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Message from Our Chairman

I am pleased to introduce Swire Pacific's third Environment, Health & Safety Report (EHS) which outlines the various EHS initiatives implemented by our major business units during the past year.

In 2006 we successfully expanded the scope of our EHS database to include more detailed information to assist us in measuring our EHS performance. Various new task forces were established at operating level to address key EHS issues and policies implemented to improve EHS performance. In terms of our staff and also the public's health and safety, operating companies have focused particularly on indoor air quality – in the workplace and in our managed buildings. The majority of our business units now produce their own Environment or EHS performance reports, and during the year we organised a variety of programmes to increase EHS awareness among our staff, including an environmental conference focusing on climate change.

As part of our commitment to improving regional air quality, I am happy to report that during 2006, all of our major Hong Kong-based subsidiary companies became signatories to the Clean Air Charter. Five of our business units also participated in a pilot study to gather data on greenhouse gas emissions with the aim of developing a group-wide strategy to reduce our carbon footprint.

Looking forward, our objectives for 2007 include the establishment of a Sustainable Development Policy. We will also be conducting a gap analysis to determine exactly what "Best in Class" climate change performance entails, and how we can best achieve this goal. We will be maintaining our focus on improvements in energy and water resource management and in enhancing the EHS elements of our supply chain through procurement initiatives.

We hope you find this year's report of interest and, as always, we welcome your feedback.



Christopher Pratt
September 2007

The Swire Pacific Group

Company Profile

Swire Pacific is a leading Hong Kong-based, listed company that provides diversified products and services locally, regionally and internationally. Our core business activities are organised under five major operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial.

We employ over 43,000 people in Hong Kong and 70,000 people globally across more than 70 operating companies.

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards, something which we believe is a key component of our long-term success. This reflects our belief that in achieving our business objectives it is imperative that we act with high standards of probity, transparency and accountability.

By following this ethos we believe that shareholder wealth will be maximised in the long term and employees, business partners and the communities in which we operate will all benefit.

Our Board of Directors, made up of our Chairman, four Executive Directors and nine Non-Executive Directors, is responsible for the strategic leadership and control of the group to maximise shareholder value, whilst balancing a broad range of stakeholder interests.

Financial Performance Summary

Swire Pacific reported an attributable profit in 2006 of HK\$22,566 million, compared to HK\$18,757 million in 2005. Underlying attributable profit, which adjusts for net property revaluation gains, was HK\$8,716 million, 0.3% down on the corresponding HK\$8,742 million in 2005, due to a net reduction in non-recurring profits, and in particular the disposal of part of the group's Hong Kong port interests in 2005. Core property and aviation earnings grew strongly during the year.

More information on our financial performance in 2006 can be found on our corporate website: www.swirepacific.com

About this Report

Reporting Scope

This is our third EHS Report, and has been compiled with reference to the framework of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3. This report has also been prepared to complement the Swire Pacific 2006 Annual report which focuses on our financial performance. Both this and the Swire Pacific Annual Report are available on our corporate website: www.swirepacific.com

Information on our EHS initiatives and performance for the 2006 calendar year is covered in three main sections of this Report:

- **EHS Priorities, Progress and Objectives**
This section summarises our overall policy and objectives for EHS management and improvement, progress against our objectives for the year 2006, and our new and ongoing EHS objectives for 2007.
- **Environmental Performance**
This section covers the various initiatives and achievements related to controlling emissions to the environment. We focus on climate change and air emissions, waste and water management, noise control and energy efficiency, and habitat management.
- **Health & Safety Performance**
This section covers our occupational health and safety initiatives and performance in relation to our staff and contractors, and includes a summary of our initiatives to ensure public health, safety and comfort within our premises.

Reporting Boundary

As Swire Pacific has interests in diverse operations and activities across five operating divisions, it is not practicable to report on the EHS performance of every company and jointly owned business.

Accordingly, in compiling this Report, we have selected 11 companies that together account for approximately two-thirds of all Swire Pacific employees and assets employed. This year, Swire Pacific Offshore, a wholly-owned subsidiary, has replaced Hongkong United Dockyards, to give a broader representation of our marine interests. Our major companies report separately on their non-financial performance and activities for the year. Links to these reports are listed in Appendix I.

The 11 companies covered by this Report are:

Swire Properties Limited

Swire Properties is one of Hong Kong's leading property developers with a portfolio of 13 million square feet of commercial properties in prime locations, as well as serviced apartments, hotel interests and other luxury residential accommodation.

