

## Sustainable Development Review

At Swire Pacific, we believe that business has an important role to play in creating a better, and more prosperous future. We view sustainability as a key strategic imperative for the Group and not as a cost or just a set of good intentions. Sustainability helps to fulfil our aim to create long-term value for our shareholders as it represents an opportunity for innovation, improved efficiency and a foundation for building sustained growth.

We 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 our business and management practices.

### 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. 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.

### Risk Management

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

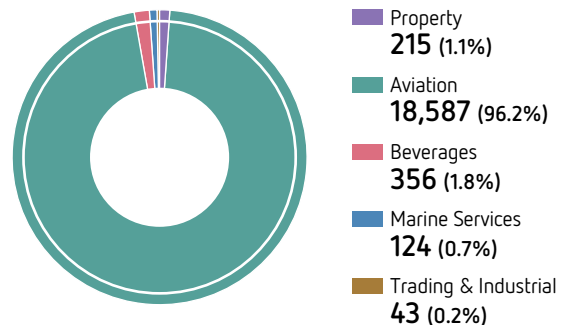
Swire Pacific and its operating companies have an Enterprise Risk Management (ERM) system, which is intended to identify, assess, monitor and manage risks. The Board of Directors and the management of each division are responsible for identifying and analysing risks (including those relating to climate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

### 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

### Total GHG Emissions by Division

Thousand tonnes of CO<sub>2</sub>e



**Notes:**

- 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. The figures for 2017 have been updated to reflect such availability.
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depend. In 2016, the 200th anniversary of Swire’s foundation, we formulated SwireTHRIVE, our group sustainability strategy, with a view to securing long-term business success in an era of major change.

SwireTHRIVE focuses on carbon, waste, water, sustainable materials, biodiversity and climate resilience. It concentrates on these environmental matters because our success (and that of the communities in which we operate) depends on a thriving natural environment. But we intend to extend 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.

### Greenhouse Gas Emissions

We aim to reduce our emissions in line with international carbon reduction goals. In 2017, operating companies set targets for reducing carbon intensity. These are intended to reduce the Group’s carbon intensity up to 2020 by 8-10% by comparison with a 2015 frozen efficiency baseline (a frozen efficiency baseline being one from which performance is projected with the assumption of no improvement in current efficiencies). Achieving these improvements in performance will depend on innovation and new technologies. In 2018, our greenhouse gas emissions were 19.3 million tonnes of CO<sub>2</sub>e, compared with 19.09 million tonnes of CO<sub>2</sub>e in 2017 (revised basis). Cathay Pacific used more fuel because it operated more flights. In the Beverages Division, 11 additional bottling plants were included during the reporting period.

The Aviation Division accounted for 96.2% of our total emissions in 2018. Cathay Pacific has set a target of improving its fuel efficiency on average by 2% per annum up to 2020 and achieving carbon neutral growth thereafter. This exceeds the agreed industry target of 1.5%. Its strategy for achieving this follows IATA's four pillar strategy (see: <https://www.iata.org/policy/environment/pages/climate-change.aspx>). In 2018, Cathay Pacific increased fuel efficiency as measured by tonnes of CO<sub>2</sub> per revenue tonne kilometre by 1.99%, principally by using more fuel-efficient aircraft. Eight Airbus A350-1000 aircraft were delivered in 2018. These aircraft are 25% more fuel efficient than the existing wide-body fleet.

Cathay Pacific is a member of the Round Table on Sustainable Biomaterials and of the Sustainable Aviation Fuel Users Group Asia. Cathay Pacific has a minority stake in Fulcrum BioEnergy Inc., a company which converts municipal solid waste into sustainable aviation fuel. Cathay Pacific encourages the use of biofuels in the engines of its aircraft, vehicles and vessels. All of Cathay Pacific's Airbus A350 delivery flights used jet fuel that contains a blend of biofuel. A total of 30 Airbus A350 aircraft had been delivered by 31st December 2018.

Carbon offsets are purchased by Cathay Pacific. Cathay Pacific's FLY greener programme offset 15,466 tonnes of CO<sub>2</sub> (tCO<sub>2</sub>), by investing in offsets generated by Gold Standard certified offset projects, including biogas digesters in Vietnam and efficient cook stoves in India.

