

Swire Pacific's approach to GRI reporting for Swire Pacific Sustainable Development Reporting 2013

What is the Global Reporting Initiative?

The **Global Reporting Initiative (GRI)** www.globalreporting.org is a multi-stakeholder-governed institution collaborating with companies and other organisations throughout the world to provide a generally accepted framework for sustainability reporting. It has developed the world's most widely used sustainability reporting framework and is committed to its continual improvement and application worldwide. This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. More than 1,300 companies and organisations, including many of the world's leading brands, have declared their voluntary adoption of the Guidelines worldwide. Consequently, the G3.1 Guidelines are the **de facto** global standard for reporting.

GRI specifies that sustainable development reports should include 'Profile Disclosures', 'Management Approach' and 'Performance Indicators'. The extent of reporting it requires for Levels A, B and C is:

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	Report Externally Assured		
*Sector supplement in final version							

Swire Pacific's approach to GRI reporting

Starting with our Sustainable Development Report 2007, Swire Pacific has adopted the Sustainability Reporting Framework of the Global Reporting Initiative (GRI) for our reporting as it provides:

1. A consistent framework for thinking about sustainable development issues enabling all reporters to use the same data definitions and terminology
2. A checklist to assist reporters ensures that they cover all important issues
3. Flexibility to only report on what is important or material to a business - this avoids 'reporting for reporting's sake'
4. A framework to educate staff on the reporting process
5. A set of common definitions and process for stakeholder to understand the performance of the reporting company

Swire Pacific has diverse interests in five operating divisions: Property, Aviation, Beverages, Marine Services and Trading & Industrial. Given this diversity, its approach to GRI reporting is:

1. Group Profile and Management Approach

Meet the Level C+ and partially cover additional profile items which are added to the value of our report.

2. Performance Indicators

Few Performance Indicators are relevant to all of Swire Pacific's operations. Reporting on Performance Indicators which are only relevant to some operations would lead to the other operations having to provide non-useful information. The Group has therefore selected 10 Performance Indicators which most relevant its operating companies based on each of these companies advising the 10 Performance Indicators which are most relevant to their operations.

Operating companies are encouraged to cover additional performance indicators which are pertinent to their operations in their own Sustainable Development reports.

Appendix 1 provides a list of the profile items covered and details of how we use the 10 Performance Indicators reported.

Appendix 2 provides a list of the companies covered and associated operational boundary in the report.

Appendix 3 provides a list of entities those have been expanded in 2013 reporting compared with previous year.

Conclusions

We have used best efforts to gather information and data as comprehensively and accurately as possible. However, we recognize that some of our data could benefit from more systematic data collection techniques. The Group and its companies continue to enhance the scope and robustness of its information and data collected for disclosure in future reports.

We note that GRI is continuing to develop its reporting framework and look forward to developing our reporting within this framework as an important element of meeting the objectives of our Sustainable Development Policy.

Profile Items and Performance Indicators

This section provides a summary of the GRI definition and the Swire's calculation basis for reporting. For more detailed information on the GRI definition please refer to G3.1 Guidelines available at <http://www.globalreporting.org>.

Strategy and Analysis	
1.1	Statement from the most senior decision-maker of the organization
Organisational Profile	
2.1	Name of the organization
2.2	Primary brands, products, and/or services
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures
2.4	Location of organization's headquarters
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report
2.6	Nature of ownership and legal form
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)
2.8	Scale of the reporting organization
2.9	Significant changes during the reporting period regarding size, structure, or ownership
2.10	Awards received in the reporting period
Report Parameters	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided
3.2	Date of most recent previous report (if any)
3.3	Reporting cycle (annual, biennial, etc.)
3.4	Contact point for questions regarding the report or its contents
3.5	Process for defining report content
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report

3.12	Table identifying the location of the Standard Disclosures in the report
Governance, Commitments and Engagement	
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight
4.2	Indicate whether the Chair of the highest governance body is also an executive officer
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body
4.14	List of stakeholder groups engaged by the organization
4.15	Basis for identification and selection of stakeholders with whom to engage
Economics	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
Environmental	
EN3	Direct energy consumption by primary energy source.
EN4	Indirect energy consumption by primary source.
EN8	Total water withdrawal by source.
EN10	Percentage and total volume of water recycled and reused.
EN16	Total direct and indirect greenhouse gas emissions by weight.
EN19	Emissions of ozone-depleting substances by weight.
EN21	Total water discharge by quality and destination.
Labour Practices and Decent Work	
LA1	Total workforce by employment type, employment contract, and region.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.
LA7 (partial)	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
LA10	Average hours of training per year per employee by gender, and by employee category.