Cathay Pacific Airways Limited

Publicly listed Cathay Pacific Airways is Hong Kong's international airline operating passenger and cargo services to over 90 destinations worldwide with a fleet of more than 100 aircraft. Hong Kong Dragon Airlines Ltd. became a wholly-owned subsidiary of Cathay Pacific during the year but is not covered by this report.

Cathay Pacific Catering Services (HK) Limited (CPCS)

With one of the largest and most sophisticated air catering facilities in the world, CPCS holds around 70% of the Hong Kong market share for catering to international carriers, with a total capacity of 173,000 meals per day, and serves more than 60 airlines.

Vogue Laundry Service Limited (Vogue)

Vogue is the largest single-site laundry plant in Asia, providing a comprehensive range of laundering and dry cleaning services to over 20 airlines, 25 hotels and many local establishments.

Hong Kong Air Cargo Terminals Limited (Hactl)

Hactl is Hong Kong's leading air cargo terminal operator and operates SuperTerminal 1 – the world's largest and most advanced air cargo terminal.

Hong Kong Aircraft Engineering Company Limited (HAECO)

HAECO is the only service provider of both base and line maintenance at Hong Kong International Airport and is one of Asia's largest aeronautical engineering companies in terms of capability. The company is publicly listed in Hong Kong.

Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO)

TAECO, a principal subsidiary of HAECO, is a provider of heavy maintenance services in Xiamen's Gaoqi International Airport and line maintenance at a number of airports in Mainland China.

Hong Kong Aero Engine Services Limited (HAESL)

HAESL, a joint venture between HAECO, Rolls-Royce and SIA Engineering Company, provides civil aero engine repair and overhaul services to Hong Kong and the region.

Swire Beverages Limited

Swire Beverages holds the franchise to manufacture, market and distribute products of The Coca-Cola Company in Hong Kong, Taiwan, parts of seven Mainland China provinces and parts of 11 states in the USA.

Swire Pacific Offshore (SPO)

SPO provides marine support services to the offshore oil and construction industry worldwide.

Swire SITA Waste Services Limited

Held in a 50-50 joint venture with Suez Environment of France, Swire SITA is a key operator in the waste management sectors of Hong Kong and Macau, and facilities in Taiwan and Mainland China.

EHS Priorities, Progress and Objectives

EHS Priorities

Attention to our EHS performance is a priority for Swire Pacific's operations. This is overseen by the Swire Group Environmental Committee (SGEC) and the Swire Pacific Group Risk Management Committee.

Task forces are set up to investigate and accelerate action in priority areas. Through our existing task forces on Energy, Waste Management and Water Management we develop and enhance programmes, formulate group-wide strategies and conduct studies to improve our EHS performance to the benefit of the environment and all stakeholders.

In 2005 we convened a Climate Change Task Force to review the impact of global warming on our activities. This Task Force completed its work during 2006 (see page 11).

EHS Policies and Management

Our corporate Environmental Policy provides guiding principles on the development of strategies and actions to reduce the environmental impact of our operations and to raise environmental awareness internally and externally.

Environmental Policy

At Swire Pacific, we take our environmental responsibilities very seriously.

We believe that it is our duty to our customers, our staff and to the communities in which we do business to ensure that we continually work towards minimising the impact of our activities on the environment.

The activities of each of our business streams are guided by the basic principles of our Environmental Policy.

The seven main aims of our Environmental Policy are:

- To ensure our activities are, whenever practicable, ahead of legal requirements and standards for environmental best practice;
- To reduce the quantity of polluting substances discharged;
- To minimise the impact of our activities on the neighbourhood;
- To increase the use of environmentally acceptable materials, equipment and technology in place of those considered harmful;
- To ensure that suppliers follow an acceptable environmental policy and to discourage dealing with those who do not;
- To encourage the widest possible environmental awareness among staff, their families and the general public; and
- To actively promote environmental awareness amongst clients, customers and the general public.

The SGEC, chaired by a Board Director and including senior managers from around the group, meets quarterly as a platform to discuss environmental issues in the context of operating companies activities – ensuring the integration of environmental policies within our overall business strategy.

Occupational health and safety (OHS) initiatives across group companies are aimed at eliminating accidents and injury, and minimising hazards in the workplace to ensure that all employees, customers, visitors and contractors remain safe and healthy in their association with the group. We are currently in the process of completing a review of group companies' OHS Policies in preparation for the implementation of enhanced and consistent safety standards across the group.

