

# Making it Happen

Sustainable Development Report 2007

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## GRI profile disclosures and performance indicators

2.1, 2.3, 2.4, 2.6, 2.8, 2.9, 2.10, 3.1–3.8, 3.10–3.12
1.1, and 1.2 (partial)
4.1–4.4, 4.14, 4.15 and 4.17
EC1
4.12, 4.13, EN3, EN4, EN8, EN10, EN16, EN19, EN21
LA7
2.8, LA1
2.10
3.13

Refer to [www.swirepacific.com/eng/about/sd/gri\\_report2008.pdf](http://www.swirepacific.com/eng/about/sd/gri_report2008.pdf) for Swire Pacific's approach to reporting using the Global Reporting Initiative.

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		C	C+	B	B+	A	A+
Mandatory	Self declared		√		Report externally assured		Report externally assured
	Third party checked		√		Report externally assured		Report externally assured
Optional	GRI checked				Report externally assured		Report externally assured

# Sustainable Development Policy

## We adopt this policy because

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

## Our policy

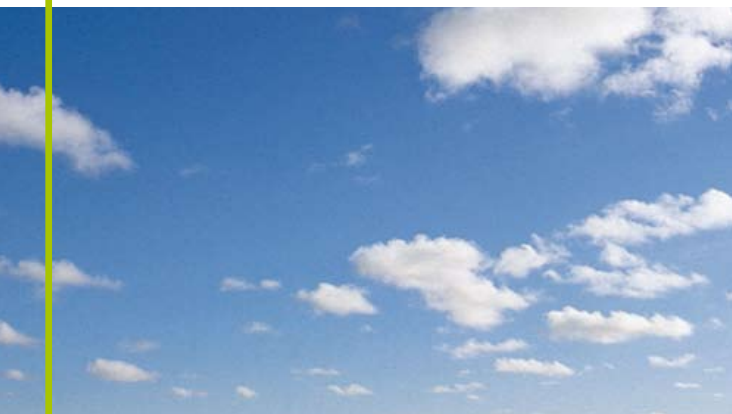
- **Industry leadership** We will work with others to promote sustainable development in the industries in which we operate.
- **In our operations** We will meet or exceed all legal requirements and:
  - Be a good steward of the natural resources and biodiversity under our influence and ensure that all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

## Making it happen

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

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

# Readers' guide to Swire Pacific and this report



*This report provides information on the size of the Group's overall environmental and social footprints...*

## Swire Pacific

Swire Pacific is one of the leading listed companies in Hong Kong with five operating divisions: Property; Aviation; Beverages; Marine Services, and Trading & Industrial. All Swire Pacific Group companies are headquartered in Hong Kong with the exception of Swire Pacific Offshore, which is headquartered in Singapore. The Group's operational activities are predominantly within the Greater China region, where the name Swire or 太古 has been established for over 140 years. Swire Pacific is deeply committed to Hong Kong, where our subsidiaries, jointly controlled and associated companies employ over 43,000 staff. Globally we employ over 70,000 staff.

## Scope of this report

This is the first Sustainable Development Report produced by Swire Pacific. It follows the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. The Swire Pacific Group's major operating companies have published reports on their environmental, and in some cases also their health and safety performance for a number of years. This report covers the 2007 calendar year with figures for 2006 provided for comparative purposes.

This report sets out Swire Pacific's corporate governance procedures, and provides information on the size of the Group's overall environmental and social footprints, notes key areas of concern, and reports on initiatives implemented by Group companies to improve performance in terms of environmental and social responsibility to the communities they serve. Readers can also refer to reports provided by individual companies within the Group for more detailed information on their performance and on awards won by these companies. Swire Pacific's report in future years will include additional indicators where they are relevant across the Group.

*Appendix 2* lists Swire Pacific's principal companies noting the 16 companies, or groups of companies, covered by this report, together with web links to the reports which they have prepared on environmental and, in some cases, health and safety and social aspects of their operations. These companies account for around 93% of turnover attributable to Swire Pacific<sup>1</sup> and 90% of employees in the Group.

The significant changes in the Swire Pacific Group during 2007 were the sale of its minority interest in Shekou Container Terminals early in the year and internal growth in its investment properties, offshore oil support, aviation and Mainland China beverage businesses.

This report covers the ten GRI performance indicators which are most relevant to the Group as a whole. Given the diverse operations of the Group's companies, some GRI indicators are not relevant across the Group. Individual companies are encouraged to report on additional indicators which are important to their business activities, including issues that are relevant to their own operations but not to the Group as a whole. Best efforts have been undertaken to gather information and data as comprehensively and accurately as possible for our first Sustainable Development Report. However, we recognise that some of our data could benefit from more systematic data collection techniques. The Group will endeavour to enhance the scope and robustness of its information and data collected for disclosure in future reports.

<sup>1</sup> The percentage of Swire Pacific's interests covered by this report is calculated by taking the size of each entity multiplied by the percentage of that entity which Swire Pacific owns. See page 6 for an example of how to do this calculation for turnover.

# Chairman's message

## Sustainable development challenges

The world is facing a number of increasingly severe sustainable development challenges which will undoubtedly impact our businesses. These include global warming, pollution, loss of biodiversity, deforestation, non-sustainable use of ground water and depletion of non-renewable resources such as oil. Of these issues, global warming is the most significant problem, in part because it exacerbates the other problems. It is likely to lead to legislative responses that significantly affect business.

Besides these environmental challenges, social challenges are increasing as scarcity of resources affects vulnerable groups.

## Swire Pacific's response

Sustainable development is not new to Swire Pacific. We have given high priority over many years to addressing the challenges outlined above. The increasing severity of these challenges, however, makes it important to move environmental and social policy to the core of our Group's decision-making. We have therefore adopted the Sustainable Development Policy set out on page 1 to provide a formal framework to enhance the management of these issues. The policy covers five main areas which impact the development of our businesses: environment; health and safety; employees; business partners; and communities.

This report highlights both new and existing initiatives undertaken by our Group in each area and our performance against targets set. Further details are provided in separate reports prepared by Group companies. Priority areas across the Group are reducing the carbon intensity of our operations, providing fulfilling careers for our staff, and safeguarding the health and safety of our staff and the communities in which we operate.

Individual companies also focus on issues of particular relevance to their own businesses. For example, Swire Beverages has

reduced the amount of water used per litre of drinks produced and Cathay Pacific and Dragonair have improved fuel efficiency per Revenue Tonne Kilometre.

Given the diversity of the Group and the environments in which our companies operate, the practical application of this policy will vary considerably between businesses. Our subsidiary companies are required, and jointly controlled entities and associated companies are encouraged, to focus on the sustainability issues which are relevant to their businesses and to develop formal procedures to address them.

Swire Pacific provides policy direction and oversight to the Group, through the Directors whom we place on the boards of our companies and our Group Risk Management Committee. This committee has been reconstituted to include Executive Directors of Swire Pacific and has had its role expanded to include reviewing company action plans for implementing the Sustainable Development Policy.

Achieving sustainable development is likely to become ever more challenging in the years ahead. However, we will remain focused on finding long-term solutions which will safeguard the future development of our businesses and of the communities in which we operate.



**Christopher Pratt**  
Chairman



*The Swire Pacific Group has always worked to be a leader on environmental issues and other aspects of corporate social responsibility!*

# Governance and stakeholder engagement

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. Its highest governance body is its Board led by an Executive Chairman with Executive Directors acting as the Chief Executives of each of its five Divisions. Details of the operation of the Board and its supporting committees including accountability, audit, and communication with employees and shareholders, are set out on pages 53 to 65 of the Swire Pacific Limited Annual Report which is available at [www.swirepacific.com](http://www.swirepacific.com). At the 6th March 2008 date of the Annual Report there are a total of seven Executive, four Non-Executive and six independent Non-Executive Directors.

## **Governance: Swire Pacific's role**

Swire Pacific's role is to set policy and provide oversight on policy implementation by its Group companies. The immediate oversight is provided by the Directors Swire Pacific appoints to the boards of the companies in which it is invested. Their role is complemented by the Group Risk Management Committee (GRMC), which reports directly to the Swire Pacific Board, and monitors Group policies and the implementation of these policies by its subsidiary and associate companies. The GRMC has five members and is chaired by the Group Finance Director.

## **Governance arrangements: The role of each Group company**

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

The following tools help these management activities:

### **Formulating strategy:**

- I Enterprise Risk Management to identify risks whose management is important to the sustainable development of the business.
- II Stakeholder Engagement to identify stakeholder issues which may impact on the business.
- III 'Best in Class' to identify gaps between current business practices and the optimum way of carrying out the business.



#### **Confirming policy implementation:**

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

#### **For reporting:**

V Global Reporting Initiative's framework to report in a consistent manner to stakeholders.

The Governance of the Group is strengthened by operating companies reporting externally on sustainable development issues. Refer to *Appendix 2* for links to reports currently provided. These reports are to be significantly expanded and upgraded, using the Global Reporting initiative's framework, so as to facilitate systematic and consistent measurement of performance against the Sustainable Development Policy in 2008 and onwards.

### **Stakeholder engagement**

The Group believes that effective and responsible membership of a community must be based on mutual trust and respect. To improve the level of understanding between the Group and the communities it serves, the Group has regular dialogue with its stakeholders, including customers, business partners, staff and shareholders, and with the wider community. The Group seeks to understand their needs for, expectations of, and concerns about its services and products, as well as their expectations as to the Group's contribution to the community and its care for the environment. Understanding what is material to its stakeholders and how their aspirations sit with the Group's goals and policies, as well as communicating why it operates as it does, are important ways of helping establish mutual trust and respect.

As outlined in their company reports, Cathay Pacific and Swire Properties organised dialogues with their stakeholders in 2007. Swire Pacific engaged a consultant to assist in the identification of representatives of its stakeholder groups and to conduct independent, targeted interviews with government representatives, the media, the investment community and with Swire Pacific's shareholders, joint venture partners, customers, and suppliers and contractors. The consultant also facilitated a multi-stakeholder focus group that included non-governmental organisations. Key concerns expressed by these stakeholders include air pollution in Hong Kong, water scarcity and climate change. The Group shares stakeholder concerns on these environmental problems and is taking whatever measures are practical to minimise its footprint. Some stakeholders also queried the balance between support of arts and culture and funding of solutions to social issues. The Group acknowledges that both are important, long-term needs. It considers that its support of arts and culture provides an appropriate contribution to quality of life in Hong Kong and Hong Kong's position as a prosperous, leading city in Asia.

The Group will continue to engage stakeholders in the future to gather important feedback and views on how it can enhance its sustainability performance.



### **Progress against 2007 actions**

To establish a Sustainable Development Policy.

> Policy formulated and approved. Action plans for implementing are being developed by operating companies.

To conduct a gap analysis of the requirements for report in accordance with the Global Reporting Initiative (GRI) framework.

> Done in 2007 and this report produced at GRI level C+.

Maintain ongoing stakeholder dialogue.

> Done with help of consultants.

# Economic performance

The table on the next page is prepared in accordance with the accounting standards governing the Group's Annual Report. These require the inclusion of 100% of the turnover of consolidated subsidiaries but only the Group's share of profit from associated companies and jointly controlled companies.

2007 Attributable Turnover	%	Consolidated HK\$M	Not consolidated HK\$M	Attributable Total HK\$M	
<b>Property</b>					
Swire Properties	100.00	6,104		6,104	
<b>Aviation</b>					
Cathay Pacific & subsidiaries	39.91		75,358	30,075	Note
HAECO & subsidiaries	43.75		4,619	2,021	Note
HAECO jointly controlled cos	various		331	145	
HAESL	19.69		6,164	1,214	
Hactl	23.99				Note
			86,472	33,455	
<b>Beverages</b>					
Hong Kong	87.50	1,692		1,481	
Taiwan	80.00	1,027		822	
USA	100.00	3,294		3,294	
Mainland China	45 – 100	1,053	7,764	4,789	
		7,066	7,764	10,386	
<b>Marine Services</b>					
Swire Pacific Offshore	100.00	3,104		3,104	
Hongkong United Dockyards	50.00				Note
		3,104		3,104	
<b>Trading &amp; Industrial</b>					
Taikoo Motors	100.00	3,398		3,398	
Swire Resources	100.00	1,521		1,521	
Other subsidiaries	100.00	461		461	
Swire SITA Waste Services	50.00				Note
CROWN Beverage Cans	22 – 45				Note
Hong Kong & CVP					
ICI Swire Paints	30 – 40				Note
		5,380		5,380	
<b>Head office &amp; eliminations</b>	100.00	(101)		(101)	
<b>Total</b>		21,553	94,236	58,327	

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

**Note:** This 'attributable turnover' for Swire Pacific is the best estimate that can be made with information that is publicly available and provides a materially fair number. There are, however, minor distortions in the figures given, as some information relating to associated and jointly controlled companies is not publicly disclosed. In particular, the turnover is overstated as it includes the minority interest in the turnover of Air Hong Kong and TAECO, and understated by not including a portion of the turnover for Hactl, Hongkong United Dockyards, Swire SITA Waste Services, CROWN Beverage Cans Hong Kong and ICI Swire Paints.

