Sustainable Development Review

Sustainability is a strategic objective for Swire Pacific, and key to its ability to create long-term value for its shareholders. It represents an opportunity for innovation and improved efficiency and a foundation for building sustained growth.

We aim to safeguard our natural resources, to support the communities in which we operate, to invest in the wellbeing of our people and to operate in accordance with high ethical and environmental standards.

We continue to improve, and to look for ways to make our businesses more sustainable and to work with others who share our sustainability values. Our aim is to integrate economic, environmental and social sustainability into what we do.

Governance

Our Board, led by its Chairman, is ultimately accountable for sustainability matters. The Group Risk Management Committee (GRMC), which has eight members and is chaired by the Finance Director, oversees all the risks to which the Group is subject and reports to the Board via the Audit Committee. Information on sustainability risks and performance is reported to the GRMC by the Swire Group Sustainability Committee (SGSC) and by its working groups. The Head of Sustainable Development reports annually to the Board. Division heads meet twice a year on sustainability matters under the chairmanship of the Chairman of the Board.

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

Essential to our approach to corporate governance is our Corporate Code of Conduct. The code is publicly available and can be viewed at http://www.swirepacific.com/en/governance/code.php.

Risk Management

Effective risk management is key to ensuring the continued long-term viability of the Group.

Swire Pacific and its operating companies have an Enterprise Risk Management (ERM) system, which is intended to identify, assess, monitor and manage risks. Sustainability risks include climate change, political and regulatory risks, and emerging risks like climate resilience and biodiversity. The Board of Directors and the management of each division are responsible for identifying and analysing risks underlying the achievement of business objectives and for determining how such risks should be managed and mitigated. In our 2018 sustainability report, we started to align our disclosures with those recommended by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

Environment

If our business is to thrive in the long term, we need to take an active role in protecting the environment upon which we depend. SwireTHRIVE is our environmental strategy. It focuses on carbon, waste, water, sustainable materials, biodiversity and climate resilience. It provides a framework for our sustainability efforts and an opportunity for our operating companies to work together to make our businesses thrive. Our success (and that of the communities in which we operate) depends on a natural, thriving environment. We are considering extending SwireTHRIVE so that it incorporates appropriate social elements of sustainability.

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

Each of our divisions has operations covered by the ISO 14001 environmental management system.

Total GHG Emissions by Division

<table>
<thead>
<tr>
<th>Division</th>
<th>GHG Emissions (thousand tonnes of CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>230 (1.2%)</td>
</tr>
<tr>
<td>Aviation</td>
<td>18,607 (96.3%)</td>
</tr>
<tr>
<td>Beverages</td>
<td>344 (1.8%)</td>
</tr>
<tr>
<td>Marine Services</td>
<td>109 (0.5%)</td>
</tr>
<tr>
<td>Trading &amp; Industrial</td>
<td>35 (0.2%)</td>
</tr>
</tbody>
</table>

Notes:
1. Swire Pacific tracks its energy consumption and GHG emissions through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of the above records.
2. Totals may not be the exact sum of numbers shown here due to rounding.

Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. In 2017, operating companies set targets for reducing carbon intensity. These are intended to reduce the Group’s carbon intensity up to 2020 by 8-10% by comparison with a 2015 frozen efficiency baseline (a frozen efficiency baseline being one from which performance is projected with...
In 2019, our greenhouse gas emissions were 19.3 million tonnes of CO\(_2\)e, similar to those in 2018. Cathay Pacific continued to buy more fuel-efficient aircraft. SPO increased its fleet mobilisation rate. The challenging operating environment reduced some businesses’ energy requirements.

The Aviation Division accounted for 96.3% of our total emissions in 2019\(^1\). In 2019, Cathay Pacific increased fuel efficiency as measured by tonnes of CO\(_2\) per available tonne kilometres (ATK) by 2%, principally as a result of continued fleet replacement and fuel efficiency measures. In 2019, six Airbus A350s were delivered. These aircraft are 25% more fuel-efficient than the existing wide-body fleet.