EHS Management Systems

Our business units adopt internationally recognised management systems, such as ISO 14001 and OHSAS 18001, as appropriate. These systems provide the foundation for effective EHS management by specifying those elements necessary for the prevention, management and mitigation of relevant EHS risks. Accordingly, we are able to set goals for continual improvement.

EHS Database System

Swire Pacific set up a database in 2005 to record EHS data for major business units on a comparable basis. During 2006 the system was upgraded to allow online data input, enquiry and reporting.

Progress in 2006

Swire Pacific has set five EHS objectives for fiscal year 2006 and has undertaken various programmes and activities to attain them.

Our EHS objectives for 2006 were to:

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| <ul style="list-style-type: none"> • Continually improve EHS database and reporting coverage | <ul style="list-style-type: none"> • We have expanded the reporting scope in our EHS Report 2006 to include more information on our EHS data and social initiatives. • We have invested in an upgrade to the EHS database for easier online management by users. |
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| <ul style="list-style-type: none"> • Continue to evaluate the need to establish additional Task Groups at subsidiary level to address key EHS issues | <ul style="list-style-type: none"> • In 2006 Cathay Pacific established an aircraft weight task force to identify and assess opportunities to reduce aircraft load and enhance fuel efficiency. • Swire Beverages completed plans to establish a task force to set strategic environmental objectives from 2007 onwards. |
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| <ul style="list-style-type: none"> • Require each of our subsidiary companies to prepare an annual EHS report | <ul style="list-style-type: none"> • Most major business units have prepared their 2006 EHS or Environmental reports by mid-2007 (Please refer to Appendix I for links to individual 2006 performance reports). |
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| <ul style="list-style-type: none"> • Continually improve EHS awareness amongst staff | <ul style="list-style-type: none"> • Various EHS awareness programmes were provided for our staff in 2006. (Please refer to section on Climate Change for details). |
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| <ul style="list-style-type: none"> • Review the requirements to adopt GRI reporting guidelines across the group. | <ul style="list-style-type: none"> • The review process is ongoing, and a plan for 2007 is under preparation. |
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Objectives for 2007

We have set the following eight objectives for 2007:

- To establish a Sustainable Development Policy.
- To conduct a gap analysis of the requirements to report in accordance with the GRI (G3) reporting guidelines.
- To complete the carbon disclosure project questionnaire for Swire Pacific.
- To conduct a gap analysis to determine exactly what 'best in class' climate change performances will be required from major Swire Pacific businesses.
- To expand our waste reduction initiatives.
- To expand our water management initiatives.
- To maintain ongoing stakeholder dialogue.
- To enhance the EHS elements of our supply chain and procurement initiatives.

Environmental Performance

Climate Change

Swire Pacific recognises that climate change caused by man-made greenhouse gas emissions is a serious issue.

It set up a Climate Change Task Force in late 2005 and commissioned an independent consultant during 2006 to work with five Swire Pacific companies to measure their carbon footprint and, through "Value at Stake" analysis, assess the implications of climate change issues on their business models.

In September 2006, we held an environmental conference focussing on climate change, during which Al Gore's 'An Inconvenient Truth' film was shown to a large management group. Renowned sustainable development specialist Dr Jonathan Porritt of 'Forum for the Future' also moderated a lively discussion on how the group should respond. To raise awareness among other colleagues, we also gave away 3,000 tickets to staff to watch the film.

On completion of the study in November 2006, group companies were requested to:

- Identify global 'best in class' practices on climate change issues in their industry and the actions they need to take to close the gap between their current practices and industry's best practices.
- Examine opportunities for emissions reduction.
- Identify potential climate change risks and risk mitigation measures

Case Study 1

CO₂ Emission Reduction

CPCS considers the adoption of environmentally friendly technologies and practices in its premises as an important ongoing process that improves business efficiency and effectiveness. The installation of energy saving demand control ventilation systems commenced in 2005, and the scheme was expanded in 2006. A trial on the effectiveness of a reflective device that efficiently reduces the number of fluorescent tubes needed was also implemented in 2006.

The result of these and other energy saving initiatives was a 1.2% year-on-year reduction in carbon dioxide emissions in 2006. The commitment displayed by CPCS was rewarded in 2006 with the Environmental Best Practice Achievement Award in the Green Restaurant Competition organised by the Airport Authority.

Case Study 2

Addressing Climate Change

The aviation industry recognises that it contributes to approximately 2% of man-made carbon dioxide emissions. Through the “Value at Stake” project, Cathay Pacific has identified the potential impact of climate change over its business, particularly in terms of revenues and reputation, and has developed a clear climate change position.