## Management approach and policies on economic performance

Swire Pacific is managed for long-term shareholder value creation and to provide a reliable dividend stream. It focuses on the development of businesses where it can add value through its industry-specific expertise and particular knowledge of the Greater China region. It endeavours to create value for shareholders by making investments which exceed the target rate of return appropriate for each of its businesses.

Attention is paid to identifying and managing the risks underlying the achievement of business objectives. The prime responsibility for this activity rests with the boards and executive management of each company within the Group. Their work is overseen by two management committees which monitor risk processes throughout the Group: the Group Risk Management Committee (GRMC); and the Finance Committee. These are primarily made up of senior management and both are chaired by the Group Finance Director who reports to the Board on matters of significance that arise.

For further financial information and management's review of the results for 2007 refer to the Swire Pacific Limited Annual Report which is available at [www.swirepacific.com](http://www.swirepacific.com).



## Annual Results (EC1)

	Property HK\$M	Aviation HK\$M	Beverages HK\$M	Marine Services HK\$M	Trading & Industrial HK\$M	Head Office HK\$M	Eliminated on consolidation HK\$M	Group HK\$M	2006 HK\$M	Change %
<b>2007</b>										
<b>Direct Economic Value generated</b>										
Turnover which is consolidated	6,104		7,066	3,104	5,380	158	(259)	21,553	19,111	12.8
Valuation gains on investment properties	19,377				19	50		19,446	17,045	14.1
Finance income	17		9	6	6	1,290	(1,231)	97	113	(14.2)
Profit on sale of investments / other net gains	(28)		43	1,332	14	(7)		1,354	1,698	(20.3)
Share of profits of associates & jointly controlled cos	333	3,422	191	75	284			4,305	3,340	28.9
	25,803	3,422	7,309	4,517	5,703	1,491	(1,490)	46,755	41,307	13.2
<b>Economic Value distributed</b>										
Purchases of goods and services	1,367		5,045	876	4,800	295	(259)	12,124	11,159	8.6
Employee wages and benefits	505		1,270	680	424	21		2,900	2,564	13.1
Payments to providers of capital	809	92	68	50	3	5,825	(1,231)	5,616	5,139	9.3
Payments to government	3,795		107	62	40			4,004	3,582	11.8
Charitable donations and community investments*	19		3	2	2			26	20	30.0
	6,495	92	6,493	1,670	5,269	6,141	(1,490)	24,670	22,464	9.8
<b>Economic Value retained</b>										
Depreciation / amortisation	83		309	297	35			724	598	21.1
Profit after dividends	19,225	3,330	507	2,550	399	(4,650)		21,361	18,245	17.1
Retained for re-investment and future growth	19,308	3,330	816	2,847	434	(4,650)		22,085	18,843	17.2
<b>2006</b>										
<b>Direct Economic Value generated</b>										
Turnover which is consolidated	5,633		5,750	1,997	5,623	349	(241)	19,111		
Valuation gains on investment properties	16,990				27	28		17,045		
Finance income	27		4	13	3	1,067	(1,001)	113		
Profit on sale of investments / other net gains	164	1,334	25	85	35	55		1,698		
Share of profits of associates & jointly controlled cos	399	2,367	200	168	206			3,340		
	23,213	3,701	5,979	2,263	5,894	1,499	(1,242)	41,307		
<b>Economic Value distributed</b>										
Purchases of goods and services	1,462		3,891	603	4,967	477	(241)	11,159		
Employee wages and benefits	464		1,201	500	382	17		2,564		
Payments to providers of capital	823	96	50	48	4	5,119	(1,001)	5,139		
Payments to government	3,406		88	39	63	(14)		3,582		
Charitable donations and community investments*	14		3	2	1			20		
	6,169	96	5,233	1,192	5,417	5,599	(1,242)	22,464		
<b>Economic Value retained</b>										
Depreciation / amortisation	61		266	237	33	1		598		
Profit after dividends	16,983	3,605	480	834	444	(4,101)		18,245		
Retained for re-investment and future growth	17,044	3,605	746	1,071	477	(4,100)		18,843		

\* The Group's guideline is to allocate 0.5% of its last three year's average underlying attributable profit for charitable donations and community investments. Part of this contribution is from its associated and jointly controlled companies and so this amount is not reported in the consolidated accounts. In 2007 this amount was in excess of HK\$24 million.

# Environmental performance

Swire Pacific is committed to being a good steward of the natural resources and biodiversity under its influence and to ensuring that all potential adverse impacts of its operations on the environment are identified and appropriately managed. The implementation of actions to meet this commitment is overseen by the Swire Group Environment Committee.

While all environmental issues are monitored by all companies, the ones which are particularly relevant to each of the Group companies surveyed are indicated in the table below:

	Greenhouse gas emissions & reductions	Energy consumption	Ozone-depleting substances	Air emissions & pollution control	Water consumption & pollution control	Waste water discharges & conservation	Chemical use, handling & pollution control	Materials consumed & disposal waste management	Noise	Biodiversity
Swire Properties										
Cathay Pacific, Dragonair & Air Hong Kong										
Cathay Pacific Catering Services										
Vogue Laundry										
Hong Kong Airport Services										
HAECO & TAECO										
HAESL										
Hactl										
Swire Beverages										
Hongkong United Dockyards										
Swire Pacific Offshore										
Swire Resources										
Swire SITA Waste Services										

The most important of these issues is the contribution of greenhouse gas emissions to global warming and hence climate change. Work on this issue during 2007 included:

1. Swire Pacific, and its associate Cathay Pacific Airways publicly responding to the Carbon Disclosure Project [www.cdproject.net](http://www.cdproject.net) questionnaire giving details of their greenhouse gas emissions for 2006 and the actions they are taking to minimise future emissions. This exercise was also carried out by each company within the Group as an internal exercise. The Group is committed to continuing to respond to the Carbon Disclosure Project questionnaire. For 2007, HAECO also provided a public response.

*Whilst we have strong environmental programmes within the Group, we recognise that much more has to be done. We are committed to making environmental planning part of our everyday decision-making, as this is in the best interests of our shareholders and of the communities in which we operate.*

Martin Cubbon  
Group Finance Director, Swire Pacific Limited

2. Joining The Climate Group and working with the Hong Kong Business Environment Council, which has now formed the Climate Change Business Forum. Both these non-governmental organisations are working to accelerate change towards a low-carbon economy.

3. Each company is developing energy and carbon intensity metrics to provide a focus for ongoing work to improve energy efficiency and reduce the carbon intensity of our operations. This activity, which is detailed in the report below, is ongoing and will be covered in more detail in the Group's 2008 Sustainable Development Report.

In addition to taking action on its own carbon footprint, one of the Group companies, Swire SITA Waste Services, has played a role in reducing the Hong Kong carbon footprint by working with the Hong Kong and China Gas Company Limited (Towngas) and the Government to capture methane from the NENT Landfill for use in Towngas production. It is estimated that this project has cut emissions by 135,000 tonnes of CO<sub>2</sub> per annum as landfill gas substitutes for burning fossil fuels. Swire SITA Waste Services continues to explore options for making use of gas from the WENT Landfill.

The Group reports on the following environmental performance indicators:

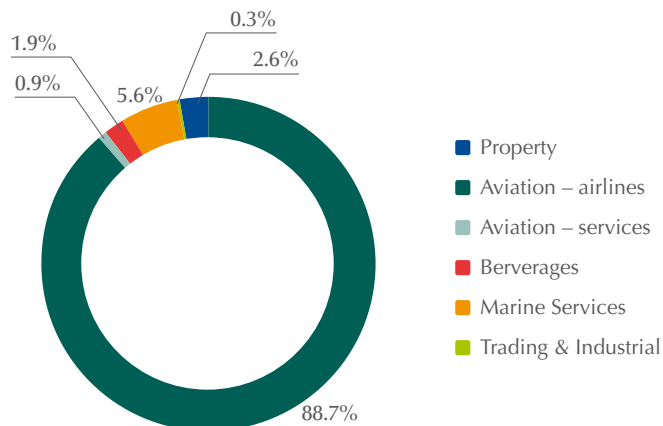
- \* EN3 – Direct energy consumption by primary energy source
- EN4 – Indirect energy consumption by primary source
- \* EN16 – Total direct and indirect greenhouse gas emissions by weight
- EN19 – Emissions of ozone-depleting substances by weight
- \* EN8 – Total water withdrawal by source
- \* EN10 – Percentage of water recycled and reused – treated and untreated waste water recycled
- \* EN21 – Total water discharge by quality and destination

\* See *Appendix 1* for statistics.

## Greenhouse gas emissions and energy consumption

Greenhouse gas emissions (EN16) attributable to Swire Pacific interests 2007

Total = 6.28 million tonnes of CO<sub>2</sub>-equivalent



Tonnes of CO <sub>2</sub> e	2007	2006	Change %	2007 mix %
<b>Company</b>				
Property	164,600	181,618	(9.4)	2.6
Aviation – airlines	5,565,829	5,345,806	4.1	88.7
Aviation – services	55,185	50,704	8.8	0.9
Beverages	121,645	108,487	12.1	1.9
Marine Services	354,681	352,277	0.7	5.6
Trading & Industrial	15,952	16,778	(4.9)	0.3
	<b>6,277,892</b>	<b>6,055,670</b>	<b>3.7</b>	<b>100.0</b>
<b>Type of emissions</b>				
Burning fossil fuels (scope 1)	5,985,347	5,763,634	3.8	95.4
Refrigerants (scope 1)	7,508	11,456	(34.5)	0.1
Purchased electricity (scope 2)	285,037	280,580	1.6	4.5
	<b>6,277,892</b>	<b>6,055,670</b>	<b>3.7</b>	<b>100.0</b>

See *Appendix 3* for basis for calculating CO<sub>2</sub>e.

More than 99.8% of the Group's greenhouse gas emissions derive from energy use. Its work to reduce greenhouse gas emissions is therefore focused on reducing the energy intensity of its operations as detailed below:

#### Direct energy consumption (EN3) attributable to Swire Pacific interests

Gigajoules	2007	2006	Change %	2007 mix %
<b>Company</b>				
Property	2,847	2,901	(1.9)	0.0
Aviation – airlines	81,390,991	78,185,488	4.1	93.1
Aviation – services	300,880	284,896	5.6	0.3
Beverages	710,840	689,529	3.1	0.8
Marine Services	5,004,449	5,044,636	(0.8)	5.7
Trading & Industrial	115,337	130,960	(11.9)	0.1
	<b>87,525,344</b>	<b>84,338,410</b>	<b>3.8</b>	<b>100.0</b>

All the Group's direct energy consumption comes from fossil fuels. Its consumption is dominated by its transport businesses with airlines accounting for 93% of its energy consumption and shipping a further 5.7%.

Electricity is the only significant indirect energy purchased by the Group (EN4). The primary energy sources used for generating the electricity, attributable to Swire Pacific interests are:

Gigajoules	2007	2006	Change %	2007 mix %
<b>Fuel source</b>				
Coal	997,714	980,281	1.8	70.6
Oil	25,123	25,362	(0.9)	1.8
Natural Gas	226,398	194,651	16.3	16.0
Nuclear	150,761	147,732	2.1	10.7
Renewables	13,019	12,973	0.4	0.9
	<b>1,413,016</b>	<b>1,360,999</b>	<b>3.8</b>	<b>100.0</b>

In the locations in which Swire Pacific's businesses operate there is little or no choice in the fuel sources used to generate the electricity consumed. Over 90% of the purchases are in Hong Kong where the single supplier on Hong Kong Island is Hongkong Electric Holdings and the single supplier for Kowloon and the New Territories is CLP Power Hong Kong. The fuel source ratios and carbon intensities for these companies are:

Fuel source	Hongkong Electric %		CLP Power Hong Kong %	
	2007	2006	2007	2006
Coal	83.0	94.0	48.3	40.0
Natural gas	17.0	6.0	22.6	31.0
Nuclear			29.1	29.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Carbon intensity</b> kg CO <sub>2</sub> e/kWh	<b>0.836</b>	0.910	<b>0.580</b>	0.530

The average carbon intensity of electricity purchased by the Group decreased from 0.72 to 0.71 kg CO<sub>2</sub>e per kWh between 2006 and 2007. This was due to savings from Hongkong Electric Holdings' switch from coal to gas and partially offset by growth in the proportion of coal burnt by CLP Power Hong Kong.

#### Progress against 2007 actions

To complete the Carbon Disclosure Project questionnaire for Swire Pacific.  
> Done with results published on the Carbon Disclosure Project website.

