100.00	126	113	5,396	5,286	5,522	5,398	5,522	5,398	2.3	
Taikoo Motors Group	100.00	100.00	466	702	4,180	4,783	4,647	5,485	4,647	5,485	-15.3	
Taikoo Sugar – Hong Kong	100.00	100.00	–	–	49	54	49	54	49	54	-9.7	
Taikoo Sugar – Mainland China	100.00	100.00	–	–	71	28	71	28	71	28	151.5	
Total			14,330,795	14,835,218	461,664	435,060	14,792,459	15,270,278	6,273,621	6,239,639	0.5	

¹ We consider emissions during the manufacture of the town gas we use to be Scope 3 and therefore do not report them above. These totaled 1,340 tonnes CO₂e in 2009.

² Only CO₂ emissions are reported for aviation turbine fuel as there is no scientific consensus on the global warming effect of the other emissions. Our airlines continue to monitor 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 (DLR).

³ TAECO substituted about 40,000 litres of diesel with bio-diesel in 2009, which accounted for approximately 24 tonnes CO₂e emissions which is not included in the Scope 1 emission listed in this table.

⁴ The figure excludes On-hire vessel fuel consumption as these belong to scope 3 as defined by the Greenhouse Gas Protocol.

Swire Pacific Group workforce data as of 31 December 2009 (LA1)

	Swire Pacific attributable at 31 Dec 2009 %	Total Workforce						Total workforce by region %							
		Employees 2009	Supervised workers 2009	Total 2009	Total attributable 2009	Total attributable 2008	Increase on prior year %	Employees who are on permanent terms % 2009	Permanent employees who work full-time % 2009	Hong Kong & Macau	Mainland China	Taiwan	USA	Others	
Swire Pacific	100.00	30	–	30	30	28	7.1	96.7	100.0	100.0	–	–	–	–	
Property															
Swire Properties – Hong Kong	100.00	2,501	–	2,501	2,501	2,453	2.0	97.1	97.4	97.9	2.0	–	–	0.1	
Aviation															
Cathay Pacific Airways	41.97	17,896	–	17,896	7,511	7,254	3.5	89.0	97.3	75.2	0.7	2.7	1.8	19.6	
Hong Kong Dragon Airlines	41.97	2,415	–	2,415	1,014	1,023	-0.9	99.8	100.0	72.4	22.1	5.5	–	–	
AHK Air Hong Kong	25.18	95	–	95	24	23	6.1	92.6	100.0	47.4	–	–	–	52.6	
Cathay Pacific Catering Services	41.97	1,644	–	1,644	690	678	1.8	84.7	95.3	100.0	–	–	–	–	
Vogue Laundry	41.97	583	–	583	245	243	0.5	71.9	99.5	100.0	–	–	–	–	
Hong Kong Airport Services	41.97	3,086	–	3,086	1,295	1,226	5.6	84.5	100.0	100.0	–	–	–	–	
HAECO	52.26	4,759	274	5,033	2,630	2,339	12.5	92.2	95.1	97.2	2.7	–	–	0.1	
TAECO	33.37	5,095	1	5,096	1,701	1,523	11.7	100.0	100.0	–	100.0	–	–	–	
HAESL	23.52	892	27	919	216	190	14.0	98.9	100.0	100.0	–	–	–	–	
Hactl	24.20	2,447	353	2,800	678	727	-6.8	86.0	93.6	97.7	2.3	–	–	–	
Beverages															
Hong Kong	87.50	1,702	44	1,746	1,528	1,483	3.0	79.7	100.0	98.4	1.4	0.2	–	–	
Taiwan	80.00	933	71	1,004	803	780	3.0	97.7	100.0	–	–	100.0	–	–	
USA	100.00	1,761	–	1,761	1,761	1,772	-0.6	98.9	97.1	–	–	–	100.0	–	
Mainland China	55.10	12,119	5,638	17,757	9,784	8,602	13.7	96.4	100.0	–	100.0	–	–	–	
Marine services															
Swire Pacific Offshore	100.00	1,929	–	1,929	1,929	1,885	2.3	54.1	100.0	–	–	–	–	100.0	
Hongkong United Dockyard	50.00	698	–	698	349	342	2.2	84.7	99.7	100.0	–	–	–	–	
Trading & industrial															
Swire Resources – Hong Kong	100.00	1,641	–	1,641	1,641	1,774	-7.5	89.3	71.5	99.6	0.4	–	–	–	
Taikoo Motors	100.00	692	–	692	692	791	-12.5	97.1	100.0	–	–	100.0	–	–	
Taikoo Sugar	100.00	102	–	102	102	86	18.6	32.4	100.0	23.5	76.5	–	–	–	
2009 total		63,020	6,408	69,428	37,123	35,221	5.4	90.9	97.6	51.4	34.4	3.3	3.0	7.9	