This in turn has provided a clear direction for Cathay Pacific to address climate change through three key areas: (1) maximising fuel efficiency and reducing fuel wastage through fleet modernisation, technical improvements to existing fleet, stringent weight management and the implementation of operational efficiency drivers; (2) addressing inefficiencies of air traffic management through collaboration and supporting industry lobbying efforts; and (3) acknowledging the role of economic instruments such as emissions trading. As an example, Cathay Pacific worked with the industry association, IATA, and the Chinese government to improve flight routes. This resulted in the approval of a new route in China used by traffic to and from Europe. In the first three months alone, this saved 120 hours of flight time, equating to 1,200 tonnes of fuel and more than 3,500,000 kg of carbon dioxide.

Case Study 3

Ocean Carbon Monitoring

The Swire Group Charitable Trust, of which Swire Pacific is a substantial contributor, has donated £100,000 to the University of Southampton’s National Oceanographic Centre to enable the installation on a Swire vessel of instruments designed to monitor the exchange of CO₂ between the atmosphere and the ocean – an important exercise as absorption of CO₂ by the ocean plays a major role in reducing the rate at which the planet is warming.

Under the scheme, real-time data will be sent back to the Southampton Centre from the vessel which passes through some of the world’s more far-flung marine environments in the course of its voyages from the Far East to the East Coast of the USA.

Regional Air Quality

In 2006, several Swire Pacific companies became signatories to the Clean Air Charter. As a signatory to the Charter, we are committed to reducing emissions and implementing air quality management measures.

The six key commitments of the Charter are to:

- 1 Operate in accordance with recognised world class standard, or the standards established by the Hong Kong / Guangdong governments
- 2 Monitor emissions at significant sources
- 3 Publish energy use and emissions information
- 4 Adopt energy-efficient measures in operations
- 5 Identify and encourage measures to be taken on days when air pollution is high
- 6 Share air quality expertise with others

Landfill gas, generated as a by-product of waste decomposition, has long been utilised by Swire SITA to power its offices and landfill management systems at its closed urban landfills and two strategic operating landfills. The infrastructure to transfer gas from the Northeast New Territories (NENT) Landfill to the Hong Kong and China Gas Company (Towngas) production plant at Tai Po was completed in 2006, with the scheme due for operation in 2007. Swire SITA continues to study how to make good use of similar landfill gas from the West New Territories (WENT) landfill.

Energy Consumption and Efficiency

Our group energy consumption includes:

- 1 Jet fuel by Cathay Pacific
- 2 Marine diesel oil by Swire Pacific Offshore
- 3 Electricity, gas and ground vehicle fuel by all companies.

Our Energy Task Force works to identify opportunities and technologies to improve energy efficiency and reduce energy consumption in a variety of operations. During the year:

- 1 We commenced the trial operation of a liquefied petroleum gas (LPG) private light bus at HAECO.
- 2 Cathay Pacific's ongoing fuel efficiency programme has resulted in a 10.8% reduction since 1998 in consumption per Available Tonne Kilometre, through improvements in aircraft technology, weight saving campaigns and other measures.
- 3 Festival Walk achieved the Platinum standard of the Hong Kong Building Environmental Assessment Method (HK-BEAM). This is the 13th Swire Properties development to achieve the highest rating, while several others of our premises were awarded with Grand, Gold, Bronze and Merit Awards recognition at the Hong Kong Energy Efficiency Award ceremony 2006 (organised by the Hong Kong SAR Government Electrical and Mechanical Services Department).

We are working to share the lessons across the group through the Energy Task Force. More examples of energy savings are given below.

Case Study 4

Energy Saving

About 70% of HAECO's annual energy demand for 2006 was consumed by the base maintenance division located at the Hong Kong International Airport. In view of this, various energy saving measures have been implemented, including the installation of electricity saving devices such as light emitting diodes (LED) exit signs, energy saving fluorescent tubes and translucent panels for natural lighting. In 2005, gas powered water heaters were replaced with a heat pump system while electric induction cooking was installed in the staff canteen in 2006 to reduce heat loss and increase energy efficiency. With the adoption of these and other measures, carbon dioxide equivalent emissions per man-hour in HAECO's base maintenance division decreased by approximately 10% in 2006.