To conduct a gap analysis to determine what 'Best in Class' climate change performance is for each major Swire Pacific business.

> This work has been carried out and will be on-going to guide companies in formulating their strategy.

## Actions to improve energy efficiency and reduce the carbon intensity of operations

The Group has an ongoing exercise to look at what is 'Best in Class' on carbon emissions intensity and by implication energy efficiency for its industries. This exercise includes considering future technological changes and peer group review. The speed at which it is practical to move to 'Best in Class' is impacted by investments in fixed assets and the pace of technological change.

The Group's airlines, led by Cathay Pacific Airways, have a long-term programme to improve fuel efficiency by modernising their fleets, stringent weight management and operational efficiency drives. Between 2006 and 2007, Cathay Pacific Airways improved its fuel consumption per Revenue Tonne Kilometre (RTK) by 5.2%, offsetting part of the volume growth of the airlines in which the Group is invested to leave the net increase in fuel consumption at 4.1%.

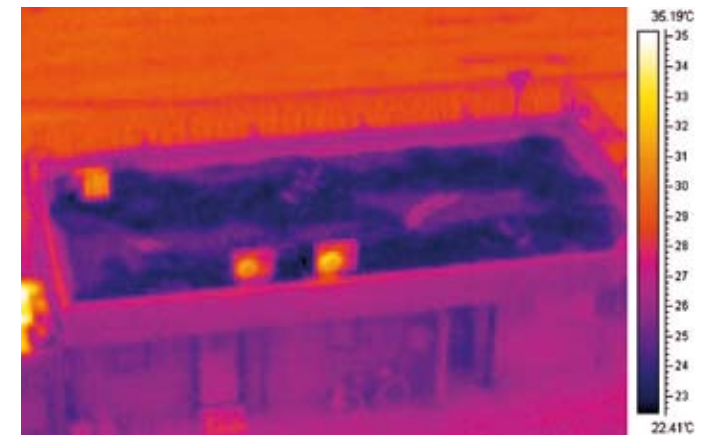
Cathay Pacific also introduced its 'FLY greener' carbon offset programme and purchased offset credits for all its staff business travel during 2007. This offset programme, which Cathay Pacific and its subsidiary, Dragonair offer to their passengers, is valuable in raising awareness and assisting in the development of offset mechanisms. It is, however, small compared to the total emissions of the Cathay Pacific Group. Cathay Pacific recognises this and, on pages 6 and 7 of its 2007 Corporate Social Responsibility (CSR) report, sets out its 'Climate Change Position' including its support for the important role that carbon trading schemes can play to help secure the required reduction in global carbon emissions at minimum cost, the funding of carbon emission reduction on the ground from any revenues raised through economic instruments and leadership by the International Civil Aviation Organisation (ICAO) in establishing a carbon trading scheme for international aviation.

Swire Pacific Offshore (SPO), which accounts for 97% of the Marine Services division's emissions, is targeting to reduce its emissions by 10% per vessel by 2010 through the following initiatives:

- Implementing a 'Green Zone' programme to monitor the percentage of the time its Anchor Handling Tug Supply (AHTS) Vessels and Platform Supply Vessels (PSVs) are operating efficiently. One example of this initiative is for vessels to have indicative efficiency zones so that their crews and clients may monitor fuel consumption. Another example is to ensure tugs travel at an economical speed when the schedule for ferrying goods to a rig permits.
- Building fuel efficiency features into the design of new vessels. SPO's nine 'V-class' AHTS Vessels currently on order are 20% more fuel efficient than the vessels they replace.
- Setting up the world's most advanced AHTS simulator with a 360 degree bridge and engine control room. This will allow SPO to train crews to the highest standards without burning marine fuel.

Swire Beverages has reduced its energy usage per litre of product by 15% to 0.39 MJ per litre and carbon emissions from its operations by 11% to 66 kg per 1000 litre. This was achieved through a programme which includes:

- Phasing out coal-fired boilers in Mainland China bottling plants and replacing them with boilers powered by steam supplied by local municipalities. This is an ongoing process; to be completed by 2010.
- Improved energy efficiency. For example, at the end of 2007, a flue gas heat recovery system was installed on the desulphurisation unit of the boiler in its Guangzhou



'Green Roofs' with plants insulate buildings and reduce energy consumption. These pictures show the green roof on HAECO's gatehouse with a thermal photograph indicating the temperature reduction. Swire Properties and HUD have also created green roofs.

bottling plant. Preliminary results indicate a 40% improvement in fuel efficiency without impacting on the quality of exhaust gases discharged and the performance of the boiler. This initiative is estimated to save 600 m<sup>3</sup> of boiler fuel per year.

- Using 'Roadshow' software to optimise delivery routes and thus reduce vehicle emissions.
- Purchasing over 125,000 new coolers and vending machines which are 30-40% more efficient than the models they replace.

Energy usage per litre of product is lower in Mainland China than the other territories due to Mainland China having a lower proportion of non-carbonated drinks, which require more energy for heating and cooling, having longer production cycles and employing outside contractors to distribute much of its product.

Swire Properties' ongoing energy-efficiency programme achieved a further 1.6% (3.4 million kWh per annum) saving during 2007, bringing its cumulative saving since 2002 to 15 million kWh per annum. These savings comprise:

	Electricity Saving HK\$ '000	Reduction of CO <sub>2</sub> emission (tonnes)
<b>Energy saving initiatives</b>		
Chiller plant improvement	1,949	1,629
Lighting modification and improvement	367	307
Air-conditioning airside improvement	485	289
Fresh air control	208	174
Improvements in external building insulation and lift modernisation	374	313
	<b>3,383</b>	<b>2,712</b>

Swire Properties also carried out an extensive benchmarking exercise during the year, comparing its performance with companies in Hong Kong, Singapore and the UK. This exercise has generated a list of actions which will be implemented to achieve further energy-efficiency improvements.

An energy efficiency study was performed on Swire Pacific's Head Office and the resulting changes in lighting are estimated to have saved 23% (43,000 kWh per year) of the electricity consumed by the office.

Actions taken by other Group companies to improve their energy efficiency and to reduce the carbon intensity of their operations are provided in individual company reports – see *Appendix 2*.

### Progress against 2007 actions

- To expand our waste and water management reduction initiatives.
- > Continuing as part of the management of the business.

### Ozone-depleting substance emissions (EN19)

The Montreal Protocol regulates the phase-out of ozone-depleting substances (ODS) internationally. Measuring our ODS emissions enables us to assess how well we are complying with legislation and whether the Group is exposed to risk in this area.

CFC-11 equivalent emissions attributable to Swire Pacific were 143.7 tonnes in 2007 compared to 271.6 tonnes in 2006.

Swire Properties accounts for over 99% of these emissions. Its emissions are due to some of its older air-conditioning systems using HCFCs – an ozone-depleting refrigerant. Periodically, the refrigerant needs to be replaced; large-scale maintenance of chillers in Pacific Place in 2006 reduced its CFC-11 equivalent emissions from 262.8 tonnes in 2006 to 133.5 tonnes in 2007.

Swire Beverages has reduced its ozone-depleting CFCs to a very low level by substituting HFC134a, which is a widely accepted alternative for CFCs and has zero ozone-depleting potential. In addition, Swire Beverages is working with The Coca-Cola Company to commercialise an alternative HFC-free technology which uses CO<sub>2</sub> as its refrigerant.

The above statistics omit halon-1301 used in fire extinguishers on aircraft operated by the Group, as this data is not currently collected. While the quantity is not believed to be substantial, it will be monitored in 2008.

### Air emissions and pollution control

Hong Kong's local air quality has deteriorated in recent years due to increased emissions from the intense economic activity in Hong Kong and the Pearl River Delta. Business groups have responded by developing a 'Clean Air Charter' [www.cleanair.hk](http://www.cleanair.hk) making the following commitments on emissions:

1. Operate in accordance with recognised, world-class standards, or the standards established by the Hong Kong / Guangdong governments.

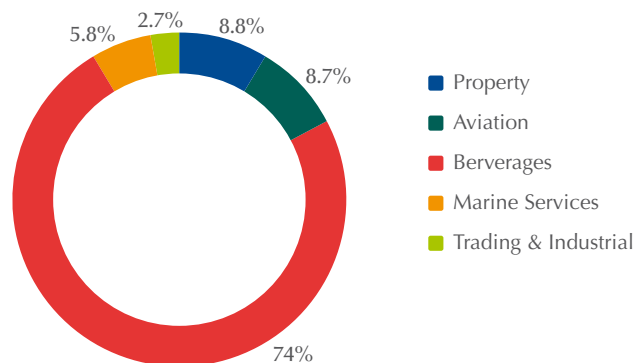
2. Monitor emissions at significant sources.
3. Publish energy use and emissions information.
4. Adopt energy-efficient measures in operations.
5. Identify and encourage measures to be taken on days when air pollution is high.
6. Share air quality expertise with others.

Thirteen of Swire Pacific's companies representing the great majority of its activity in Hong Kong have signed the charter. All its companies are working to minimise their emissions and implementing air quality management measures. This is partly achieved by the energy-efficiency measures listed on previous pages. Other actions taken to reduce the Group's impact on air quality include:

- Both Swire Beverages and Swire SITA Waste Services have substantial truck fleets. They minimise their impacts on air quality by maintaining the vehicles to a high standard and through driver training. They also ensure new vehicles meet the latest emissions standards.
- HAS has progressively replaced its diesel engine conveyor belts with ones operated by electricity. At the end of 2007, 24 out of its 48 belts had been replaced, thereby reducing emissions of air pollutants.
- Vogue Laundry has replaced two of its dry-cleaning machines that use Perchloroethylene (PERC) solvent with new models, thereby reducing both air pollution from PERC leakage and solvent consumption by 27% in 2007. Vogue is also replacing its fleet of non-EURO III vehicles with less polluting EURO IV vehicles. Two of these new vehicles were purchased in 2007, with an additional two in 2008.
- In Xiamen, TAECO has installed Off-Gas collection and treatment equipment to capture and treat fugitive emissions of Volatile Organic Compounds (VOCs) and emissions from the use of paint, strippers and other cleaning detergents, in the interior refurbishment shop of its new Hangar 5.

## Total water withdrawn by source (EN8)

Water consumption attributable to Swire Pacific 2007  
Total = 5.67 million cubic metres



Water is an essential and often scarce resource for human activity and natural ecological systems. It is also an important resource for many of our businesses. We therefore monitor our consumption and look for opportunities to conserve water.

Swire Pacific Group companies in total consumed over 8.8 million m<sup>3</sup> of water in 2007, of which 5.7 million m<sup>3</sup> are attributable to Swire Pacific's interests. The chart and table on this page show the breakdown of this consumption and change from the previous year by Division.

Water consumption attributable to Swire Pacific

Cubic metres	2007	2006	Change %	2007 mix %
<b>Division</b>				
Property	498,000	467,000	6.6	8.8
Aviation	490,468	433,784	13.1	8.7
Beverages	4,195,896	3,621,062	15.9	74.0
Marine Services	328,476	310,445	5.8	5.8
Trading & Industrial	153,322	185,883	(17.5)	2.7
	<b>5,666,162</b>	<b>5,018,174</b>	<b>12.9</b>	<b>100.0</b>



The boiler at the Swire Coca-Cola Hangzhou water plant which burns methane from its waste water treatment plant to boil water and produce steam for its production processes.

Starting mid 2007 this equipment is saving 500 tonnes of CO<sub>2</sub>e emissions per annum which was previously emitted from burning fossil fuel.

Swire Beverages accounts for 74% of the water consumption attributable to Swire Pacific interests. It uses water in its products, production processes and for washing returnable bottles and equipment to maintain high product quality and hygiene. Its total water growth of 15.9% comprises 7.1% due to increasing its equity interest in its Mainland China operations and 8.8% underlying growth. The underlying growth includes a 25% growth for Mainland China due to sales volume growing by 27%.

The size of Swire Beverages' consumption makes water resource management a high priority. Swire Beverages reduced water used per litre of product by 4.3% from 2.33 litres in 2006 to 2.23 in 2007, saving 280 million litres of water. This 'water usage ratio' varies by territory depending on the length of production runs, package type and product mix. Hong Kong and Taiwan have higher usage ratios due to shorter product runs and a higher proportion of non-carbonated beverages. Swire Beverages' plant in Hangzhou, which has long production runs of carbonated product, has a water usage ratio of 1.58, which is one of the best performances in the entire Coca-Cola network worldwide.

#### Swire Beverages' Water Usage Ratio

	2007	2006	Change %
<b>Region</b>			
Hong Kong	<b>2.86</b>	3.22	(11.2)
Taiwan	<b>2.93</b>	3.28	(10.7)
USA	<b>2.21</b>	2.12	4.2
Mainland China	<b>2.07</b>	2.11	(1.9)
Average	<b>2.23</b>	2.33	(4.3)

Part of Swire Beverages' improvement in water usage efficiency arises from using treated waste water in place of freshwater for road washing and gardening.