Cathay Pacific is a member of the Sustainable Aviation Fuel Users Group Asia and of the Round Table on Sustainable Biomaterials. Cathay Pacific has a minority interest in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. From 2018, all of Cathay Pacific’s Airbus A350-1000 delivery flights used jet fuel that contains a blend of biofuel. 12 Airbus A350-1000 and 24 Airbus A350-900 aircraft had been delivered by 31st December 2019.

Carbon offsets are purchased by Cathay Pacific through its Fly greener programme. In 2019, the FLY greener programme offset 32,321 tonnes of CO\(_2\) (tCO\(_2\)), by investing in offsets generated by Gold Standard certified offset projects, including efficient cook stoves in Bangladesh and bio-digestors in India.

Energy

Electricity consumption represents our second largest source of greenhouse gas emissions. In 2019, our indirect emissions (which are primarily derived from using electricity) were 657.7 thousand tonnes of CO\(_2\)e, a 1.51% decrease from 2018 (calculated on a revised basis). We retrofitted buildings and improved operational procedures. We disposed of our cold storage operations in 2018. The challenging operating environment reduced some businesses’ energy requirements.

It is a priority to make our buildings and operations more energy-efficient. Our sustainable building design policy requires new and substantially renovated buildings to obtain the highest or, as a minimum, the second highest international or local building environmental certification.

Swire Properties designs, constructs and operates properties with a view to reducing energy use. In 2019, Swire Properties became the first real estate developer in Hong Kong and Mainland China to have its carbon reduction target approved by the Science Based Targets Initiative. (A carbon reduction target is science-based if it is developed in line with the scale of reductions required to keep global warming below 2°C from its pre-industrial level.) At the end of 2019, buildings accounting for 97% of Swire Properties’ property portfolio had been certified or provisionally certified as green buildings under BEAM, BEAM Plus, LEED, China Three Star and Green Mark independent rating systems. Swire Properties offers free energy audits to tenants. Since 2008, free energy audits have covered 5.5 million square feet of commercial space, identifying potential annual energy savings of 9 million kWh.

Operating companies are encouraged to set energy efficiency targets and reduce their energy use. Since 2008, Swire Properties has reduced its annual energy consumption in its Hong Kong portfolio by 62.7 million kWh, which is in line with its 2020 target. In its Mainland China portfolio, it has reduced its annual energy consumption by 23.2 million kWh from the consumption which would have occurred if no changes had been made, putting it on track to meet its 2020 target.

Swire Coca-Cola, HAECO and Swire Properties explore energy efficiency and management under a contractual arrangement with Tsinghua University.

We encourage the use of renewable energy in our operations. 16.2 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Coca-Cola and HAECO Xiamen in 2019. The Swire Pacific sustainable development fund is available to support suitable renewable projects.

Water

Our businesses depend on water. Some of them use it extensively. Water stress can affect our suppliers as well as the communities and the biodiversity of the areas in which we operate. We aim to use water responsibly and sustainably, and

\(^1\) This percentage does not take account of the emissions of HK Express. HK Express is outside the scope of Swire Pacific’s 2019 sustainability reporting because of the date on which it was acquired.
In 2019, we consumed 18.36 million cubic metres of water, an increase from 17.05 million cubic metres in 2018 (calculated on a revised basis). We set water intensity targets and encourage operating companies to use water more efficiently. By the end of 2020 we aim to have reduced our water consumption by 3-4% by comparison with a 2015 frozen efficiency baseline. In 2019, we underperformed our target by 1.26%.

Using water to make beverages and maintain hygiene, the Beverages Division accounts for 78.4% of our water use. In 2019, water intensity at Swire Coca-Cola, which reflects the amount of water needed to produce a litre of beverage product, increased by 1.7% to 1.77. This deterioration in water intensity was due to an increase in product mix and more equipment cleaning in Mainland China.

Swire Coca-Cola aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020.

**Plastic Waste**

Plastics are versatile, cost-effective, lighter than most materials and important for our operations. But if their waste is not handled responsibly, they can harm the environment. We are conscious of increasing global concerns about plastic waste and the environmental damage which it causes, particularly to the oceans. We aim to play our part in reducing the environmental impact of plastic waste.