Case Study 5

Biofuel

Swire Beverages commenced an initiative in 2006 whereby rice husks were used as an alternative fuel source to coal to power the boilers at their facility in Hefei. The benefits of the rice husks include having a higher calorific value and lower sulphur content than coal, while the relatively low ignition temperature of rice husks helps to reduce the start up time of the boiler. In 2006 this initiative eliminated the need to burn some 626 tonnes of coal and has the potential to bring operational cost savings of 20 – 40%.

Case Study 6

Improved Fuel Efficiency

Unlike many other industries, there is no alternative yet for aviation. As such, a strategy focus of Cathay Pacific is to improve fuel efficiency and minimise wastage. This is achieved by maintaining a young and technologically advanced fleet to ensure high standards of efficiency. Additional fuel carried for onward or return flights is kept at a minimum through the monitoring of the Flight Operations Department.

Waste

According to the Environmental Protection Department's forecast, Hong Kong's landfills will last only six to ten more years if waste continues to increase at the current rate. Swire Pacific has long endorsed the principle of "Reduce-Reuse-Recycle-Replace" for promoting wise resource utilisation and waste reduction.

Our Waste Management Task Force plays an important role in overseeing waste generation and recycling activities across our Hong Kong operations, and supports the development of waste management strategies and programmes at group level.

Despite the implementation of various waste reduction initiatives, commercial, industrial and office waste disposal in 2006 increased by around 5.5% due to factors such as strong business growth and a 5% increase in our workforce.

The success of waste reduction relies on the cooperation of the community. We believe that education is the most effective and essential way to achieve this goal. With the support of Swire Beverages, Swire Properties and Swire SITA, Swire Pacific produced a 12-minute DVD on waste management for use in schools. To facilitate students' understanding and to stimulate interest, this DVD uses a story-telling approach to introduce how waste generated from our business operations is managed and how wastewater can be recycled into a reusable clean resource.

Case Study 7

Saving Resources through 3D Modelling

Learning from our experience, 15% to 25% of construction waste arises from building redesign caused by errors in traditional two-dimensional designs that can only be detected during construction. To overcome this problem, Swire Properties pioneered the local use of a three-dimensional (3D) design software known as "Digital Project" which enables the production of more accurate materials estimates, thereby reducing the potential for abortive works and waste.

This 3D software has been enhanced in 2006 to further improve its functionality, and will support the design and construction of developments including One Island East, Taikoo Hui and a hotel in Cityplaza.

Case Study 8

Plastic Bottle Recycling

In 2006, Swire Coca-Cola Hong Kong launched a pilot “Every Bottle Counts” recycling scheme in partnership with the HKSAR Government to recycle polyethylene terephthalate (PET) plastic bottles. Customers can gain credits on their Octopus stored value smart cards for putting every Swire Coca-Cola bottle into a specially designed reverse-vending machine.

Two secondary schools were invited to participate in the trial and one of them has achieved 80% PET recycling. With this encouraging result, the scheme will be expanded in 2007 to include a further 50 machines located at venues across the HKSAR, including Ocean Park, properties managed by the Hong Kong Housing Society and educational institutions. Consumers can also opt to donate reward dollars which Swire Coca-Cola Hong Kong will match to the Ocean Park Conservation Foundation to support wildlife conservation.

The reverse vending machine concept has been in practice overseas for quite some time, but Swire Coca-Cola Hong Kong is the world’s first company to incorporate contact-less smart card technology and has patented this development in Hong Kong.

Case Study 9

Material Recycling

A large volume of waste is generated in-flight. With a view to further improving its environmental performance in this aspect, Cathay Pacific has successfully implemented trials to optimise in-flight waste recycling. Following this, an in-flight waste recovery programme was rolled out in March 2006 with the strong support of flight attendants.

Cathay Pacific estimates that due to the hard work and co-operation of flight attendants and of Cathay Pacific Catering Services, about 64% of plastic bottles and 27% of cans were recovered from Hong Kong inbound flights in 2006.

Case Study 10

Fluorescent Tubes Recycling

Currently, fluorescent lamps containing mercury are treated as municipal solid waste and disposed of at the landfill. Without proper treatment, broken fluorescent tubes release mercury and other toxic chemicals that lead to environmental pollution and potential health issues.

To reduce these risks, Swire Properties recycled a large number of replaced tubes from Festival Walk at the Chemical Waste Treatment Centre. Mercury, glass and metal parts were separated for recovery and recycling, and the success of the programme led to its adoption by other group companies including Cathay Pacific, Cathay Pacific Catering Services, Swire Coca-Cola Hong Kong and Hactl thus increasing their cost effectiveness. By the end of 2006, over 12,000 fluorescent lamps / tubes had been recycled through the programme.