The second largest user of water is the Aviation Division where Vogue Laundry and Cathay Pacific Catering Services are the main consumers. By using the water reuse system of its Continuous Batch Washers, Vogue has been able to reduce its water consumption continuously over the past five years, from 17.2 to 16.4 litres of water per kg of laundry processed. Cathay Pacific Catering Services' water consumption per 1,000 meals increased by 12.6%, from 16.6 to 18.7 m<sup>3</sup> between 2006 and 2007 due to changes in production and food washing processes.

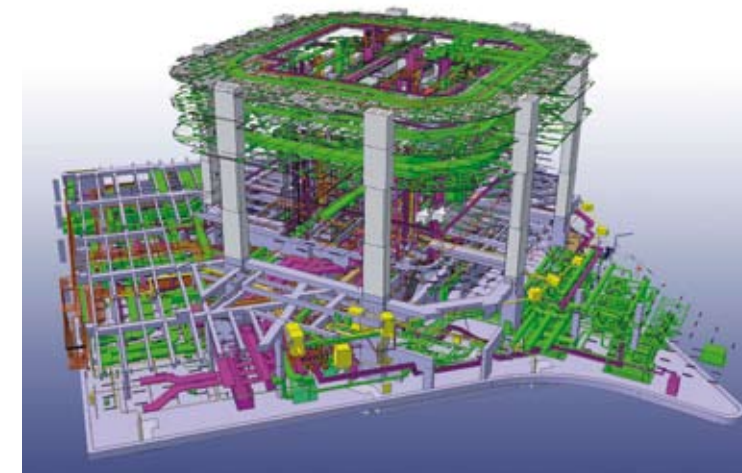
The third largest user is Swire Properties, which consumed almost 500,000 m<sup>3</sup> of water in 2007 – an increase of 7%. Swire Properties has set water conservation as one of its focus areas for 2008.

Statistics on the percentage of water treated, recycled and reused (EN10) and on how water is discharged (EN21) are shown in *Appendix 1*. All Group companies discharge waste water in compliance with local requirements. The majority of Group companies discharge waste water to the municipal sewage system for treatment. Some companies, including HAECO, HAESL, Swire Beverages, Swire SITA Waste Services and Vogue, treat their own waste water to meet local standards prior to discharging. Cathay Pacific Airways, Dragonair, HAS, CPCS and Air Hong Kong discharge their waste water for treatment by the Hong Kong Airport Authority. HUD, SPO and TAECO discharge their water after treating it in compliance with local laws.

## Materials consumed, chemicals and solid waste management

Reducing material and resource consumption and minimising waste generated are important to all companies within the Group. Examples of some initiatives undertaken within the Group include:

- Swire Properties introducing 'Digital Project' design software, which allows buildings to be 'built' and 'procured' in virtual reality on a computer, thus identifying design co-ordination errors and thereby reducing construction waste significantly. The software also



A diagram generated by the Digital Project computer software. Swire Properties One Island East project in Hong Kong won an award for using this software.



covers construction sequencing, which further reduces waste from rework and improves material procurement, labour resourcing and overall site productivity.

- Swire Properties encouraging its contractors to separate construction waste for recycling. For example, concrete crushers break concrete into small pieces during demolition, increasing the reusability of this waste. By using the crusher, 99% by weight of the demolition waste at the One Island East construction site was reused or recycled, compared to an average industry standard of 70-80%.
- Cathay Pacific continues to expand the reuse and recycling of in-flight wastes. In 2007 28% of plastic bottles and 39% of cans were collected for recycling from inbound flights.
- In addition to recycling its scrap metal parts, metal sludge and powder, in 2007, HAESL began sending its scrap bolts and nuts, which are mostly of steel and titanium alloy, for recycling. The amount of titanium alloy and steel recycled increased by 67% and 158%, respectively.
- Swire Beverages reducing its solid waste for every 1,000 litres of beverage produced to 4.17 kg in 2007 – a total saving of 12,000 tonnes or 30% from 2006. More importantly, the company reduced the quantity of non-recyclable waste from 2.57 to 2.01 grams of waste per litre, a reduction of 22%. Swire Beverages has also developed a reverse vending machine which allows consumers to deposit PET beverage bottles and to collect redemption credits. Nine of these machines have been installed to-date.
- Vogue Laundry collects an average of 100,000 clothes hangers per month for reuse and reduced its consumption of new hangers by 0.8% in 2007.
- All Group companies, and in particular HAECO, HAESL, HUD, Swire SITA Waste Services and TAECO, seek to minimise their use of chemicals, implement sound chemical management training and adopt stringent chemical handling and disposal procedures in compliance with local laws.

## Noise

The companies covered by this report with significant potential noise issues are the airline businesses and Swire Properties.

Cathay Pacific is reducing its noise footprint through investing in quieter aircraft and rigorously following noise-reducing operating procedures during landing and take-off. Despite these efforts, it has breached the stringent noise standards at London Heathrow, and also at New York's JFK International Airport, Brussels Airport and Frankfurt Airport on a number of occasions. The airline has paid fines when required and continues best efforts to utilise optimum landing and take-off routes.

Swire Properties' potential noise issues relate to building construction and demolition. The company specifies good site practices, such as using an excavator-mounted hydraulic concrete crusher instead of traditional percussive methods, to reduce the impact of noise.

## Biodiversity

In comparison to issues such as climate change and resource consumption, the Group's impact on biodiversity is less significant, as the majority of its operations are conducted in urban or developed areas. The potential impact at sea is also minimised through tugs operated by Swire Pacific Offshore and HUD Group exercising stringent control of ballast water, waste water, fuel and chemicals in compliance with international marine industry standards and laws.

Swire SITA Waste Services, in operating two of Hong Kong's landfills and maintaining five closed landfills, manages environmental protection systems to protect the adjacent environment and local habitats. To demonstrate that the environmental protection systems are effective, Swire SITA Waste Services engages a team of scientists to conduct field and laboratory testing, which includes the monitoring of the local flora and fauna to confirm there are no adverse effects from the landfills.

Group companies, including Swire Properties, Cathay Pacific and Dragonair, and HUD Group, have been involved in beach clean-ups, tree-planting and conservation programmes to help protect and enhance the environment.

Swire Pacific also recognises the problem of non-sustainable consumption of endangered seafood and encourages all Group companies to follow WWF Hong Kong's *Seafood Guide*. A substantial number of Group companies follow this guideline and Cathay Pacific Airways and Dragonair ban shark's fin from their in-flight food service. Consideration will be given in 2008 to making this a mandatory policy.

## Agenda for 2008

- **Each Group company to develop an action plan for implementing the Sustainable Development Policy.**
- **Board papers supporting new investments to estimate carbon emissions associated with these investments and consider the potential impact of paying for such emissions.**
- **Companies to continue to work on the aspiration to be 'Best in Class' on climate change issues. In particular, to develop metrics for the energy and carbon intensity of their business with associated plans for reducing these intensities.**
- **Complete the Carbon Disclosure Project questionnaire for Swire Pacific for 2007.**

# Health and Safety

Swire Pacific is committed to the principle that business objectives should never be allowed to compromise safety. Good health and safety practices are an important part of the Group's aim of ensuring the well-being of its stakeholders. In 2007, a Group policy on Occupational Health and Safety was approved to reinforce the commitment that, in so far as it is reasonably practical, all the Group's operations will be carried out in a manner that safeguards the health and safety of employees, customers, visitors, contractors, and the wider community.

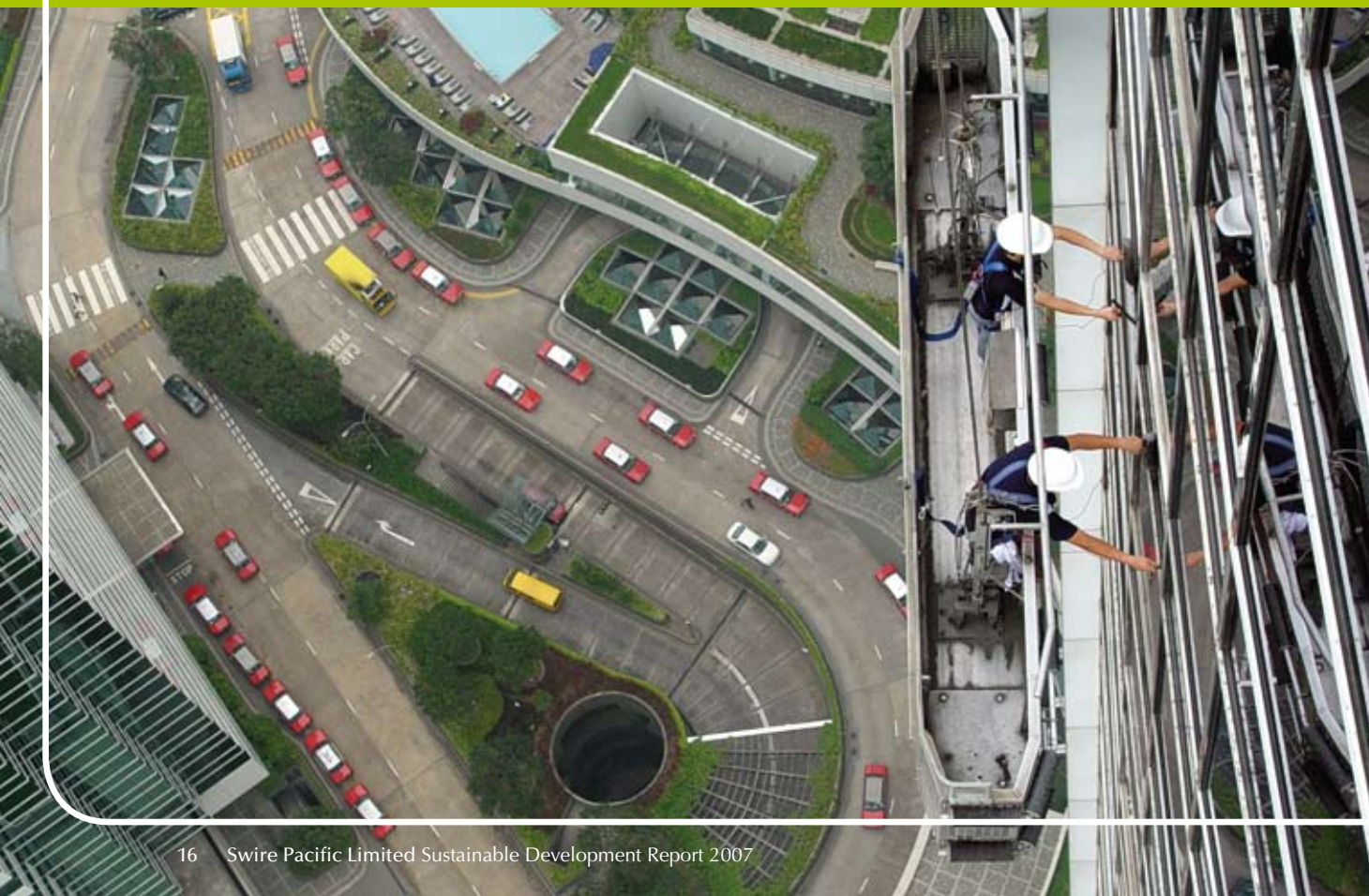
The Group Risk Management Committee oversees health and safety across the Group and operating companies are responsible for the implementation of their own safety management systems and related initiatives.

Occupational health and safety (OHS) programmes are implemented by Group companies to minimise hazards in the workplace in order to prevent accidents, injury and occupational diseases. Qualified staff coordinate OHS seminars and training programmes which address key health and safety issues.

Full and open reporting on health and safety matters is encouraged in order to create a safety culture based on continual improvement. The Group's injury reporting system ensures that a rapid and effective response procedure is in place in the event of injuries and accidents.

Safety audits are regularly conducted by a range of internal and external parties.

In 2007 there were a total of 2,487 Lost Time Injuries reported across the Group. This represents an annual Lost Time Injury Rate of 4.23 injuries per 100 employees.



Injury severity data for 2006 and 2007 is provided in the form of Lost Days and Lost Day Rate in table LA7 of *Appendix 1* for all companies except for Cathay Pacific Airways, Hong Kong Dragon Airlines and Air Hong Kong whose data is not comparable due to changes made to data collection processes. Excluding these three companies, total injuries in 2007 increased by 14.8% – slightly above the 9.6% increase in hours worked. However, the injury severity rate decreased significantly by 16.5%.

Regrettably, in 2007, there were three work-related fatalities within the workforce, compared to two such fatalities in 2006. All of the 2007 fatalities occurred in traffic accidents in Mainland China. Investigation by the authorities found that Swire was not liable for any traffic offences in connection with these accidents. The Group continues to place a high priority on motor risk management programmes, particularly within companies which operate sizeable fleets of passenger and commercial vehicles.