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Notes:
1. Swire Pacific tracks its water consumption through utility bills and purchase or service records. When such records are not yet available, consumption is captured through direct measurements (e.g. readings of submeters). These figures are updated upon availability of the above records. The figures for 2018 have been updated to reflect such availability.

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Our major source of plastic waste is Swire Coca-Cola. In line with The Coca-Cola Company’s World Without Waste initiative, Swire Coca-Cola has the following aims:

- By 2025, 100% of primary packaging will be recyclable
- By 2030, 50% of all primary packaging will comprise 50% recycled content
- By 2030, for every bottle placed in the environment, one will be removed

New Life Plastics, a joint venture between Swire Coca-Cola, ALBA Group Asia and Baguio Waste Management Recycling formed to operate a plastic recycling facility in Hong Kong, will begin operations later this year.

**Health and Safety**

Protecting the health and safety of our workforce is fundamental to our businesses achieving long-term success and to upholding our commitment to sustainability. We aim to conduct our operations in a manner which safeguards the health and safety of our employees, contractors, suppliers, customers, the visitors to our business premises and the communities in which we operate. We aim to improve our health and safety management systems continuously with a view to causing zero harm.

**Our Performance**

In 2019, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) increased by 12% to 2.01 from 1.79 in 2018. There were increases at Cathay Pacific, Swire Properties, Swire Coca-Cola and HUD.

Regrettably there were two fatalities among our employees in 2019. One occurred in Hong Kong when a Vogue Laundry delivery worker was in a company truck when it collided with a parked vehicle. The other occurred in Mainland China when an employee was in a road accident when returning home from work.
Towards Zero Harm
We aim through systems improvements, training, learning and transparent reporting continually to improve our health and safety performance and culture. In 2019:

- Swire Properties introduced an e-learning occupational health & safety platform for senior management and for frontline and office staff.
- HAECO and Cathay Pacific Catering Services conducted assessments using wearable technology intended to improve workplace safety, manual handling techniques and workplace design.
- Swire Coca-Cola implemented behavioural-based safety programmes in Hong Kong, Mainland China and Taiwan.
- Swire Coca-Cola provided defensive driving training and promoted safe driving behaviour in Mainland China.
- SPO produced “Get Home Safe” safety videos and communicated them to all staff.

Staff
At Swire Pacific we place significant emphasis on our people. Our success depends critically on our employees. We aim to be an employer of choice that attracts the most talented employees. We do this by providing an environment in which all employees are treated fairly and with respect. We aim to recruit the best people, by offering competitive remuneration packages and providing training which enables staff to realise their potential, and to have a workforce reflecting the diversity of the communities in which we operate.

Employee Profile
At the end of 2019, the Swire Pacific Group (including joint venture and associated companies) employed over 94,000 staff, an increase of 1.7% from the end of 2018. The majority of our staff are based in Hong Kong and Mainland China.

Diversity and Inclusion
We are committed to creating an inclusive and supportive working environment for all our people regardless of their age, gender, gender identity, sexual orientation, relationships, family status, disability, race, ethnicity, nationality and religious or political beliefs. We believe in creating an environment where people feel comfortable at work and able to realise their full potential.

Our Diversity and Inclusion (D&I) Steering Committee and the Swire Women’s Network help us to accomplish our aim of creating a diverse and inclusive workforce. Our D&I Policy can be viewed at https://www.swirepacific.com/en/sd/policy/diversity_inclusion.pdf. Under this policy, spousal employee benefits (medical, insurance and travel) have been extended to same sex spouses with valid marriage certificates. We have developed a D&I strategic framework. The framework includes goals, metrics and guidelines and is to be implemented in accordance with a five year plan. We have conducted unconscious bias training for those responsible for recruitment and promotion. At the end of 2019 the percentage of women on the Swire Pacific board was 18%.

We are committed to providing a workplace free from harassment and bullying. We aim to ensure that all our people are treated, and treat others, with dignity and respect.

Employees are required to be fully compliant with applicable employment and other laws. We provide training in order to assist staff to understand their rights and obligations under Hong Kong anti-discrimination legislation.