Water

To protect marine and freshwater environments, wastewater from our daily activities is properly treated in compliance with local and international requirements.

At sea, each marine vessel operated by SPO is installed with oily water separators to treat oil-contaminated water. To ensure performance to international standards, the separators are inspected every year and each ship is issued with an International Oil Pollution Prevention Certificate.

Vogue reduced potable water consumption through the adoption of continuous batch washing system.

At Swire Beverages, large volumes of wastewater are generated from cleansing and washing processes during beverage production in Mainland China, Hong Kong and Taiwan. The discharged water is further treated in the on-site sewage treatment plant and the discharged effluent meets all local legal requirements. In the case of its U.S. plants, there is no on-site sewage treatment plant although waste water is monitored to ensure compliance with relevant discharge standards.

Targeting zero wastage and zero discharge, Swire Beverages' operating facilities in Hong Kong, Hefei, Taiwan and Xian have started to provide internally treated wastewater effluent for external use in 2006. To further expand this initiative, Swire Beverages continuously advances the wastewater treatment technology in other operating units with improvements in filtration and bacteria removal, so that treated wastewater effluent can achieve the necessary standards for municipal use (e.g. flushing, cleaning roads). Swire Beverages has approached local governments in Mainland China to explore the feasibility of providing treated effluent for municipal use.

Case Study 11

Water Efficiency

Swire Beverages is a leader in water resource management. The optimal arrangement of rinse nozzles allowed recovery and reuse of relatively clean rinse water, while treated wash water from filter-bed and effluent from the PET bottle rinsing processes were recovered and reused for non-production uses including general washing, flushing, returnable bottle pre wash and air-cooling. In addition, the installation of air rinsing system for can lines in four operating units was able to further reduce potable water consumption by 4 million litres, while all staff must use wastewater as a priority for municipal applications. In 2006 these initiatives collectively enabled an increase in wastewater recycling and reuse of more than 100%, from 262,596m³ to 563,077m³, with a year-on-year decrease in discharged wastewater from 2,205,277m³ to 2,081,129m³.

Noise

Noise generation can be an unavoidable nuisance in some of our business activities, and we have therefore integrated noise management into our operations. Mitigation measures include adopting improved construction and demolition work practices, using equipment that is certified to local and international noise standards and conducting noise monitoring.

Case Study 12

Aircraft Engine Noise

At HAESL, noise is primarily generated from aircraft engine test cells and from noisy equipment inside workshops. Although the company is located in an industrial estate, it recognises that operational noise may affect staff and neighbours alike. HAESL has therefore built specially designed individual engine test cells to contain all noise generated during engine testing. Noise measurements are also conducted to reaffirm the effectiveness of noise control measures. Additionally, HAESL has installed full enclosures for a range of noisy maintenance equipment, including blasting machines and water jets to minimise noise breakout.

Aircraft noise is also a key concern in communities close to airports or below aircraft flight paths. Cathay Pacific has invested considerable time and resources to ensure its fleet is among the most modern, and with the support of HAESL it operates one of the best maintained fleets in the aviation industry. Cathay Pacific continues to liaise with the Hong Kong SAR Government's Civil Aviation Department to control aircraft noise, and works with industry groups including the International Air Transport Association (IATA) to promote the "Balanced Approach" for noise mitigation advocated by the International Civil Aviation Organisation (ICAO).

Biodiversity

Swire Pacific supports various nature conservation campaigns and activities. These include funding from The Swire Group Charitable Trust for the establishment, expansion and renovation of the Swire Institute of Marine Science located at Cape d'Aguilar, Hong Kong, and the ongoing support of Swire Properties for the management of a native species nursery in Brickell Key, Miami.

Cathay Pacific has partnered with Friends of the Earth and the HKSAR Agriculture, Fisheries and Conservation Department for a 3-year tree planting programme, and has separately donated \$500,000 to the Asian Waterbird Conservation Fund to promote migratory waterbird conservation and the wise use of wetlands.

Health and Safety Performance

Occupational Health and Safety

Swire Pacific is committed to operating and providing a safe, healthy and caring workplace for our employees.

Acting on Hong Kong's experience with SARS in 2003, Swire Pacific has developed an emergency internal communications portal and a business continuity plan to deal with contingencies relating to pandemic diseases.