## Energy

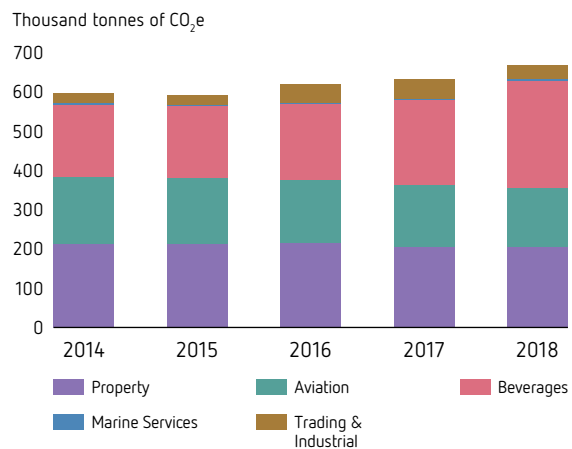
Electricity consumption represents our second largest source of greenhouse gas emissions. In 2018, our indirect emissions (which are primarily derived from using electricity) were 667.8 thousand tonnes of CO<sub>2</sub>e, a 7.25% increase from 2017 (revised basis). In the Beverages Division, 11 additional bottling plants were included during the reporting period.

Making our buildings and operations more energy efficient is a priority. 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. At the end of 2018, buildings accounting for 92.2% of its total 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.

Operating companies are encouraged to reduce energy use and to set energy efficiency targets. Since 2008, Swire Properties has reduced its annual energy consumption in its Hong Kong portfolio by 56.9 million kWh, which is in line with its 2020 target. In its Mainland China portfolio it has reduced its annual

## Indirect GHG Emissions by Division



### Notes:

- 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. The figures for 2017 have been updated to reflect such availability.
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energy consumption by 17.5 million kWh from the consumption which would have occurred if no changes had been made, putting it on track to meet its 2020 target.

Swire Properties offers free energy audits to tenants. Since 2008, free energy audits have covered 566,700 m<sup>2</sup> of commercial space, identifying potential annual energy savings of 7.8 million kWh.

We encourage the use of renewable energy in our operations. 12.87 million kWh of electricity was generated from renewable energy sources at Swire Properties, Swire Beverages and HAECO Xiamen in 2018. The Swire Pacific sustainable development fund is available to support suitable renewable projects.

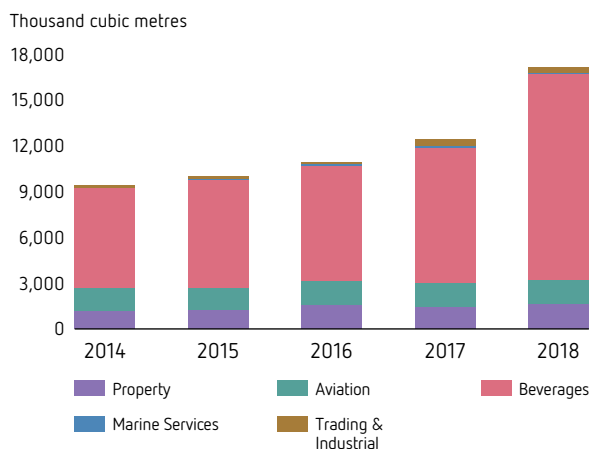
Each of our divisions has operations covered by the ISO 14001 environmental management system.

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

## Water

Our businesses depend on water. Some of them use it extensively. Water stress can affect our suppliers as well as the communities and biodiversity of the areas in which we operate. We aim to use water responsibly and sustainably, and to protect our water sources. We abide by all local wastewater treatment laws, and in many cases exceed them. By doing this, we protect our own resources and help the communities in which we operate to have access to safe, good quality water.

## Water Consumption by Division



**Notes:**

- 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 2017 have been updated to reflect such availability.
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In 2018, we consumed 17.13 million cubic metres of water, an increase from 12.45 million cubic metres in 2017 (revised basis). In the Beverages Division, 11 additional bottling plants were included during the reporting period. We set water intensity targets and encourage operating companies to use water more efficiently. We aim to reduce our water consumption by 3-4% from its 2015 baseline.

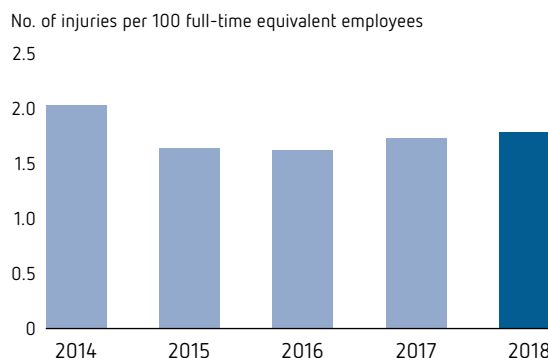
Using water to make beverages and maintain hygiene, the Beverages Division accounts for 78.5% of our water use. Swire Beverages has increased its water efficiency by 4% since 2010. In 2018, water intensity at the Beverages Division, which reflects the amount of water needed to produce a litre of beverage product, decreased by 2% to 1.74. This was due to clean-in-place activities at the Hong Kong bottling plant, water metering and the replacement and repair of water piping in Mainland China bottling plants.

As part of The Coca-Cola system, Swire Beverages aims to return to the environment water in amounts equivalent to those which it uses in its products by 2020. In 2017, the entire Coca-Cola System successfully replenished 155% (257 billion litres) of the water used in all beverages sold globally.