Staff Retention
We offer a competitive remuneration and benefits package. Decisions on remuneration are made having regard to roles and responsibilities, individual and business performance, and conditions in the job markets and economies in which we operate. We communicate with staff through our intranet, newsletters, surveys and staff forums. The staff turnover rate (which was 16.7% in 2019) is monitored with a view to identifying and managing problems as they arise. With a view to promoting the wellness of our employees, a 24-hour counselling and consultation service is available.

Training and Education
We need an agile and well-trained workforce in order to respond to changes in the business environment and increased competition. Through our training and development programmes, we aim to attract and retain outstanding people and to enable them to realise their full potential. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning. All new employees take part in induction programmes. These programmes include anti-discrimination and anti-corruption training and visits to our businesses.
Our in-house leadership development company Ethos International designs and provides learning and development programmes for management staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos’ training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with our values.

Managing for the Future
The Swire Leadership Programme accepts high-calibre graduates every year with a view to developing their professionalism for a long-term career with the Group. Over the next 12 years, graduates are developed, coached and mentored, and the stages in their careers are planned.

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

Working with Others
We aim to promote inclusive, ethical and sustainable procurement practices. With our substantial purchasing power, we expect, by creating long-term value for those with whom we do business and the communities in which we operate, to create long-term value for our shareholders.

Sustainable procurement helps to manage risks, improve efficiencies and reduce costs. Our sustainable procurement policy commits operating companies where possible to purchasing products which do not adversely affect the environment. Our guidelines on doing so are in accordance with international standards.

We aim to procure services from those who are accountable for their workplace practices.

It is our policy to comply with all applicable laws and regulations relating to procurement. Our Supplier Corporate Social Responsibility Code of Conduct (CSR code) deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers’ compliance with the CSR code is assessed. In 2019, we introduced a human rights policy.

We have over one thousand suppliers. They supply goods and services which include ships, aircraft, fuel, sugarcane, auditing, office supplies and uniforms. We seek to work with suppliers which have high standards. We share information and best practices with suppliers and encourage them to adopt appropriate sustainability and other standards.

We use our purchasing power and our close relationships with suppliers in ways designed best to meet the needs of our businesses and customers.

Our operating companies are responsible for their own supply chain management. Support is provided by our sustainable materials working group.

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

Community Involvement
At Swire Pacific we recognise that the economic, social and environmental health of the communities in which we operate is important to our businesses. As neighbours and employers, we aim to be responsible and involved members of those communities.

We believe that when the communities in which we operate prosper, so do we. We concentrate on doing things where we believe we can make a difference. We emphasise education, arts and culture and the environment. We support our communities with money, with products and services and with the time and energy of our staff, and through the Swire Group Charitable Trust. The Trust focuses on education, marine conservation and the arts in Hong Kong. At the end of 2019, the Trust had supported 23 programmes. In 2019, it distributed over HK$35 million.

More information on the activities of the Trust and on the community activities of our operating companies can be found at http://www.swirepacific.com/en/sd/community.php.

Reporting and Recognition
Our sustainability performance will be reported on in detail in a separate sustainability report which will be published in June 2020. The report will be prepared as an interactive website and will be available in English and traditional Chinese. It will be prepared with reference to the Global Reporting Initiative’s (GRI) standards core option and the ESG Reporting Guide for listed companies issued by The Stock Exchange of Hong Kong Limited. This report together with separate reports from our major operating companies will be available at http://www.swirepacific.com/en/sd/sd_reports.php.

Deloitte Touche Tohmatsu have been engaged to provide a limited assurance report in respect of selected sustainability information of Swire Pacific for the year ended 31st December 2019. Further information on the scope and boundaries of the sustainability data in this report can be found along with the full text of the limited assurance report from Deloitte Touche Tohmatsu at http://www.swirepacific.com/en/sd/sd_reports.php.

Swire Pacific is included in the Dow Jones Sustainability Asia Pacific Index, the FTSE4Good Index, the Hang Seng Corporate Sustainability Index and the MSCI ACWI ESG Leaders, Hong Kong ESG Leaders, ACWI ESG Universal and ACWI SRI Indices. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2019, Swire Properties continued to be the only listed company from Hong Kong and Mainland China to be included in the Dow Jones Sustainability World Index. In 2019, Swire Pacific and Cathay Pacific received a CDP climate change programme score of B.