We acknowledge that challenges still exist in ensuring the completeness and consistency of the injury data reported by Group companies, particularly those operating in Mainland China. Many health and safety initiatives were undertaken in 2007 and examples include:

#### Employee Safety

- HAECO has introduced electric movers to eliminate the need for staff to manually manoeuvre aircraft painting scaffolding within the hangars.
- HAECO has also introduced anti-slip material on steps on its ramp equipment to reduce the incidence of staff slipping in rainy conditions.
- Swire Beverages has extended audiometric testing to all relevant staff in Mainland China and Taiwan.
- Swire Coca-Cola HK has carried out a root cause analysis project to determine underlying causes of Employees Compensation insurance claims.

- Swire Properties took steps to minimise hazards on the roof of Cityplaza One, reducing risk for staff and contractors authorised to work on the roof or access the gondola.
- HAESL has identified finger injuries as the leading type of injury sustained by its staff and plans to address this by purchasing cut-resistant gloves.
- Cathay Pacific Airways has developed a more robust work injury reporting system and has introduced a baseline medical evaluation for all work injury cases.
- HUD Group has developed a “toolbox talk” system for frontline supervisors, in order to ensure that health and safety messages are regularly conveyed to staff before they start work.

#### Public Safety

- Floor slip resistance testing was conducted in common areas at Swire Properties malls, CX City, the Headland Hotel, Cathay Pacific Catering Services, HAECO and Swire Coca-Cola Hong Kong.
- Swire Beverages has conducted defensive driving training for all of its drivers.

#### Customer Safety

- Swire Pacific Offshore, as a service provider in the safety-conscious oil and gas exploration and production industry, gives high priority to the continuous improvement of its safety programme. This has resulted in an exemplary safety record. Swire Pacific Offshore's safety system is constantly monitored by its customers.

#### Enhanced Safety Reporting

- Swire Pacific Offshore has introduced a new format for reporting near miss incidents and hazards via the ORBIS system, which its vessels use to report their activity. This new report format enables hazard and near miss reports to be quickly passed to shore offices or third parties for their action.

- Cathay Pacific Airways has introduced a web-based cabin safety reporting system allowing more timely submission of safety reports from around the globe and more effective data analysis. The ground safety report was also re-designed and a new injury report form was developed.

#### Safety Training and Awareness

- Swire Properties has developed a comprehensive range of training programmes which are grouped into mandatory, job-specific and safety awareness training.
- Cathay Pacific Airways has introduced a new “Safety Week Campaign”, a fatigue management handbook for flight crew, and a new cabin safety magazine.
- Swire Beverages has developed a comprehensive internal training kit for Health and Safety.

#### Safety Accreditation

- Swire SITA Waste Services has achieved accreditation for its implementation of the comprehensive safety management system OHSAS 18001 at all of its operating facilities.

## Agenda for 2008

- **Establish a Health & Safety Working Group to share best practices for improving occupational health and safety performance across the Group.**
- **Enhance the completeness and consistency of statistics on injuries.**

# Being an employer of choice

The Swire Pacific Group recognises that the development of its people is key to the sustainable development of its constituent companies. The Group places great emphasis on supporting, rewarding and motivating staff to realise their full potential. We strive to be an employer of choice by providing an environment that promotes diversity and respect, safeguards health and safety, and offers equal opportunities and an appropriate work-life balance. The Group's Code of Conduct articulates our commitment to providing a work environment that makes this possible.

## Our people

The Group, including its subsidiaries, jointly controlled companies and associated companies, employs over 70,000 staff globally, of which 43,000 are in Hong Kong.

Group companies covered by this report together employ a workforce of some 64,000, of which more than 85% are full-time staff<sup>1</sup> on permanent employment contracts<sup>2</sup>.



<sup>1</sup> 35% of Swire Resources' workforce are employed on part-time terms or temporary contracts to allow the company to adjust staffing levels to match the weekly and seasonal pattern of workload in its retail outlets.

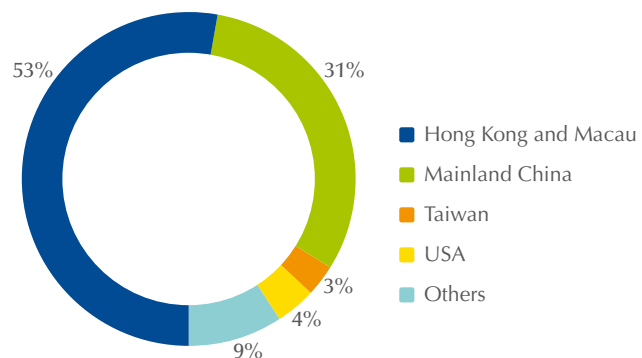
<sup>2</sup> Individual companies with lower percentages of full-time permanent staff include Swire Pacific Offshore which employs 63% of its staff on fixed term contracts due to regulatory constraints on seafarers of certain nationalities.

Group companies covered by this report	As of 31 Dec 2007	
	Total workforce	(employees / supervised workers)
<b>Swire Pacific</b>	24	(24 / -)
<b>Property Division</b>		
Swire Properties	2,273	(2,273 / -)
<b>Aviation Division</b>		
Cathay Pacific Airways	16,548	(16,548 / -)
Hong Kong Dragon Airlines (Dragonair)	2,752	(2,752 / -)
AHK Air Hong Kong	92	(92 / -)
Cathay Pacific Catering Services (CPCS)	1,646	(1,646 / -)
Vogue Laundry	655	(593 / 62)
Hong Kong Airport Services (HAS)	1,957	(1,957 / -)
Hong Kong Aircraft Engineering Co. (HAECO)	4,915	(4,676 / 239)
Hong Kong Aero Engine Services (HAESL)	856	(856 / -)
Taikoo (Xiamen) Aircraft Engineering Co. (TAECO)	5,096	(5,095 / 1)
Hong Kong Air Cargo Terminal (Hactl)	3,215	(2,735 / 480)
<b>Beverages Division</b>		
Swire Beverages	18,441	(16,759 / 1,682)
<b>Marine Services Division</b>		
Swire Pacific Offshore	1,832	(1,832 / -)
Hongkong United Dockyards	664	(370 / 294)
<b>Trading &amp; Industrial Division</b>		
Swire Resources	1,553	(1,552 / 1)
Swire SITA Waste Services	1,245	(1,057 / 188)
<b>Total</b>	<b>63,764</b>	<b>(60,817 / 2,947)</b>



Swire Pacific's principal areas of operations are centred on the Greater China region, with Hong Kong as our home base. The majority of staff employed in other areas work for Cathay Pacific Airways outposts and for Swire Pacific Offshore, which is headquartered in Singapore, with vessels deployed worldwide.

Workforce by region (17 reporting companies)



## Talent sourcing and development

The Group recruits on an ongoing basis personnel with a diverse range of talents and specialist skills. Group companies provide a range of training programmes that encourage the development of leadership ability, language proficiency and the acquisition of technical skills. The Group's aircraft maintenance companies, HAECO, HAESL and TAECO, provide engineering apprenticeship and mechanic trainee programmes, while Swire Resources' Retail Academy courses and the cabin crew training programmes conducted by Cathay Pacific and Dragonair equip their frontline staff to deliver quality customer service. The Swire Pacific Offshore opened its own Marine Training Centre in Singapore in June 2007.

Over the years, the Group's Management Trainee (MT) programmes have attracted high quality graduates from Hong Kong, Mainland China and overseas, instilling in them the Swire traditions of striving for operational excellence whilst being original and forward-looking. Many of the executives who today are directors and senior managers of companies within the Swire Pacific Group began their careers with Swire as management trainees.

In 2007, Swire Pacific re-launched a group-wide MT programme to provide a centralised recruitment process to attract high quality graduates for its various business divisions. The new MT programme will be introduced in Hong Kong and Mainland China during 2008. Based on individual trainee's interests,

preferences, personality and other indicators, they will be seconded to specific business divisions, for an initial period of three years. This initial placement provides them with the opportunity to gain experience and develop skills in a particular field, with a view to embarking on a long-term career path within that field. The Group's diversified interests enable MTs to be exposed to a variety of challenging business environments, allowing them to develop the expertise necessary to become effective business leaders.

The Group takes a long-term view when it comes to developing its people. The central management approach to the selection, development and training of MTs enables us to recruit and retain promising graduates from each intake. The Group is committed to the ongoing education and continuous professional growth of our young executives. Swire has developed long-term partnerships with noted international institutions such as INSEAD, Oxford University, Stanford University, The Richard Ivey School of Business and The Kellogg School of Management, and we regularly enrol our management staff in career development programmes with these schools.

Setting up our in-house organisational and leadership development consultant unit, Ethos International, in 2007 was another major step in our commitment to people development. Led by specialists and consultants in the field, Ethos currently designs and runs in-house management and leadership development programmes for Swire Beverages, TAECO and Cathay Pacific.

## Staff communications

Swire Pacific actively consults staff on a variety of issues to ensure that they are committed to and share the values of the Group. An intranet disseminates information on major corporate developments to some 24,000 employees of its subsidiaries, and jointly controlled and associated companies in Hong Kong. It also serves as a channel to engage staff on social issues, and promote the environmental, charitable and cultural activities we support. Swire News, a bilingual, quarterly magazine, is widely read by staff overseas, as well as by retirees, customers and other stakeholders. Individual Group companies use Intranet platforms and also publish their own corporate newsletters to disseminate information and engage with their staff. The Group is currently studying the feasibility of further enhancing its online communication platform.

## Work-life balance

In 2007, studies were carried out to determine appropriate work-life balance, covering such issues as health and mental wellness, community involvement and personal goals, as well as working time and family support.

The Group's medical benefit schemes cover the health needs of our staff and their family members, while the Employee Assistance Programme in Hong Kong offers help to staff in preventing, identifying and resolving difficulties arising from personal, family or work-related issues.

## Agenda for 2008

- Establish a working group to oversee the coordination and alignment of human resource policies and initiatives.
- Continue to explore possible initiatives to enhance work-life balance.
- Study the possibility of further enhancing the Group's online communication platform.



# Our business partners

Swire Pacific is committed to delivering excellence to its customers through the products and services it provides. The Swire motto is *Esse Quam Videri* – a Latin aphorism that may be translated as ‘to be, and not to seem to be’ – in other words, we are what we say we are; we do what we say we do. Today, the Group is involved in a highly diversified range of businesses and, while not all of our staff may be familiar with our motto, the common thread that runs through all our different businesses is dedication to the ethos it enshrines: achieving operational excellence in everything we do.

## Our customers

It is an integral part of the Group’s commitment to operational excellence to ensure we offer quality products and services and conduct our businesses in a manner that safeguards, as far as is reasonably practicable, the health and safety of our customers and the wider community.

Sustainability issues have increasingly become a part of our interaction with our customers – from Cathay Pacific and Dragonair offering passengers the option of offsetting the carbon emissions associated with their travel, to Swire Properties engaging its tenants in recycling campaigns and community service and Swire Resources encouraging its consumers to reduce their use of plastic bags. Where possible, the Group seeks to encourage the responsible use of its products and services by its customers and consumers.

## Our joint venture partners

The Group works closely with many leading global corporations. These long-term partnerships not only serve as strategic alliances for the ongoing development of the Group’s businesses, but also offer an opportunity for us to share knowledge with our partners on best-practice methods to manage our collective environmental and community impact. From SITA’s intelligent approach to waste management and ICI’s long-term commitment to environmental and safety performance, to The Coca-Cola Company’s aspiration to be ‘Best-in-Class’ in both water efficiency and wastewater treatment, this has been a two-way exchange, with Group companies and our partners gaining valuable insights into how we may develop our joint businesses along sustainable lines that support the long-term welfare of the communities of which we are a part.





## Our suppliers

The Group believes making the right choices as a purchaser is a part of our responsibility to the long-term sustainability of the communities in which we operate. Therefore, while seeking competitive terms, we recognise the need to engage more closely with our suppliers on issues such as labour standards, health and safety and the environment. The supplier relationships Swire chooses to maintain are part of our reputation and brand.

**Swire Beverages** has adopted Supplier Guiding Principles since 2002 to govern the sourcing of all primary and secondary materials used in beverage production, as well as promotional materials used for marketing. The suppliers are required to have their compliance with these principles audited by a third party.

**Swire Resources**, with extensive retail and wholesale interests in active footwear and sports and lifestyle apparel, sources from factories that comply with the Standards of Manufacturing Practices (SMP) of its major clients. The company is currently developing its own SMP to govern the sourcing of its products.

**Cathay Pacific Airways** launched its Supplier Code of Conduct in 2007 and surveyed more than 700 suppliers on their compliance with the code. By the end of 2007, 80% had responded. In 2008, further initiatives will be undertaken to enable improved communication and monitoring of supplier compliance.