Rates of injury, lost days and work-related fatalities (LA7)

Company	Injuries (including fatalities) ¹											
	Thousand hours worked (employees)		Total injuries (employees)		Total fatalities (employees)		Lost time injury rate		Lost days due to injuries		Lost day rate	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Property												
Swire Properties – Hong Kong ²	5,753	4,457	65	57			2.26	2.56	2,904	1,189	100.94	53.33
Aviation												
Cathay Pacific Airways	18,276	17,392	697	1,053			7.63	12.11	16,291	29,186	178.28	335.63
Hong Kong Dragon Airlines ³	1,713	2,496	66	137			7.71	10.98	4,446	6,061	519.09	485.66
AHK Air Hong Kong	95	99	–	–			–	–	–	–	–	–
Cathay Pacific Catering Services	3,918	3,783	58	64			2.96	3.38	1,477	1,794	75.40	94.84
Vogue Laundry	1,431	1,634	40	48			5.59	5.87	637	962	89.04	117.73
Hong Kong Airport Services ⁴	8,235	5,649	239	183	3		5.80	6.48	18,292	6,516	444.27	230.69
HAECO	12,315	12,258	212	240		1	3.44	3.92	3,734	4,552	60.64	74.27
TAECO	9,791	11,727	43	144		2	0.88	2.46	400	971	8.17	16.56
HAESL	1,977	2,207	12	12			1.21	1.09	143	245	14.46	22.20
Hactl	5,243	5,902	58	66			2.21	2.24	1,806	3,700	68.89	125.38
Beverages												
Hong Kong	3,556	2,973	61	54			3.43	3.63	1,225	2,138	68.90	143.83
Taiwan	2,030	2,030	8	13			0.79	1.28	107	155	10.54	15.27
USA ³	3,771	3,860	31	40			1.64	2.07	953	523	50.54	27.10
Mainland China ⁵	32,723	31,040	143	104	1	1	0.87	0.67	3,366	3,407	20.57	21.95
Marine services												
Swire Pacific Offshore ³	8,277	7,450	6	10			0.14	0.27	134	438	3.24	11.76
HUD Group	2,009	2,051	28	65		1	2.79	6.34	637	1,716	63.40	167.32
Trading & industrial												
Swire Resources – Hong Kong ³	2,733	2,719	42	33			3.07	2.43	218	317	15.95	23.32
Taikoo Motor Group	1,413	1,650	7	5			0.99	0.61	149	131	21.10	15.88
Takioo Sugar – Hong Kong	43	43	–	–			–	–	–	–	–	–
Takioo Sugar – Mainland China	40	42	1	1			4.98	4.81	7	7	34.89	33.65
Total	125,343	121,464	1,817	2,279	4	5	2.90	3.74	56,925	64,008	90.83	105.39

¹ Please refer to glossary for definition of the injury parameters.

² Swire Properties has expanded the scope of injury data collected making the 2008 and 2009 figures not directly comparable.

³ The company has revised its 2008 injury data.

⁴ A bus accident on 28/8/2009 resulted in three Hong Kong Airport Services (HAS) staff fatalities and twenty two HAS staff injuries. A total of 2,034 days were lost due to these injuries.

⁵ In addition to the four staff fatalities listed, there were the following contractor fatalities in 2009:

a. Beverages – Mainland China: A contracted welder fell from height.

b. Beverages – Mainland China: An outsourced driver collapsed on company premises.