## 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. Recognising our responsibility to identify and mitigate health and safety risks,

## Lost Time Injury Rate



we aim to conduct our operations in a manner that safeguards the health and safety of our employees, contractors, suppliers, customers, and 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 2018, the number of injuries per 100 full-time equivalent employees (lost time injury rate or LTIR) increased to 1.79 from 1.73 in 2017. This represents a 3.5% increase from 2017. This is mainly due to increased LTIR at the Cathay Pacific group and at Swire Beverages. Total LTIR has reduced by 12% over the last five years.

Regrettably there were two fatalities from among our employees in 2018. These occurred in Hong Kong when a commuter bus contracted by the Cathay Pacific group collided with a stationary vehicle.

### Towards Zero Harm

We aim through training, learning and transparent reporting continually to improve our health and safety performance and culture. In 2018:

- Swire Properties migrated its safety management systems in Hong Kong to the ISO 45001:2018 standard (being one of the first companies in Hong Kong to achieve this standard).
- Cathay Pacific, HAECO and Swire Coca-Cola USA undertook manual handling campaigns intended to reduce injuries through training and the use of proper lifting techniques.
- HAECO adopted improved safety risk analysis techniques and provided relevant training to health and safety representatives.
- Swire Beverages provided defensive driving training and promoted safe driving behaviour in Mainland China.
- SPO published get home safe rules and communicated them to all staff.

The annual Swire Pacific health and safety conference took place in November 2018. It was attended by 80 representatives of Group companies from Hong Kong, Mainland China, Taiwan, Singapore and the USA. Presentations and discussion topics included health and wellbeing, big data analysis, risk perception and safe behaviour.

### Staff

Swire Pacific places significant emphasis on its people. Our success depends critically on our employees. By providing an environment in which all employees are treated fairly and with respect, we aim to be an employer of choice that attracts the most talented employees. We aim to recruit the best people, to offer competitive remuneration and benefits, to have a diverse workforce that represents the diversity of the communities in which we operate and to provide training to enable staff to realise their potential.

#### Employee Profile

At the end of 2018, the Swire Pacific Group (including joint venture and associated companies) employed approximately 93,000 staff, an increase of 0.8% from the end of 2017. Most 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, relationship, family status, disability, race, ethnicity, nationality, religious or political beliefs. We believe in creating an environment where people feel comfortable at work and able to realise their full potential.

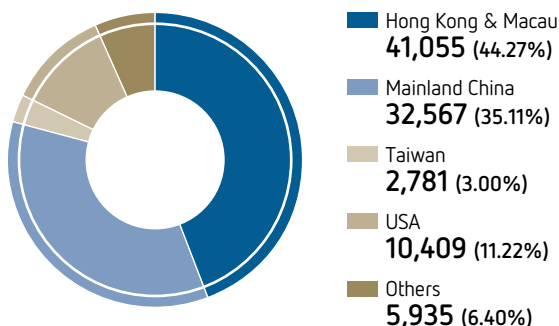
Our Diversity and Inclusion Steering Committee and our Swire Women’s Network help us to accomplish our aim of creating a diverse and inclusive workforce. Our Diversity and Inclusion Policy can be viewed at [https://www.swirepacific.com/en/sd/policy/diversity\\_inclusion.pdf](https://www.swirepacific.com/en/sd/policy/diversity_inclusion.pdf). In 2018 the percentage of women on the Swire Pacific Board was 18.2%.

Consistently with our Code of Conduct, we do not tolerate unlawful discrimination or harassment in the workplace. Employees are required to be fully compliant with applicable employment and other laws. We provide training in order to assist staff to understand their rights and obligations under Hong Kong anti-discrimination legislation.

#### Code of Conduct

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

### Employee Numbers by Region



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

### Employee Breakdown by Gender



#### Staff Retention

We offer competitive remuneration and benefits. Decisions on remuneration are made with 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 18.5% in 2018) is monitored with a view to identifying and managing problems as they arise. A 24-hour counselling and consultation service is available for employees.

#### 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 career goals. We develop our people by on-the-job learning, mentoring or coaching, classroom training and online learning.

Ethos International, Swire’s in-house leadership development company, provides learning and development programmes for staff. Managers attend business management and executive programmes at INSEAD and Stanford. Ethos’ training programmes emphasise sustainability and contribute to the development of a strong corporate culture and a style of leadership that is consistent with Swire values.

## Managing for the Future

The Swire Leadership Programme accepts high-calibre graduates every year with a view to developing their professionalism for a long-term career with the Group. Over the following 12 years we coach and mentor them, send them on courses and plan the steps in their careers.

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

## Working with Others

We aim to promote inclusive, ethical and sustainable procurement practices. By using our substantial purchasing power to this effect, 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.