In 2006 we were able to reduce the number of injury cases and the injury rate by 14% and 21% respectively. We will continue with our full commitment to safe operation, enhancing staff safety and health awareness.

The health and safety of our employees, contractors and our customers is a corporate priority. We co-ordinate our group-wide OHS initiatives through the Loss Prevention Sub-Committee of the Swire Pacific Group Risk Management Committee. The sub-committee serves as a forum for safety professionals from across Swire Pacific to share their experiences and oversees a programme of third party risk surveys that focus on hazard identification and loss prevention.

Group companies are required to implement their own comprehensive Safety Management Systems that identify risks and embed safe working practices. For example, the maximum acceptable weight of any single piece of checked baggage has been limited to 32 kg to maintain safety standards for baggage handlers and ground staff of Cathay Pacific, while standard or tailored working platforms are provided for staff required to work at height.

Should injury cases arise, we operate injury reporting systems that enable effective post accident investigations and generate process improvements to reduce exposure to future accidents. We have also initiated a tailored employee rehabilitation programme designed to provide case-by-case care and attention to enable a quick return to full fitness.

Maintaining a good indoor air quality and ventilation rate prevents exposure to occupational airborne illnesses. We have thus undertaken a series of initiatives across our businesses, including benchmarking indoor air quality, regular cleaning of ventilation systems and purchase of volatile organic chemical (VOC) free office furniture. For example, the HAECO Administration Building, Hactl and Cathay City attained 'Good' class under the Indoor Air Quality (IAQ) Certification Scheme in Hong Kong.

For paint grinding and paint mezzanine areas in HAECO, there is a significant air pollutant emission issue that, without the practical and effective mitigation measures already adopted, could potentially be hazardous to staff health. HAECO has taken additional action to ensure the effectiveness of its control measures, including measuring the particulate matter emissions level which has proved to be well below the occupational exposure limits.

We have implemented various ongoing safety initiatives and staff awareness programmes to address health and safety issues in offices. These include risk assessments of our staff's workstations following the requirements of the Occupational Safety and Health (Display Screen Equipment) Regulation – in particular for those who sit in front of display screen equipment for prolonged periods. Ergonomics programmes are targeted to prevent common occupational ailments, such as tendonitis, within our workforce.

On an ongoing basis, qualified staff are designated to co-ordinate seminars and training programmes to increase staff awareness of safety and health issues. Staff are also encouraged to attend external safety training courses and events in order to learn and share information with others in their respective industries.

Case Study 13

Safety Improvement Competition

In order to provide a platform for Hactl and industry partners to share operational skills and safety practices through friendly competition, Hactl organised the first International Forklift & Pallet Building Competition in Hactl's SuperTerminal 1 in December 2006, with the Airport Authority Hong Kong (AAHK) being the co-organiser. There were in total six teams including two local teams, Hactl and Multi Express, and four international airlines, namely Air China, British Airways, Japan Airlines and KLM Royal Dutch Airlines. Hactl won the "Forklift Operation" category as well as the overall championship.

Public Health and Safety

From construction to catering, navigation to aviation, Swire Pacific companies provide a variety of services to customers and the community at large. As such, we consider minimising public hazards as our duty.

With the general public's rising concern on the quality of indoor environment, maintaining and monitoring good indoor environmental quality in the public areas of our premises such as shopping malls, offices and hotels is an important means to enhance our competitiveness.

Air quality benchmarking has been completed in some premises. For example the common areas of one of our residential properties, The Orchards, were certified as Excellent under the IAQ Certification Scheme in Hong Kong. Moreover, the indoor quality within all Cathay Pacific passenger aircraft is maintained at a high standard through complete air replacement in every 2 to 3 minutes with the use of High Efficiency Air Particulate (HEPA) filters that remove 99.97% of particulate matter and airborne bacteria.

In our food processing business, food safety is our top concern. Sunshine Kiosk of Swire Coca-Cola Hong Kong, one of the largest school lunch box suppliers in Hong Kong, has been awarded the Hazard Analysis Critical Control Points (HACCP) certification. HACCP is a scientific and systematic approach to identify, assess and control hazards in the food production process.

We have also implemented measures to ensure the maintenance of workplace hygiene and the sanitary awareness and practices of our staff. To demonstrate CPCS's commitment to working with employees for a hygienic workplace, it has subscribed to the Workplace Hygiene Charter. This Charter, under the auspices of the Occupational Safety and Health Council and the Labour Department, aims to promote workplace hygiene and a quality working environment. CPCS has identified objectives and responsibilities for workplace hygiene following the ten criteria as embodied in the Charter.