EC1 – Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

GRI definition:

Component	Comment
Direct economic value generated	
a) Revenues	Net sales plus revenues from financial investments and sales of assets
Economic value distributed	
b) Operating costs	Payments to suppliers, non-strategic investments, royalties, and facilitation payments
c) Employee wages and benefits	Total monetary outflows for employees (current payments, not future commitments)
d) Payments to providers of capital	All financial payments made to the providers of the organization's capital
e) Payments to government	Gross taxes
f) Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)
Economic value retained (calculated as Economic value generated less Economic value distributed)	Investments, equity release

Swire Pacific reporting basis for this indicator:

Information is provided in accordance with the accounting standards governing the Group's Annual Report. Refer to page 138-201 of Swire Pacific's 2013 Annual Report for the accounting policies.

The accounting standards and hence accounting policies require the inclusion of all of the revenue, costs and donations of consolidated subsidiaries but only the Group's share of profit from associated companies and jointly controlled companies.

EN3 – Direct energy consumption by primary energy source

GRI definition:

Energy used by companies via consumption of primary energy source e.g. coal, natural gas, diesel, LPG, LNG and petrol.

Swire Pacific reporting basis for this indicator:

The quantity of direct energy consumed is calculated by multiplying the fuel in volume or mass by corresponding calorific value (or heating value) given in "Guidelines to Defra's Greenhouse Gas Conversion Factors for Company Reporting" by the Department for Environment, Food and Rural Affairs (Defra) in the UK. Primary energy sources consumed by companies include diesel, petrol, LPG, Towngas, natural gas, fuel oil, marine gasoil, lubricant oil and jet kerosene.

For Towngas in Hong Kong, according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong

Kong" published by Environmental Protection Department (EPD) of the Hong Kong Government, each unit registered by gas meter represents a heat value of 48 Mega joules.

EN4 – Indirect energy consumption by primary energy source

GRI definition:

Energy used by other organizations (e.g. power companies) to produce intermediate energy (e.g. electricity or steam) used by the reporting organization.

As an example, given that 1,000 kWh = 3.6 GJ, if Company A uses 1,000 kWh and Power Company X has a fuel mix of 50% power from coal and 50% power from nuclear, then Company A's indirect energy consumption is 1.8 GJ from coal and 1.8 GJ from nuclear.

Swire Pacific reporting basis for this indicator:

Report the quantity of intermediate electricity, steam and Towngas purchased from other organizations and convert to Gigajoules.

Swire Pacific Group companies consume indirect energy mainly through the purchase of electricity. The other, much smaller source of indirect energy is purchase of steam by some of our plants in Mainland China.

The great majority of our electricity is consumed in Hong Kong and Mainland China where there are franchised monopoly suppliers such that we cannot lower the carbon intensity of our electricity by choice of supplier. Each kilowatt hours (kWh) registered by electricity meters represents 3.6 Mega joules.

EN8 – Total water withdrawal by source

GRI definition:

Water used for any purpose. To be reported in cubic meters for five types of water sources:

1. Surface water – including wetlands, rivers and lakes
2. Ground water
3. Rain water
4. Waste water from another organization
5. Municipal water supply

Swire Pacific reporting basis for this indicator

The Group uses sea water for cooling and toilet flushing where feasible but does not report the quantity used as the seawater is not a scarce resource.

For potable water use each company reports a source separately when it accounts for more than 2% of the total it uses. All companies' municipal water supply accounts for more than 98% of consumption. The municipal water consumption is the amount reported in water bills. The water consumption of dormitories in Swire Beverages and canteen in TAECO are excluded.

EN10 – Percentage and total volume of water recycled / reused

GRI definition:

EN10 refers to water recycled/reused in the same process, in a different process, and at another of the reporting organization's facilities.

Swire Pacific reporting basis for this indicator:

Report two categories of water reused:

1. Water treated prior to reuse
2. Water not treated prior to reuse

EN21 – Total water discharge by quality and destination

GRI Definition:

Water in cubic meters discharged to the sea, to sewers, or other (including wetlands, lakes, rivers, ground water).

Swire Pacific reporting basis for this indicator:

We do not report the discharge of sea water which is used for cooling as this is immediately returned the sea without being changed other than being warmed up.