**Swire Properties** requires its suppliers and contractors to observe best practices in environment, health and safety, and labour standards. In 2007, the company launched a new environmental procurement portal with a preferred product list for building materials and has subsequently set up a taskforce to review how to engage its suppliers on environment and social issues.

Many of the Group's companies are in the early stages of engaging with their network of suppliers. The scale and complexity involved is a challenge and, as a conglomerate, the diversity of the Group's businesses increases the complexity of the task. While this has been a learning process, the Group is nevertheless determined to look at ways to encourage its companies to take a more proactive approach in engaging with their suppliers.

Towards the end of 2007, the Group's major operating companies set up a supply chain working group to map out issues and actions which can be taken to motivate suppliers to follow best sustainability practices. In the medium term, the working group will consider the viability of embarking on a common approach to assessing the social and environmental performance of suppliers of specific types of goods and services to different Group companies.

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## Progress against 2007 actions

To enhance the EHS (Environmental, Health & Safety) elements of our supplychain and procurement initiatives.

> Supply Chain Sustainability working group formed to share best practice.



## Agenda for 2008

- Formalise the working group which shares best practice on supply chain management practices and take joint action where appropriate.
- Map out and prioritise sustainability issues relating to suppliers.
- Encourage the Group's major operating companies to report externally on their work with suppliers on environmental and social issues.

# Swire and the community

Swire Pacific is committed to maintaining good relationships with the communities of which it is a part and to enhancing the opportunities and lifestyle available to members of these communities, while respecting their culture and heritage. This commitment has translated into our sponsorship and community investment programmes, our staff engaging with the wider community through voluntary service, as well as our ongoing dialogue with stakeholders to better understand their needs.

In 2007, the Group provided cash and in-kind donations to more than 150 non-governmental organisations and charities, mainly in Hong Kong and the Greater China region. More than 60 employee volunteering programmes were run in partnership with non-governmental organisations in Hong Kong during the year.

## Community investment

The Swire Group Charitable Trust (the Swire Trust), of which Swire Pacific is the major contributor, supports community investment programmes at Group level. While individual Swire companies play a role in funding sports, the arts, and a wide range of community activities, the Swire Trust has chosen to concentrate its charitable funding and community investment programmes in the areas of education, arts and culture and the environment.

The Group's philanthropy council, chaired by a Board Director, meets regularly to direct the Swire Trust's portfolio of community investments. In addition to financial resources, the council maintains a close association with its major partners to ensure they gain maximum long-term benefit from the Group's assistance.

*It is a journey. Little by little, we seek to bring lasting benefits to the communities in which we operate.*

Keith Kerr  
Executive Director of Swire Pacific Limited  
and Chair of Swire Group Philanthropy Council



Swire Pacific has a long history of supporting education, underlining our belief that education is the foundation stone of an enlightened, civilised society, morally as well as materially enriching it and providing its young people with the skills they need to ensure its long-term success and sustainability.

Each year, the Group provides **scholarship funding** for 27 undergraduates at Hong Kong's local universities and for five postgraduate students from Mainland China to study in Hong Kong. The Group also provides a variety of scholarships at primary, secondary and tertiary level to children of its staff. Through scholarships, material support to faculties, and the work of its staff on various school boards, the Group seeks to make a difference in this area.

Swire Pacific believes that if Hong Kong is to maintain its edge as a global business centre, it has to stay at the forefront of the move towards greater internationalisation. The Swire Trust, in conjunction with the Hong Kong University of Science and Technology (HKUST), has established the **Swire International Young Fellows Programme** to promote internationalisation

on campus. The fellowship programme, now in its third year, awards six scholarships each year for overseas students to take on full-time three or four year undergraduate programmes at HKUST and be involved in various cultural exchange and campus activities.

**Taikoo Primary School** was established in Hong Kong by Swire in 1923 to provide free education for the children of its workforce at the Taikoo Sugar Refinery and Taikoo Dockyard; it became a Government-subsidised public school in 1947. In 2003, the school moved into a new 30-classroom campus financed and developed by Swire Properties. Today, the Group continues to provide a number of scholarships for students, and annual funding for qualified Putonghua and native English-speaking teachers to enhance students' linguistic abilities.

The Group's long-term educational projects in Hong Kong include sponsorship of CELL (**Community English Language Laboratory**), a free programme that assists members of the community to learn spoken English in an informal environment, and LEAP (**Life Education Activity Programme**) which provides

health education programmes for students from the ages of five to 15, teaching them the dangers of substance abuse and helping them to make the right choices in life. Swire Pacific and Cathay Pacific have been major sponsors of LEAP since its inception in 1994. In 2007, 76,000 students benefited from LEAP's educational initiatives, including some 3,700 children with learning difficulties.

Swire Coca-Cola has provided funding for **Project Hope**, a government-endorsed programme to support primary education in deprived rural communities of Mainland China, since 1995. Today, ten Project Hope primary schools continue to benefit from the support of Swire Coca-Cola. In 2007, Cathay Pacific contributed to the work of **Room to Read**, an international charity that aims to improve literacy in developing countries, by carrying 30 tonnes of books from Seattle to Hong Kong, from where the books made their way to Room to Read libraries in Cambodia.



# Education

The Group has made a commitment to sponsoring arts and culture, aspiring to culturally enrich the community that has helped us to grow and prosper. In 2007, the Group received the Award of Arts Sponsorship from the Hong Kong Arts Development Council in recognition of our contribution to the development of the arts in Hong Kong.

The Swire Trust became the Principal Patron of the **Hong Kong Philharmonic Orchestra** in 2006, committing to a three-year HK\$36 million sponsorship deal for the orchestra. The partnership supports the orchestra in bringing world-class music to Hong Kong and its continued growth as Asia's leading orchestra, raising Hong Kong's cultural profile on the international stage.



The funding enables the orchestra to introduce an increasing variety of programmes, to bring free open-air concerts and educational series before the Hong Kong public, to host world-renowned international performers and to foster the careers of talented young local musicians. In addition, Cathay Pacific is the official carrier of the **Asian Youth Orchestra**.

The Swire Trust is the Principal Sponsor of the **Arts with the Disabled Association Hong Kong**, an organisation that seeks to promote an inclusive society through arts education and performance programmes. In 2007 the Swire Trust sponsored the **Hong Kong Youth Arts Foundation** to create a series of puppet shows and puppet-making workshops specifically designed for children with chronic illnesses, and aimed at encouraging them to communicate their thoughts and feelings more openly.



The Group's Property Division has been prominent in promoting culture and the arts in Hong Kong. Its stunning collection of international artwork on permanent public display at its managed commercial and residential complexes makes art accessible to people from all walks of life. **Swire Properties** provides permanent exhibition space to local galleries and young artists for free and plays host to a wide range of free musical and cultural performances throughout the year. The company's free guided Artwalks Programme has enabled school groups and members of the public to engage more fully with some of these pieces. Swire Properties is the founding sponsor of Shakespeare for all (Hong Kong), which encourages local primary school children to learn teamwork and gain confidence in speaking English by taking part in drama classes and putting on public performances of specially adapted Shakespearian plays.



# Arts & Culture

As noted in the environment section of this report, the communities in which the Group operates face many significant environmental issues. In addition to working to minimise the impact of its operations on the environment, the Group supports campaigns to raise environmental awareness and research on environmental issues.

The **Swire NOCS Ocean Monitoring System** (SNOMS) is a partnership with the National Oceanography Centre of the University of Southampton in the U.K. to collect data on the transfer of carbon dioxide between the earth's atmosphere and its oceans. The world's oceans currently absorb between 30% and 50% of man-made carbon dioxide emissions each year, so understanding this transfer is one of the keys to predicting future climate change. The Swire Trust funded the design and installation of a system to measure the partial pressure of CO<sub>2</sub> dissolved



in the surface waters of the ocean on M.V. Pacific Celebes, a container ship owned by The China Navigation Company, (a subsidiary of the Swire group's private business arm), which operates on a round-the-world route. The equipment was installed in June 2007 and since then has been delivering real-time data to the oceanographic community. The Swire Trust has recently committed additional funding to SNOMS, extending the project's reach and depth of analysis.

An important new initiative undertaken by the Swire Trust in 2007 was its partnership with World Wide Fund (WWF) for Nature Hong Kong to develop a **climate change education programme** for primary school students in Hong Kong. Through learning-based activities, the programme aims to inspire primary school children to become concerned about the impact of climate change. The programme is currently being developed and will be launched in the 2008/09 academic year.

Dragonair operates a **Change for Conservation** in-flight donation scheme to benefit projects run by The Nature Conservancy in Mainland China's Yunnan province. Since its introduction in January 2004, the scheme has raised more than HK\$6 million which has supported the opening of the first national park in Shangri-La County in northwest Yunnan and helped the Yunnan Golden Monkey Conservation

Association improve the monitoring of Yunnan's rare golden monkeys. The **International Wilderness Experience** run by Cathay Pacific educates international students aged between 16 and 18 on the importance of biodiversity through a safari programme in South Africa.

The Group will continue to explore opportunities to expand its community investment and engagement programmes in ways that complement its business activities and strengthen the sustainability of the communities in which it operates.



# Environment

## Community engagement

The Group reaches out to the communities in which it operates through dialogue with stakeholders and through our staff serving on the boards of non-governmental organisations and charities, as well as volunteering their time and knowledge to benefit the community through a range of community service initiatives.

A quarterly Chinese newspaper, HungBakLam (紅白藍), was published for staff to share their volunteering experiences, as an inspiration to encourage more staff and their families and friends to get involved in community work and to share the rewards of being able to give something back to society.

Towards the end of 2006, the Group organised an employee volunteering training programme designed to equip interested staff with the competence and skills to develop community involvement programmes within their respective companies. The Group's associates Hong Kong Aero Engine Services (HAESL) and Vogue Laundry launched corporate volunteer teams in 2007, while other companies formalised and augmented their community engagement programmes to encourage more staff to become involved.

In 2007, the Group's Beverages Division instituted a landmark corporate social responsibility fund that required each of its bottling plants to set aside 0.5% of profit after tax, or a minimum of RMB200,000 annually, for community projects and employee volunteering programmes. It also introduced a new policy of offering its employees two paid days each year to participate in corporate volunteering programmes. The division has, for many years, made environment and community engagement work a core part of its leadership development programme.



# Corporate volunteering programmes

Engaging employees and communities in protecting the **environment** has been one of the Group's most keenly supported volunteering activities. A number of the Group's subsidiary companies have organised tree planting and beach cleaning programmes, as well as fieldwork in the wetlands of the Mai Po Nature Reserve in Hong Kong, to promote the importance of conservation and a responsible lifestyle.



Swire Properties' Community Ambassadors programme, now in its sixth year, contributed 3,250 hours of service to the community in 2007, of which some 870 hours were devoted to environmental programmes, such as farm visits, environmental fun days and camps to encourage a deeper appreciation of nature amongst staff and local students. Swire Beverages meanwhile encouraged staff members at its bottling plants in Mainland China to take part in a series of water conservation campaigns.



Supporting **children and young people** is another important area of engagement for the Swire Pacific Group. 2007 saw the third intake of Cathay Pacific's "I Can Fly" programme, which enables 1,000 young people aged between 15 and 18 to be mentored by the airline's pilots and other staff volunteers. Dragonair, in partnership with a non-governmental organisation the Hong Kong Air Cadet Corps, runs a similar educational scheme, the Dragonair Aviation Certificate Programme. Both programmes encourage Hong Kong's young people to learn more about aviation and to contribute to the community.

From taking students from the Spastics Association of Hong Kong's Ko Fook Lu Memorial School to visit the flight simulation centre at Cathay Pacific's headquarters, to offering newly arrived immigrant students from Mainland China tuition classes and a day out to try the new 360 Skyrail on Lantau Island, Swire Resources' volunteer team has organised a series of activities designed to enrich the learning and life experiences of disadvantaged children in the Hong Kong community.



In 2007, the Swire Trust, in partnership with the [China Care Fund](#), a Hong Kong-based charity, organised the first group-wide community service trip to Mainland China. On the four-day trip, staff volunteers from ten Swire group companies were able to see for themselves the plight of deprived communities in Mainland China's Guangxi province. The volunteers gave a primary school a much-needed facelift by painting its classrooms and taught some 120 students simple English through party games. The staff volunteers, with the funds they raised, jointly sponsored nine underprivileged students to finish their three-year senior high school studies. Swire Beverages and Cathay Pacific have also organised volunteer delegations to Mainland China and other Asian countries, offering an opportunity for staff to learn about issues affecting deprived communities and to reinforce teamwork through community service.