The provision of a safe shopping and working environment is a key priority in our property division. With "slip and fall" being one of the most common types of accident in public areas, Swire Properties is conducting ongoing trials to evaluate the safety performance of existing flooring in their shopping malls and office areas.

The results of the trials, using slip resistant surfacing at accident 'hot spots' such as escalator and lift landings, have verified that existing floor surfaces satisfy the safety standards as recommended by the American Society for Testing and Materials.

Verification Statement



Objectives

Hong Kong Productivity Council (HKPC) was commissioned by The Swire Pacific Group (Swire Pacific) to verify Swire Pacific's Environmental, Health & Safety (EHS) Progress Report 2006 (2006 Report), which focuses on the 2006 EHS performance of eleven subsidiaries of Swire Pacific. The objectives of HKPC's verification work are to:

- Assess whether the scope of the 2006 Report covers all significant issues in relation to Swire Pacific's EHS performance;
- Assess whether the selected statements and data within the reporting period and presented in the 2006 Report are accurate;
- Assess whether the data collection systems used to prepare the 2006 Report are reliable; and
- Provide recommendations for future reports.

Approach

Our verification procedures¹ comprised a review of the 2006 Report, selection of a representative sample of statements and data and interviews with Swire Pacific's representatives with accountability for preparing the report. During the interviews, the documented supporting materials relating to the selected statements and data as well as Swire Pacific's EHS management practices and initiatives were explained to and examined by the verifiers.

Opinion

The 2006 Report provides an overview of Swire Pacific's EHS initiatives and performance. The selected statements and data examined during the verification process reflect an accurate and fair account of Swire Pacific's EHS performance. Swire Pacific's EHS database used for data collection is considered to be effective. Swire Pacific is commended for addressing a considerable extent to its subsidiaries' EHS performance that exemplifies the key and significant achievements in selected initiatives.

Recommendations for Future Reports

Our recommendations for Swire Pacific's consideration in preparing future reports are as follows:

- To review the existing EHS database to explore opportunities for including and expanding the use of its "Value at Stake" approach to obtain better estimation on carbon dioxide emission;
- To provide more balanced information on performance achieved by various subsidiaries such as laundry, aircraft engineering and marine support services;
- To set and include annual corporate objectives and targets, quantified as far as practical, in future reports and to consolidate key performance indicators in summary charts to facilitate year-on-year comparisons of performance;
- To adopt more visual format and graphical presentation to enhance the report readability;
- To enhance stakeholder engagement in the reporting process to hear the stakeholders' voices on Swire Pacific's EHS performance; and
- To move towards sustainability report by identifying and reporting social performance indicators with reference to the Global Reporting Initiative's Sustainability Reporting Guidelines in future reporting.



K L Tsang
 General Manager
Environmental Management Division
Hong Kong Productivity Council
 21 August 2007

¹ Our verification work does not cover data and information which have already been published in the Environmental/EHS/Corporate Social Responsibility Report by relevant subsidiaries of The Swire Pacific Group.

Contact Us

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Appendix I

List of major Swire Pacific companies with separate annual EHS report as of 31 July 2007.

Company	Reporting Status
Swire Properties	Environmental, Health & Safety Review 2006 www.swireproperties.com/webs/ehs2006/eng/index.html
Cathay Pacific Airways	Corporate Social Responsibility Report 2006 www.cathaypacific.com/cpa/en_INTL/aboutus/community/environmental?CX_LANGUAGE=en&CX_COUNTRY=INTL
Cathay Pacific Catering Services	Environmental Report 2006 www.cpcs.com.hk/eng/environmental_e.html
Vogue Laundry	2005/06 Environmental Initiatives www.voguelaudry.com/vls_environmental_initiatives.pdf
Hactl	Not available
HAECO	Environmental Report 2006 www.haeco.com/about_haeco/Envir%2006%20(final)_12Apr.pdf
TAECO	Not available
HAESL	Environmental, Health & Safety Annual Report 2006 www.haesi.com/resources/HAESL%20EHS%20Annual%20Report%202006.pdf
Swire Beverages	Environmental Report 2006 www.swirepacific.com/eng/about/ehs_report/appendix/sb_environmental2006.pdf
SPO	Under preparation
Swire SITA	2005/2006 Report "A year of environmental activities" – Issued in June 2006 by Suez Environment, the joint venture partner of Swire SITA www.suez-environnement.com/en/suez-environnement/publications/publications/?limit=10