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 supply chain sustainability working group.

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 deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting. Suppliers' compliance with the code is assessed.

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

## Community Involvement

At Swire Pacific we understand the importance to our businesses of the economic, social and environmental health of the communities in which we operate. We believe that, when the communities in which we operate prosper, so do our businesses. We concentrate on doing things where we believe we can make a difference.

We support the communities in which we operate directly through the community programmes of our businesses and through the Swire Group Charitable Trust (the Trust). The Trust focuses on education, marine conservation and the arts in Hong Kong. At the end of 2018, the Trust had 18 programmes in operation. During 2018, the Trust distributed over HK\$36 million.

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

## Reporting and Recognition

We will report in detail on our sustainability performance in a separate sustainability report which will be published in July 2019. Our sustainability report will be prepared with reference to the Global Reporting Initiative's (GRI) standards core option and will follow the ESG Reporting Guide for listed companies issued by Hong Kong Exchanges and Clearing Limited. This report together with separate reports from our major operating companies will be available at [https://www.swirepacific.com/en/sd/sd\\_reports.php](https://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 Limited for the year ended 31st December 2018. 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 [https://www.swirepacific.com/en/sd/sd\\_reports.php](https://www.swirepacific.com/en/sd/sd_reports.php).

We report to the Carbon Disclosure Project (CDP). In 2018 Swire Pacific and the HAECO group received a CDP climate change programme score of C. Cathay Pacific received a score of B.

Swire Pacific Limited is included in the Dow Jones Sustainability Asia Pacific Index, the FTSE4Good Index and the Hang Seng Corporate Sustainability Index and in the MSCI ESG Leaders, ESG Universal and SRI Indices. Swire Properties and Cathay Pacific are included in the FTSE4Good Index. In 2018, Swire Properties was the only listed company from Hong Kong and Mainland China to be included in the Dow Jones Sustainability World Index.

## Statistics – Environmental

	Note	Property		Cathay Pacific group		HAECO group	
		2018	2017	2018	2017	2018	2017
<b>Total Energy Consumption (thousand GJ)</b>							
Direct energy consumption		166	143	256,677	249,292	423	384
Indirect energy consumption		1,035	959	500	504	490	470
Total	1	1,201	1,102	257,177	249,796	913	854
% Change year-on-year		9%		3%		7%	
<b>Total Greenhouse Gas Emissions by Weight (thousand tonnes CO<sub>2</sub>e)</b>							
Direct (Scope 1)	2	10	11	18,406	18,221	33	29
Indirect (Scope 2)		205	204	75	80	73	77
Total	1	215	215	18,481	18,301	106	106
% Change year-on-year		–		1%		–	
<b>Total Water Used (thousands cbm)</b>							
Water Used	3	1,599	1,390	975	950	633	651
% Change year-on-year		15%		3%		-3%	

## Statistics – Health & Safety

	Property		Cathay Pacific group		HAECO group	
	2018	2017	2018	2017	2018	2017
Thousand hours worked	12,406	11,614	66,886	67,712	33,914	34,029
Total lost time injuries	91	83	1,288	1,112	222	249
Lost time injury rate (LTIR)	1.47	1.43	3.85	3.28	1.31	1.46
% Change year-on-year (LTIR)	3%		17%		-10%	
Total fatalities (employee)	–	–	2	1	–	–

### Notes:

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

Beverages		Swire Pacific Offshore (Note 4)		HUD group		Trading & Industrial		Total (Note 1)	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1,130	767	1,260	1,417	345	341	84	67	260,085	252,412
1,807	1,125	5	5	15	17	207	265	4,059	3,345
2,937	1,892	1,265	1,422	360	358	291	332	264,144 <sup>R</sup>	255,756
55%		-11%		0.6%		-12%		3%	
81	52	93	106	28	28	6	7	18,657	18,454
275	193	0.5	1	2.3	3	37	50	667.8	608
356	245	94	107	30	31	43	57	19,325 <sup>R</sup>	19,062
45%		-13%		-2.3%		-25%		1%	
13,439	7,493	-	-	85	115	400	455	17,131 <sup>R</sup>	11,054
79%		-		-26%		-12%		55%	

Beverages		Swire Pacific Offshore		HUD group		Trading & Industrial		Swire Pacific (Head Office)		Total (Note 1)	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
64,092	46,245	11,961	11,647	2,271	2,332	16,256	17,608	76	82	207,862	191,269
173	118	9	4	5	10	75	81	0	0	1,863	1,657
0.54	0.51	0.15	0.07	0.44	0.86	0.92	0.92	0	0	1.79 <sup>R</sup>	1.73
6%		114%		-49%		-		-		3%	
-	1	-	-	-	-	-	2	-	-	2 <sup>R</sup>	4