Appendix 3 Description of the companies which comprise the Swire Pacific Group

	Accounting status	Swire Pacific attrib average for 2009 %	Covered by this report	Description	Company report
Property					
Hong Kong with the exception of Pacific Place and Citygate hotel companies	Subsidiary	100	Yes	One of Hong Kong's leading property developers with a portfolio of 14.9 million square feet comprising commercial properties in prime locations, as well as hotel interests, serviced apartments and other luxury residential accommodation.	Sustainable Development Report (GRI A+ third party checked)
Pacific Place and Citygate hotel companies	Associate / Jointly controlled	20	No	Holds minority interests in hotels at Pacific Place and Citygate in Hong Kong.	
USA	Subsidiary / Jointly controlled	75 – 100	No	Develops property in Florida and owns 75% of the Miami Mandarin Oriental hotel.	
Swire Hotels Group	Subsidiary	100	No	Hotel investment and operation in Hong Kong, China and UK.	
Mainland China	Subsidiary & Jointly controlled	50 – 98	No	Developing mixed use commercial centres in Beijing, Guangzhou and Shanghai which will total 8.0 million square feet on completion, of which 1.6 million has been completed.	
Aviation					
Cathay Pacific Airways	Associate	41.50	Yes	An international airline registered and based in Hong Kong which operates passenger and cargo services to 117 destinations with 126 wide-bodied aircraft. Listed in Hong Kong.	Sustainable Development Report (GRI A+ GRI checked)
Hong Kong Dragon Airlines	Associate	41.50	Yes	A wholly-owned subsidiary of Cathay Pacific providing passenger and cargo airline services to destinations in Mainland China and the region.	Covered by Cathay Pacific Airways' report
Cathay Pacific Catering Services	Associate	41.50	Yes	Operates a large air catering facility supplying 63.4% of the airline catering at Hong Kong International Airport.	Environmental, Health and Safety Report
Vogue Laundry	Associate	41.50	Yes	Operates the largest single-site laundry plant in Asia, providing a comprehensive range of laundry and dry cleaning services to many airlines, hotels and other establishments.	Covered by Cathay Pacific Airways' report
AHK Air Hong Kong	Associate	24.90	Yes	Operates eight A300 aircraft on regional package delivery for DHL.	
Hong Kong Airport Services	Associate	41.50	Yes	Provides ramp and passenger handling and related services at Hong Kong International Airport	Sustainable Development Report (GRI B self declared)
Other catering and laundry service companies	Associate	12.45 – 45	No	Flight kitchens in Taipei, Cebu, Vancouver and Vietnam. Laundry in Taipei.	
Hong Kong Aircraft Engineering Company (HAECO)	Associate	45.60	Yes	Provides base and line aircraft maintenance at Hong Kong International Airport. Listed in Hong Kong.	Sustainable Development Report (GRI C+ third party checked)
Hong Kong Aero Engine Services (HAESL)	Associate	20.50	Yes	A joint venture between HAECO, Rolls-Royce and SIA Engineering Company which provides commercial aero engine overhaul services.	Sustainable Development Report (GRI C+ third party checked)
Taikoo (Xiamen) Aircraft Engineering Company (TAECO)	Associate	29.56	Yes	A subsidiary of HAECO. Provides heavy aircraft maintenance services at Xiamen Gaoqi International Airport and line maintenance at a number of airports in Mainland China.	Environmental, Occupational Health & Safety Report
Hong Kong Air Cargo Terminals (Hactl)	Associate	24.15	Yes	The leading air cargo terminal operator at Hong Kong International Airport.	

- > Refer to Swire Pacific Annual Report which is available at www.swirepacific.com for details of the operational structure of the Group and business activities of each division. In particular pages 190 and 191 provide a group structure chart and pages 12 to 55 cover markets served and the group's brands, products and services.
- > Companies are omitted from the Sustainable Development report either due to low percentage ownership or small size.