The ageing population in Hong Kong increases the need for us to focus on supporting our **senior citizens**. Throughout the year, many of the Group's companies have organised a diverse range of activities for elderly people, from Cathay Pacific Catering Services knitting scarves to keep them warm and Hong Kong Aero Engine Services volunteers helping with home-repair and housework, to Swire Coca-Cola Hong Kong providing therapeutic massages and Vogue Laundry teaching senior citizens Japanese para para dance. All these activities are designed to put smiles on faces of the elderly people and show them we care.

Employee volunteering has become an integral part of the Group's community engagement strategy. It not only connects the Swire corporate family more closely with the community, but also enables our employees to gain skills and motivation and to have fun, while giving something back to society.



## Agenda for 2008

- Establish a community engagement committee to assist group companies to establish and maintain good relationships with the communities of which they form a part and to enhance the opportunities and lifestyle available to these communities while respecting their culture and heritage.
- Continue to explore possible new community investment and engagement initiatives that align with the Swire Trust's focus areas and strengthen the sustainability of the communities in which we operate.

# Assurance Statement

Hong Kong Productivity Council (HKPC) was commissioned by The Swire Pacific Group (Swire Pacific) to verify its Sustainable Development Report 2007 (SD Report). The SD Report covers the environmental, social and economic performance of Swire Pacific during the calendar year of 2007.

## Objectives

The objective of HKPC's verification work is to provide a third-party assurance on the completeness, accuracy and reliability of information presented in the SD Report 2007 and, more specifically, to:

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

## Approach

Our verification procedures<sup>1</sup> comprised a comprehensive review of the SD Report followed by the selection of a representative sample of statements and data for verification. Through a series of interviews with Swire Pacific's representatives, we reviewed and examined the data collation systems and supporting materials relating to the selected statements and data as well as Swire Pacific's relevant management practices and initiatives.

## Results

### Report completeness

The SD Report presents a structured and comprehensive overview of the environmental, social and economic performance with respect to Swire Pacific's key services, activities and initiatives. The Report conforms to Level C requirements of GRI G3 Guidelines. In response to the feedback on the last year Report, Swire Pacific has provided a more balanced set of information on the performance achieved by its various subsidiaries and has included annual corporate objectives and targets in this Report.

### Report Accuracy and Reliability

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

## Recommendations for Future Reports

Swire Pacific is commended for expanding the scope of the report by moving towards sustainability reporting. We further encourage Swire Pacific to consider the inclusion of the following aspects in the preparation of its future reports:

- To provide a clear indication on the completion status of the corporate objectives and targets;
- To adopt more visual presentation to enhance the overall report readability; and
- To continuously increase the coverage of appropriate performance indicators with reference to GRI G3 Guidelines to achieve the requirements of higher application level.



K L Tsang General Manager  
Environmental Management Division  
Hong Kong Productivity Council  
3 July 2008

<sup>1</sup> 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.

## Appendix 1 – Summary of statistics

### Direct energy consumption by primary energy source (EN3)

Company	Direct energy consumption (GJ)																
	Swire Pacific attrib at 31 Dec 2007	Swire Pacific attrib at 31 Dec 2006	Coal		Diesel (inc marine)		Aviation Turbine Fuel		Other fuels distilled from crude oil*		Natural gas and Towngas		Total		Attrib to Swire Pacific		Change %
	%	%	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
<b>Property</b>																	
Swire Properties	100.00	100.00			2,271	2,343			576	559			2,847	2,901	2,847	2,901	(1.9)
<b>Aviation</b>																	
Cathay Pacific Airways	39.91	39.95					182,689,769	166,113,902			2,488	2,493	182,692,257	166,116,394	72,912,480	66,363,500	9.9
Hong Kong Dragon Airlines†	39.91	39.95					19,286,513	27,681,146			509	546	19,287,022	27,681,692	7,697,451	11,058,836	(30.4)
AHK Air Hong Kong	23.95	23.97					3,261,212	3,183,781					3,261,212	3,183,781	781,060	763,152	2.3
Cathay Pacific Catering Services	39.91	39.95			145,247	139,450			3,214	3,168	5,359	4,674	153,820	147,291	61,389	58,843	4.3
Vogue Laundry	39.91	39.95			243,245	226,964					2,916	4,021	246,161	230,985	98,243	92,279	6.5
Hong Kong Airport Services	39.91	39.95			115,366	108,669			2,200	2,095			117,566	110,764	46,921	44,250	6.0
HAECO	43.75	43.62			120,755	114,044			3,623	2,806	5,022	4,966	129,400	121,816	56,612	53,136	6.5
TAECO	24.75	24.68			15,238	13,834			2,554	2,230			17,791	16,064	4,403	3,965	11.1
HAESL	19.69	19.63					127,512	120,713			1,228	1,189	128,740	121,901	25,349	23,929	5.9
Hactl	23.99	23.99			26,308	26,249					6,886	9,162	33,194	35,411	7,963	8,495	(6.3)
<b>Beverages</b>																	
Hong Kong	87.50	87.50			36,213	34,892			6,789	6,725	74,174	75,633	117,176	117,250	102,529	102,594	(0.1)
Taiwan	80.00	80.00			22,143	22,340			85,136	88,366			107,279	110,706	85,823	88,565	(3.1)
USA	100.00	100.00			107,999	108,987			132,992	125,419	74,060	79,579	315,050	313,986	315,050	313,986	0.3
Mainland China	54.32	48.00	121,866	204,030	117,696	80,709			142,318	99,395			381,881	384,134	207,438	184,384	12.5
<b>Marine Services</b>																	
Swire Pacific Offshore	100.00	100.00			4,836,379	4,877,161			1,753	498			4,838,132	4,877,659	4,838,132	4,877,659	(0.8)
Hongkong United Dockyards	50.00	50.00			330,545	331,731			2,089	2,222			332,634	333,954	166,317	166,977	(0.4)
<b>Trading &amp; Industrial</b>																	
Swire Resources	100.00	100.00			1,057	1,206			515	580			1,572	1,786	1,572	1,786	(12.0)
Swire SITA Waste Services	50.00	50.00			223,268	254,306			4,261	4,043			227,529	258,349	113,765	129,174	(11.9)
<b>Total</b>			121,866	204,030	6,343,730	6,342,885	205,365,006	197,099,541	388,019	338,105	172,641	182,262	212,391,262	204,166,823	87,525,344	84,338,410	3.8

\* "Other fuels distilled from crude oil" includes petrol, fuel oil, and LPG.

† Dragonair direct energy consumption reduction due to freighter aircraft transferred to Cathay Pacific Airways.

**Total water withdrawal by source (EN8)**

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

**Total water discharge by quality and destination (EN21)**

Company	Swire Pacific attrib at 31 Dec 2007 %	Swire Pacific attrib at 31 Dec 2006 %	Water used (m <sup>3</sup> )					Water recycled (as % of total)				Water discharged (as % of used)			
			Total		Attributable		Change %	Treated		Untreated		To sea		To sewer	
			2007	2006	2007	2006		2007	2006	2007	2006	2007	2006	2007	2006
<b>Property</b>															
Swire Properties	100.00	100.00	498,000 <sup>†</sup>	467,000 <sup>†</sup>	498,000 <sup>†</sup>	467,000 <sup>†</sup>	7	2.3	1.5					50.0	50.0
<b>Aviation</b>															
Cathay Pacific Airways	39.91	39.95	15,381	15,303	6,139	6,114								100.0	100.0
Hong Kong Dragon Airlines	39.91	39.95	12,134	13,474 <sup>†</sup>	4,843	5,383 <sup>†</sup>	(10)							100.0	100.0
AHK Air Hong Kong	23.95	23.97													
Cathay Pacific Catering Services	39.91	39.95	399,766	342,969	159,547	137,016	16							100.0	100.0
Vogue Laundry	39.91	39.95	502,112	416,102	200,393	166,233	21							90.0	90.0
Hong Kong Airport Services	39.91	39.95	9,886	9,338	3,946	3,731	6							100.0	100.0
HAECO	43.75	43.62	128,658	132,192	56,288	57,662	(2)							89.4	90.8
TAECO	24.75	24.68	176,115	171,478	43,588	42,321	3			0.8		54.5	62.2		
HAESL	19.69	19.63	79,863	78,072	15,725	15,326	3							62.6	65.8
Hactl (data not available)	23.99	23.99													
<b>Beverages</b>															
Hong Kong	87.50	87.50	844,012	919,616	738,511	804,664	(8)							43.3	44.9
Taiwan	80.00	80.00	509,504	552,672	407,603	442,138	(8)	16.0	10.4	11.3	10.1			53.6	58.1
USA	100.00	100.00	845,676	811,838	845,676	811,838	4							54.7	52.9
Mainland China	54.32	48.00	4,057,633	3,255,046	2,204,106	1,562,422	41	3.2	4.3	8.8	9.5			26.3	28.2
<b>Marine Services</b>															
Swire Pacific Offshore	100.00	100.00	266,254	245,773 <sup>†</sup>	266,254	245,773 <sup>†</sup>	8				100.0	100.0			
Hongkong United Dockyards	50.00	50.00	124,445	129,345 <sup>†</sup>	62,223	64,673 <sup>†</sup>	(4)					100.0	100.0		
<b>Trading &amp; Industrial</b>															
Swire Resources	100.00	100.00	2,891	3,463	2,891	3,463	(17)							100.0	100.0
Swire SITA Waste Services <sup>‡</sup>	50.00	50.00	300,862	364,840	150,431	182,420	(18)	10.0	10.0					471.1	465.7
<b>Total</b>			<b>8,773,192</b>	<b>7,928,521</b>	<b>5,666,162</b>	<b>5,018,174</b>	<b>13</b>	<b>2.9</b>	<b>3.1</b>	<b>4.7</b>	<b>4.6</b>	<b>4.7</b>	<b>3.5</b>	<b>55.4</b>	<b>62.0</b>

<sup>†</sup> Numbers are estimated.

<sup>‡</sup> Swire SITA Waste Services water discharged exceeds water used due to rainwater entering landfills, being collected, treated and discharged to sewer.

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

Company	Emissions in tonnes CO <sub>2</sub> e										Change %
	Swire Pacific attrib at 31 Dec 2007 %	Swire Pacific attrib at 31 Dec 2006 %	100% of emissions						Attrib to Swire Pacific		
			Direct scope 1		Indirect scope 2		Total		Total		
			2007	2006	2007	2006	2007	2006	2007	2006	
<b>Property</b>											
Swire Properties	100.00	100.00	2,554	6,522	162,047	175,095	164,600	181,618	164,600	181,618	(9)
<b>Aviation</b>											
Cathay Pacific Airways	39.91	39.95	12,472,082	11,340,475	18,874	16,964	12,490,957	11,357,439	4,985,141	4,537,297	10
Hong Kong Dragon Airlines	39.91	39.95	1,316,689	1,889,779	4,700	3,612	1,321,388	1,893,391	527,366	756,410	(30)
AHK Air Hong Kong	23.95	23.97	222,638	217,352			222,638	217,352	53,322	52,099	2
Cathay Pacific Catering Services	39.91	39.95	12,173	12,869	24,106	21,883	36,279	34,753	14,479	13,884	4
Vogue Laundry	39.91	39.95	16,873	15,819	4,459	3,926	21,331	19,745	8,513	7,888	8
Hong Kong Airport Services	39.91	39.95	8,068	7,601	1,687	1,459	9,755	9,060	3,893	3,620	8
HAECO	43.75	43.62	10,196	9,657	17,578	14,068	27,775	23,725	12,151	10,349	17
TAEEO	24.75	24.68	1,307	1,139	14,215	13,729	15,523	14,868	3,842	3,669	5
HAESL	19.69	19.63	16,990	16,086	10,586	9,144	27,576	25,229	5,430	4,953	10
Hactl	23.99	23.99	2,207	2,335	26,460	24,101	28,666	26,435	6,877	6,342	8
<b>Beverages</b>											
Hong Kong	87.50	87.50	7,245	7,235	14,711	12,416	21,956	19,651	19,211	17,195	12
Taiwan	80.00	80.00	8,200	8,473	9,461	9,682	17,661	18,155	14,129	14,524	(3)
USA	100.00	100.00	20,515	20,403	4,651	4,602	25,166	25,005	25,166	25,005	1
Mainland China	54.32	48.00	31,104	33,008	85,131	74,830	116,235	107,839	63,139	51,763	22
<b>Marine Services</b>											
Swire Pacific Offshore	100.00	100.00	340,588	338,290	215	177	340,804	338,467	340,804	338,467	1
Hongkong United Dockyards	50.00	50.00	23,195	23,282	4,559	4,338	27,754	27,621	13,877	13,810	-
<b>Trading &amp; Industrial</b>											
Swire Resources	100.00	100.00	107	121	5,272	4,803	5,379	4,924	5,379	4,924	9
Swire SITA Waste Services	50.00	50.00	15,613	17,730	5,532	5,979	21,145	23,709	10,573	11,854	(11)
<b>Total</b>			<b>14,528,344</b>	<b>13,968,176</b>	<b>414,243</b>	<b>400,809</b>	<b>14,942,588</b>	<b>14,368,985</b>	<b>6,277,892</b>	<b>6,055,670</b>	<b>4</b>