We report discharge of potable water in term of the percentage of potable water intake and the amount of potable water discharged is estimated based on the nature of the company's operation. We report 100% discharge to the sewer indicates that all effluent is discharged to the central drainage system.

We also report information related to water discharge including:

1. Quality - number of non-compliance report / ticket received; and
2. Destination – to sea after our own treatment or to sewer.

EN16 – Total direct and indirect greenhouse gas emissions by weight

GRI definitions:

Direct emissions for GRI reporting are the same as Scope 1 emissions under the Greenhouse Gas Protocol, and are defined as follows:

“Emissions that occur from sources that are owned or controlled by a company, such as combustion facilities (e.g.: boilers, furnaces, burners, turbines, heaters, incinerators, engines, flares etc), combustion of fuels in transportation (e.g.: cars, buses, planes, ships, barges, trains etc), and physical or chemical processes (e.g.: in cement manufacturing, catalytic cracking in petrochemical processing, aluminium smelting etc).”

Indirect emissions for GRI reporting are the same as Scope 2 emissions under the Greenhouse Gas Protocol, and are defined as follows:

“Emissions that occur from the generation by another party of electricity that is purchased and consumed by the company.”

Swire Pacific reporting basis for this indicator:

Activity data such as volumes of fuels consumed, electricity and refrigerants used are collected from operation companies and GHG emission is calculated using published emission/conversion factors and guidelines from the following sources:

- “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" published by Environmental Protection Depart (EPD) of Hong Kong Government;

- “Guidelines to Defra’s Greenhouse Gas Conversion Factors for Company Reporting” by the Department for Environment, Food and Rural Affairs (Defra) in the UK;
- Calculation Tools from Greenhouse Gas Protocol;

Except:

- For aviation jet fuel: Our scope includes all flight activities, including testing, training flights, dry lease and wet lease. As fuel density varies according to a number of factors, we use the Joint Inspection Group’s¹ recommended specific gravity of 0.80 kg/L to calculate the weight of fuel. We use the IPCC’s emission factor of 3.15² to determine CO₂ emissions from the combustion of aircraft fuel; and
- For indirect emission by purchasing electricity in Hong Kong: Conversion factors from local power suppliers are adopted.

The conversion factors used, cover all six greenhouse gases for all fuels. However, for aviation turbine fuel we only calculate CO₂ emissions as there is no scientific consensus on the global warming effect of other GHGs in the upper atmosphere such as oxides of nitrogen. Our airlines continue to monitor developments in the area of atmospheric science, including studies from the UK’s OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre (DLR) and, most recently research published by the Goddard Institute of Space Science www.pnas.org/content/early/2010/02/02/0906548107.full.pdf+html. This latest research suggests the warming impact of non CO₂ gases is less than the cooling impact of aerosols and other aircraft emissions. Until there is greater consensus among the scientific community on these gases, their primary focus remains on the reduction of their CO₂ emissions.

EN19 – Emissions of ozone-depleting substances by weight

GRI definition:

Quantities of gases with ozone depleting potential are recorded and then converted into CFC-11 equivalent.

Swire Pacific reporting basis for this indicator:

Report the amount of ozone depleting substances emitted into atmosphere in CFC-11 equivalent attributable to the Group.

LA1 – Total workforce by employment type, employment contract and region

GRI definitions:

Total workforce analysed as follows:

1. Total workforce between employees and supervised workers
2. Total workforce by geographic region

¹ Formed by international oil companies, the Joint Inspection Group performs regular inspections of their airport facilities to ensure that they are operated in accordance with their procedures for handling aviation fuel at airports and upstream aviation fuel facilities.

² IPCC. (1999). Aviation and the Global Atmosphere. Cambridge: Cambridge University Press.

3. Employees between permanent contact and fixed term contacts
4. Permanent employees between full time and part time
5. Employment variation due to seasonal changes (if applicable)

Swire Pacific reporting basis for this indicator:

Swire Pacific uses for the following region to report the geographic distribution of its staff HK/Macau, China, Taiwan, USA and Other. "Other" includes airline and shipping staff that operate internationally.

We do not report employment variation due to seasonal changes as this is not material. The area where it is most significant is taking on additional delivery staff for Beverages in the summer.