	Accounting status	Swire Pacific attrib average for 2009 %	Covered by this report	Description	Company report
Beverages					
Hong Kong	Subsidiary	87.50	Yes		
Taiwan	Subsidiary	80	Yes	Manufactures, markets and distributes products of The Coca-Cola Company in Hong Kong, Taiwan, parts of seven provinces in Mainland China and an extensive area of Western USA.	Sustainable Development report (GRI C+ third party checked)
USA	Subsidiary	100	Yes		
Mainland China	Subsidiary / Jointly controlled	55.10	Yes		
Marine services					
HUD Group	Jointly controlled	50	Yes	Repairs ships and operates harbour tugs and refuse transport ships in Hong Kong.	Environmental, Health & Safety Report
Swire Pacific Offshore	Subsidiary	100	Yes	Headquartered in Singapore. Provides marine support services to the offshore oil and construction industry in worldwide outside North America.	Sustainable Development Report (GRI C+ third party checked)
Trading & industrial					
Taikoo Motors	Subsidiary	100	Yes	Distribution and retailing of motor vehicles in Taiwan.	
Swire Resources	Subsidiary	100	Yes	Marketing, distribution and retailing of branded sports and casual footwear, apparel and accessories in Mainland China and Hong Kong.	Sustainable Development Report
CROWN Beverage Cans Hong Kong & CROWN Beverage Cans Hanoi	Jointly controlled	22.29 – 44.57	No	Aluminium beverage can manufacturing in Mainland China and Vietnam.	
Akzo Nobel Swire Paints	Jointly controlled	30 – 40	No	Paint manufacture and distribution in Mainland China and Hong Kong.	
Taikoo Sugar	Subsidiary	100	Yes	Packaging and selling sugar products in Mainland China and Hong Kong.	

> Refer to Swire Pacific Annual Report which is available at www.swirepacific.com for details of the operational structure of the Group and business activities of each division.

In particular pages 190 and 191 provide a group structure chart and pages 12 to 55 cover markets served and the group's brands, products and services.

> Companies are omitted from the Sustainable Development report either due to low percentage ownership or small size.

Appendix 4 Glossary

Associated companies are those companies over whose management the Group has significant influence, but not control or joint control, including participation in the financial and operating policy decisions, generally accompanying a shareholding carrying between 20% and 50% of the voting rights.

Attributable turnover is the turnover of Swire Pacific's subsidiary, associate and jointly controlled companies multiplied (in each case) by the percentage of the share capital of these companies owned by Swire Pacific.

Available tonne kilometres ('ATK') is the overall capacity, measured in tonnes, available for the carriage of airline passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

'Best in Class' is a process for a company to assess the best way of meeting its customers' needs, as a starting point for setting aspirations to improve its performance. The speed with which a company can change its operations to 'best in class' will depend on its fixed investments and other commercial limitations.

Carbon Dioxide Equivalent (CO₂e) is a measure of the global warming potential of releases of the six greenhouse gases ('GHG') specified by the Kyoto protocol. These are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆).

For this report, the conversion factors used cover all six gases for all fuels except aviation turbine fuel, which is for CO₂ only as there is no scientific consensus on the global warming effect of the other emissions. Our airlines continue to monitor developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project, the Institute of Atmospheric Physics at the German

Aerospace Centre (DLR) and, most recently research published by the Goddard Institute of Space Science www.pnas.org/content/early/2010/02/02/0906548107.full.pdf+html. The latest research suggests the warming impact of non CO₂ gases is less than the cooling impact of aerosols and other aircraft emissions. Until there is greater consensus among the scientific community on these gases, their primary focus remains on the reduction of their CO₂ emissions.

Enterprise Risk Management is a process which companies in the Group use to compile a register of the risk events which they face. For each type of risk event, the register records management's judgment of the severity of the risk event, the likelihood of it occurring and the action taken to mitigate and manage the risk.

Global Reporting Initiative ('GRI') www.globalreporting.org is a multi-stakeholder-governed institution which provides a generally accepted framework for sustainability reporting. It has developed the world's most widely used sustainability reporting framework. This framework sets out the principles and indicators that entities can use to measure and report their economic, environmental and social performance. More than 1,500 companies and other organisations, including the owners of many of the world's leading brands, have declared their voluntary adoption of the Guidelines which have been prepared in accordance with the GRI. Consequently, these Guidelines have set the de facto global standard for reporting.

Global Reporting Initiative 'Level C' covers the Group Profile disclosures shown in the Contents on the inside cover and 10 GRI Performance Indicators, including at least one from each of the economic, environment and social indicators.