Swire Pacific Group workforce data (as of 31 December 2007) (LA1)

	Swire Pacific attributable %	Total Workforce				Employees who are permanent terms %	Permanent employees who work Full-time %	Total workforce by Region %					
		Employees	Supervised workers	Total	Total attributable			Hong Kong & Macau	Mainland China	Taiwan	USA	Others	
Swire Pacific	100.00	24		24	24	100.0	100.0	100.0					
<b>Property</b>													
Swire Properties	100.00	2,273		2,273	2,273	94.7	97.1	98.8	1.2				
<b>Aviation</b>													
Cathay Pacific Airways	39.91	16,548		16,548	6,604	98.5	100.0	71.3	0.4	3.2	2.4	22.7	
Hong Kong Dragon Airlines	39.91	2,752		2,752	1,098	96.1	100.0	68.1	20.1	5.4		6.4	
AHK Air Hong Kong	23.95	92		92	22	92.4	100.0	38.0				62.0	
Cathay Pacific Catering Services	39.91	1,646		1,646	657	88.2	94.6	100.0					
Vogue Laundry	39.91	593	62	655	261	76.2	100.0	100.0					
Hong Kong Airport Services	39.91	1,957		1,957	781	82.4	100.0	100.0					
HAECO	43.75	4,676	239	4,915	2,150	91.5	95.5	97.0	2.9				0.1
HAESL	19.69	856		856	169	98.6	100.0	100.0					
TAECO	24.75	5,095	1	5,096	1,261	99.6	100.0		100.0				
Hactl	23.99	2,735	480	3,215	771	73.8	94.0	97.8	2.2				
<b>Beverages</b>													
Hong Kong	87.50	1,593	28	1,621	1,418	81.6	100.0	98.1	1.7	0.2			
Taiwan	80.00	953	84	1,037	830	98.4	100.0		0.1	99.5			0.4
USA	100.00	1,848		1,848	1,848	100.0	96.4				100.0		
Mainland China	54.32	12,365	1,570	13,935	7,569	77.0	100.0	0.1	99.9				
<b>Marine Services</b>													
Swire Pacific Offshore	100.00	1,832		1,832	1,832	36.8	100.0						100.0
Hongkong United Dockyards	50.00	370	294	664	332	99.2	100.0	100.0					
<b>Trading &amp; Industrial</b>													
Swire Resources	100.00	1,552	1	1,553	1,553	89.9	71.9	99.5	0.5				
Swire SITA Waste Services	50.00	1,057	188	1,245	623	100.0	100.0	88.9	6.1	5.0			
<b>Total</b>		<b>60,817</b>	<b>2,947</b>	<b>63,764</b>	<b>32,077</b>	<b>88.8</b>	<b>98.3</b>	<b>53.2</b>	<b>31.3</b>	<b>2.8</b>	<b>3.5</b>	<b>9.1</b>	

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

Company	Injuries (including fatalities)											
	Thousand hours worked (employees)		Total injuries (1)		Total fatalities		Lost time injury rate (2)		Lost days due to injuries		Lost day rate (3)	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Property</b>												
Swire Properties	4,266	4,170	67	71			3.14	3.41	962	1,267	45.10	60.77
<b>Aviation</b>												
Cathay Pacific Airways	16,133	Note (4)	829	Note (4)			10.28	Note (4)	Note (4)	Note (4)	Note (4)	Note (4)
Hong Kong Dragon Airlines	2,775	Note (4)	262	Note (4)			18.88	Note (4)	Note (4)	Note (4)	Note (4)	Note (4)
AHK Air Hong Kong	58	Note (4)	–	Note (4)				Note (4)	Note (4)	Note (4)	Note (4)	Note (4)
Cathay Pacific Catering Services	3,691	3,424	75	63			4.06	3.68	1,895	1,965	102.64	114.79
Vogue Laundry	1,659	1,754	23	37			2.77	4.22	686	1,223	82.71	139.46
Hong Kong Airport Services	5,371	5,199	128	119			4.77	4.58	4,424	4,872	164.72	187.41
HAECO	11,697	10,360	247	182			4.22	3.51	4,190	4,154	71.64	80.20
HAESL	2,087	1,932	21	21			2.01	2.17	292	265	27.99	27.44
TAECO	10,922	9,279	277	178	1		5.07	3.84	1,784	1,398	32.66	30.13
Hactl	6,029	5,952	82	107			2.72	3.60	3,682	5,367	122.15	180.34
<b>Beverages</b>												
Hong Kong	2,997	2,850	101	94			6.74	6.60	3,636	2,766	242.64	194.11
Taiwan	1,998	1,977	15	7			1.50	0.71	294	189	29.43	19.12
USA	3,803	3,716	86	82			4.52	4.41	460	298	24.19	16.04
Mainland China	29,348	24,979	122	89	2	1	0.83	0.71	3,280	2,310	22.35	18.50
<b>Marine Services</b>												
Swire Pacific Offshore	6,969	6,569	4	1			0.11	0.03	6		0.18	
Hongkong United Dockyards	2,068	1,991	49	52			4.74	5.12	722	1,044	69.82	104.86
<b>Trading &amp; Industrial</b>												
Swire Resources	2,791	2,623	32	30			2.29	2.29	430	724	30.82	55.21
Swire SITA Waste Services	3,052	3,335	67	83		1	4.39	4.98	2,105	3,666	137.94	219.85
<b>Total</b>	<b>117,714</b>		<b>2,487</b>		<b>3</b>	<b>2</b>	<b>4.23</b>					

### Notes

(1) Total injuries are those which result in lost time of a minimum of one day. (In the above table total Injuries includes all fatalities.)

(2) Lost Time Injury Rate = Total Injuries/Total Hours Worked X 200,000\*. (\*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)

(3) Lost Day Rate = Total Days Lost/Total Hours Worked X 200,000\*. (\*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)

(4) This information excluded due to changes in the data collection system.

## Appendix 2 – Description of the companies which comprise the Swire Pacific Group

	Accounting status	Swire Pacific attrib at 31 Dec 2007 %	Covered by this report	Description	Company environment, Environmental, Health & Safety (EHS), Corporate Social Responsibility (CSR) or Sustainable Development (SD) Report
<b>Property</b>					
Hong Kong with the exception of Pacific Place hotel companies	Subsidiary	100.00	Yes	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.	<a href="#">EHS Report</a>
Pacific Place and Citygate hotel companies	Associate / Jointly controlled	20.00	No	Holds minority interests in hotels at Pacific Place and Citygate in Hong Kong.	
Miami	Subsidiary / Jointly controlled	75 – 100	No	Owns 75% of the Miami Mandarin Hotel and builds condominiums for resale in Miami.	
Mainland China	Subsidiary & Jointly controlled	50 – 100	No	Developing mixed use commercial centres in Beijing, Guangzhou and Shanghai.	
<b>Aviation</b>					
Cathay Pacific Airways	Associate	39.91	Yes	Operates passenger and cargo services to over 113 destinations with 112 wide-bodied aircraft. Listed in Hong Kong.	<a href="#">CSR Report (GRI: C+)</a>
Hong Kong Dragon Airlines	Associate	39.91	Yes	A wholly-owned subsidiary of Cathay Pacific providing passenger and cargo airline services to destinations in Mainland China and the region.	Covered by Cathay Pacific Airways' report
Cathay Pacific Catering Services	Associate	39.91	Yes	Operates a large air catering facility supplying 70% of the airline catering at the Hong Kong International Airport.	<a href="#">Environmental Report</a>
Vogue Laundry	Associate	39.91	Yes	Operates 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.	<a href="#">EHS initiatives</a>
AHK Air Hong Kong	Associate	23.95	Yes	Operates eight A300 aircraft on regional package delivery for DHL.	
Hong Kong Airport Services	Associate	39.91	Yes	Provides luggage and passenger transportation at Hong Kong International Airport	<a href="#">SD Report</a>
Other CX subsidiaries	Associate	39.91	No	Flight kitchens in Cebu, Vancouver and Vietnam.	
Hong Kong Aircraft Engineering Company (HAECO)	Associate	43.75	Yes	Provides base and line aircraft maintenance at the Hong Kong International Airport. Is listed in Hong Kong and is one of Asia's largest aeronautical engineering companies.	<a href="#">EHS Report</a>
Hong Kong Aero Engine Services (HAESL)	Associate	19.69	Yes	A joint venture between HAECO, Rolls-Royce and SIA Engineering Company which provides commercial aero engine overhaul services.	<a href="#">CSR Report</a>
Taikoo (Xiamen) Aircraft Engineering Company (TAECO)	Associate	24.75	Yes	A subsidiary of HAECO. Provides heavy aircraft maintenance services in Xiamen's Gaoqi International Airport and line maintenance at a number of airports in Mainland China.	<a href="#">EHS Report</a>
Hong Kong Air Cargo Terminals (Hactl)	Associate	23.99	Yes	The leading air cargo terminal operator at Hong Kong International Airport.	

Swire Properties operations in Mainland China are not included as they were all under construction during 2007.



	Accounting status	Swire Pacific attrib at 31 Dec 2007 %	Covered by this report	Description	Company environment, Environmental, Health & Safety (EHS), Corporate Social Responsibility (CSR) or Sustainable Development (SD) Report
<b>Beverages</b>					
Hong Kong	Subsidiary	87.50	Yes	Manufactures, markets and distributes products of The Coca-Cola Company in Hong Kong, Taiwan, parts of seven provinces in Mainland China and parts of 11 states in the USA.	<a href="#">Environmental Report</a>
Taiwan	Subsidiary	80.00	Yes		
USA	Subsidiary	100.00	Yes		
Mainland China	Subsidiary / Jointly controlled	45 – 100	Yes		
<b>Marine Services</b>					
Hongkong United Dockyards	Jointly controlled	50.00	Yes	Repairs ships and operates refuse transport ships in Hong Kong. Operates harbour tugs.	<a href="#">EHS Report</a>
Swire Pacific Offshore	Subsidiary	100.00	Yes	Headquartered in Singapore. Provides marine support services to the offshore oil and construction industry worldwide.	<a href="#">SD Report</a>
<b>Trading &amp; Industrial</b>					
Taikoo Motors	Subsidiary	100.00	No	Distributes cars and commercial vehicles in Taiwan.	
Swire Resources	Subsidiary	100.00	Yes	Retails and wholesales shoes and apparel in Mainland China and Hong Kong.	<a href="#">CSR Report</a>
Swire SITA Waste Services	Jointly controlled	50.00	Yes	Provides waste management services in Hong Kong, Macau, Taiwan and Mainland China.	<a href="#">Suez Environment SD Report</a>
CROWN Beverage Cans Hong Kong & CVP	Jointly controlled	22 – 45	No	Aluminium beverages fabrication and sale in Mainland China, Hong Kong and Vietnam.	
ICI Swire Paints	Jointly controlled	30 – 40	No	Paint manufacture and distribution in Mainland China and Hong Kong.	Covered by ICI plc report
Taikoo Sugar	Subsidiary	100.00	No	Packaging and distribution of sugar in Mainland China and Hong Kong.	

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

## Appendix 3 – Glossary

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

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

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

**Carbon Dioxide Equivalent (CO<sub>2</sub>e)** is a measure of the global warming potential of releases of the six greenhouse gases (GHG) specified by the Kyoto protocol. These are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF<sub>6</sub>). For this report the conversion factors used cover all six gases for all fuels except aviation turbine fuel, which is for CO<sub>2</sub> only. We note that CO<sub>2</sub>e for these fuels is less than 1% higher than CO<sub>2</sub>. We intend to include CO<sub>2</sub>e for all fuels in next year's Sustainable Development Report.

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

**Global Reporting Initiative (GRI)** [www.globalreporting.org](http://www.globalreporting.org) is a multi-stakeholder-governed institution collaborating with stakeholders 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 1,500 companies and organisations, including many of the world's leading brands, have declared their voluntary adoption of the Guidelines worldwide. Consequently, the G3 Guidelines have become the de facto global standard for reporting.

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

**GRI Performance Indicators** are qualitative or quantitative information about results or outcomes associated with the organisation that is comparable and demonstrates change over time. The basis for using the Performance Indicators in this report is provided on [www.swirepacific.com/eng/about/sd/gri\\_report2008.pdf](http://www.swirepacific.com/eng/about/sd/gri_report2008.pdf).

**Greenhouse gas emissions** are reported in tonnes of carbon dioxide equivalent which is defined in this glossary.

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

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

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

# Thank you for reading this report

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## Request for feedback

In order that we may improve our reporting, we would be grateful for your views and comments on any aspect of this report via email to [sd@swirepacific.com](mailto:sd@swirepacific.com).



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