LA2 – Total number and rate of employee turnover by age group, gender, and region

GRI definitions:

Number of employees who leave the organization voluntarily or due to dismissal, retirement or death in service. Information required under LA2 includes:

1. Identify the total number of employees leaving employment during the reporting period
2. Report the total number and rate of employees leaving employment during the reporting period, broken down by gender, age group (e.g., <30; 30-50; >50) and region. Rates should be calculated using the total employee numbers at the end of the reporting period

Swire Pacific reporting basis for this indicator:

Swire Pacific reports the total number and rate of employee turnover by age group, gender and region in order of its subsidiary companies.

LA7 – Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

GRI definitions:

This indicator requires the reporting of injury rate, occupational disease rate, lost day rate, absentee rate and absolute number of fatalities with the following definitions applying:

1. **Total injuries** are the number of injuries in the year which result in lost time of a minimum of one working day.
2. **Lost Day Rate** represents the number of lost work days per 100 equivalent employees per year. It is calculated as the Total Days Lost multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
3. **Lost Time Injury Rate** represents the number of injuries per 100 equivalent employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.)

Swire Pacific reporting basis for this indicator:

Number of hours worked, Total Lost Time Injuries and fatalities, and Lost Days due to injuries of employees are collected from operation companies and Lost Day Rate and Lost Time Injury Rate are calculated based on GRI's definitions.

Injuries to- and from- work in Mainland China are included in this report to align with Mainland China legislations.

Occupational health and absenteeism are monitored and managed by operating companies but not reported at Group level for two reasons. Firstly the nature of our businesses means that occupational health hazards are minor. Secondly the diversity of our group makes it more appropriate to manage these issues at operating company rather than Group level.

LA10 – Average hours of training per year per employee by employee category of work

GRI definitions:

Information required under LA10 includes:

1. Identify the total number of employees in each employment category across the organization's operations at the end of the reporting year (e.g., senior management, middle management, professional, technical, administrative, production, maintenance, etc.). The organization should define employment categories based on its human resources system.
2. Identify total hours devoted to training personnel within each employee category.
3. Report the average number of hours of training per year per employee by employee category using the following formula:

$$LA10 = \text{Total hours per employee category} \div \text{Total employees per employee}$$

Swire Pacific reporting basis for this indicator:

Swire Pacific reports this by categories of Top/Senior Management, Middle/Junior Management & Supervisory, Customer Facing Staff, and Non-customer Facing and Operational/Technical Staff.

Organization and Operational Boundary

This section provides a summary of the companies and operations to be included in the report.

Companies included in the report	Operating Companies not covered by this report include:
<p><u>Property</u> Swire Properties</p>	<p><i>USA and UK</i></p>
<p><u>Aviation</u> <i>Cathay Pacific group</i> Cathay Pacific Airways Hong Kong Dragon Airlines AHK Air Hong Kong Cathay Pacific Catering Services Vogue Laundry Hong Kong Airport Services <i>HAECO group</i> Hong Kong Aircraft Engineering Company Hong Kong Aero Engine Services Company TAECO Taikoo (Xiamen) Landing Gear Services Company Ltd. Taikoo Engine Services (Xiamen) Company Ltd Taikoo Spirit AeroSystems (Jinjiang) Composite Company Ltd</p>	<p><i>Catering and laundry service companies outside Hong Kong and Cathay Pacific Services Limited (a wholly-owned subsidiary of Cathay Pacific, established to design, build and operate the new Cathay Pacific Cargo Terminal, which commenced operations in February 2013)</i></p>
<p><u>Beverages</u> Swire Beverages</p>	<p><i>Coca-Cola Bottlers Manufacturing Holdings Limited and Xiamen Luquan Industries Company Limited</i></p>
<p><u>Marine Services</u> Swire Pacific Offshore Holdings Ltd HUD Group</p>	
<p><u>Trading & Industrial</u> Swire Resources Ltd Taikoo Motors Ltd Taikoo Sugar Limited Swire Waste Management Limited Swire Cold Storage</p>	<p><i>Campbell Swire, Akzo Nobel Swire Paints Limited, Taikoo Motors Hong Kong and Mainland China</i></p>

Expanded Scope of Reporting in 2013

In 2013 we have expanded the scope of reporting to include the following operations:

Property Division	Taikoo Hui Development in Mainland China
Aviation Division	Taikoo Engine Services (Xiamen) Company Ltd., Taikoo Spirit AeroSystems (Jinjiang) Composite Company Ltd., Taikoo (Xiamen) Landing Gear Services Company Ltd.
Trading & Industrial Division	Swire Waste Management Ltd., Swire Cold Storage Ltd.