GRI Performance Indicators are qualitative or quantitative information about results or outcomes associated with the organisation that are comparable and demonstrates change over

time. The basis for using the Performance Indicators in this report is provided on www.swirepacific.com/sd.

Greenhouse gas (GHG) emissions are reported in tonnes of carbon dioxide equivalent, which is defined in this glossary.

Jointly controlled companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other ventures, in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the Total Days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Lost Time Injury Rate represents the number of injuries per 100 employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

Revenue tonne kilometres ('RTK') is traffic volume, measured in load tonnes from the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance.

Subsidiary companies are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights.

Total injuries are the number of injuries in the year which result in lost time of a minimum of one scheduled working day.

Assurance statement



Hong Kong Productivity Council (HKPC) was commissioned by the Swire Pacific Group (Swire Pacific) to verify its Sustainable Development Report 2009 (SD Report). The SD Report covers the environmental, social and economic performance of Swire Pacific during the calendar year of 2009.

Objectives

The objective of HKPC's verification work is to provide an independent assurance on the completeness, accuracy and reliability of information presented in the SD Report 2009 and, more specifically, to:

- > assess whether the scope of the SD Report covers all significant aspects in relation to Swire Pacific's performance;
- > check whether the SD Report conforms to the Level C requirements of the Global Reporting Initiative (GRI) G3 Guidelines;
- > evaluate whether the selected statements and data presented in the SD Report are accurate;
- > review whether the data collection and information management mechanisms used to prepare the SD Report are reliable; and
- > provide recommendations for future reports.

Approach

Our verification procedures¹ comprised a comprehensive review of the SD Report followed by the selection of a representative sample of statements and data in relation to Swire Pacific's significant aspects for verification. Through a series of interviews with Swire Pacific's representatives on 8 July 2010, we reviewed and examined the data collation systems and supporting materials relating to the selected statements and data as well as Swire Pacific's relevant management practices and initiatives.

Results

Report completeness

The SD Report conforms to Level C requirements of GRI G3 Guidelines. It presents a structured and comprehensive overview of the environmental, social and economic performance with

respect to Swire Pacific's and its subsidiaries' key services, activities and initiatives. Swire Pacific has provided a fair description of its subsidiaries' operations and a clear indication of which subsidiaries' performance be covered in the Report. In line with the global concerns on climate change, Swire Pacific addresses its various engagement, stewardship and achievements in energy/carbon reduction initiatives in the Report. Regarding the last year comments on stakeholder engagement, Swire Pacific has provided a summary on the improvement areas revealed during the engagement process and is committed to addressing these areas in the next Report.

Report accuracy and reliability

The selected sample of statements and data examined during the verification process are consistent with the source materials reviewed and reflect a fair account of Swire Pacific's environmental, social and economic performance. The data collation and information management systems adopted are generally considered to be reliable.

Recommendations for future reports

Swire Pacific is commended for continuously improving its SD report by enhancing the readability through establishing strong inter-section linkage and referring to appropriate websites for readily available information. We further encourage Swire Pacific to consider the inclusion of the following areas in the preparation of its future reports:

- > To fully address stakeholders' concerns identified during the stakeholder engagement process;
- > To cover performance of all subsidiaries and associated companies with dominant ownership in the report;
- > To present annual achievements of the Group's key performance indicators in graphical format to facilitate yearly comparison of the Group performance; and
- > To continue moving towards sustainability reporting by extending the coverage of appropriate performance indicators in the GRI G3 Guidelines to achieve a higher application level.

A handwritten signature in black ink, appearing to read 'Tsang Ken Lam'.

K L Tsang, JP
General Manager
Environmental Management Division
Hong Kong Productivity Council
14 July 2010

¹ Our verification work did not cover data and information which have already been published in the Swire Pacific Group's Annual Report and the EHS/Sustainable Development Report produced by relevant subsidiaries of the Group.

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Request for feedback

We welcome your views on how we may further our environmental and social commitments or improve our reporting.

Please contact us via our website or email to sd@swirepacific.com

If you wish to view the Chinese version of this report, please visit www.swirepacific.com/big5/about/sd.htm



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