

Corporate Social Responsibility

Swire and the Community

The Swire Pacific group recognises its operations have a social and environmental impact, but that with effective management and a responsible approach to these issues, we believe we can contribute positively to the communities in which we do business. It is committed to following business practices that are sound, ethical and sustainable. Swire continually reviews its wide range of environmental, health and safety, human resources and community relations activities, as a means to ensure a high standard of corporate social responsibility.

Environment

Swire Pacific is committed to conducting its business in a sustainable manner. The group ensures its businesses meet or exceed legal and regulatory requirements for environmental best practice in the countries where we operate.

The Swire Environmental Policy was drawn up in 1989, setting guidelines for environmental best practice. Within this framework, all Swire companies are encouraged to implement an Environmental Management System. A number of Swire companies have developed their own environmental policies to better reflect the needs of their specialist operations and several have attained ISO 14001 certification.

The group's Environment Committee, a steering committee chaired by a Board Director and made up of senior managers from around the group, meets quarterly and provides a platform for discussion among group companies on environmental issues – ensuring the integration of environmental policies within our overall business strategy. The committee sets baseline performance measures and identifies goals for continual improvement. It requires companies to monitor their environmental performance by collecting and analysing data from a centralised database, and conducts reviews to ensure these goals are met. Two task forces on Energy Conservation and Waste Management have been formed under the committee to bring together industry expertise across the group for creative collaboration on these issues.

Swire Pacific is a founder member of the Hong Kong Business Environment Council, and was recognised in the United Nations Global 500 Roll of Honour for its commitment to

environmental best practice. The group was included in the 2004 annual Dow Jones Sustainability World Index (DJSWI), following similar recognition in 2001, 2002 and 2003. The DJSWI includes over 300 companies worldwide that are seen as leading their industries in terms of corporate sustainability.

Swire Pacific companies have adopted initiatives that address sustainable development issues such as greenhouse gas reduction, energy conservation, air pollution, solid waste and materials efficiency, and water conservation, a sampling of which are set out in the following sections.

Energy Conservation and Greenhouse Gas Reduction

Cathay Pacific Airways has consistently addressed the need for enhanced fuel efficiency. The airline operates one of the youngest passenger fleets in the world, with aircraft powered by quieter and more fuel-efficient new generation engines that in turn generate lower levels of carbon monoxide and unburned fuel. Between 1998 and 2004, the airline has improved fuel efficiency by 18.5% when measured in terms of traffic volume.

Swire Properties' Technical Services team is responsible for developing and monitoring energy conservation measures in developments managed by the company. Swire Properties was one of the first companies in Hong Kong to install an automatic tube cleaning system for its air-conditioning systems. A 10% saving in energy consumption was achieved when the system was implemented in TaiKoo Place two years ago. As a consequence of experience sharing through the Energy Saving Task Force, Cathay Pacific has also installed the system in its headquarters, Cathay City. Initial testing has also shown a 10% energy saving. Hong Kong Aircraft Engineering Company (HAECO) is now evaluating a quotation for a similar system for its facility at Hong Kong International Airport.

Swire Properties' latest Grade A office tower in Admiralty – Three Pacific Place – is the first building in Hong Kong to adopt the energy efficient concept of a clear external façade. This maximises penetration of natural light to reduce the need for artificial lighting. The building has been graded "Excellent" by the Hong Kong Building Environmental Assessment Method (HK-BEAM) scheme and is the fourteenth Swire Properties building assessed by and certified under HK-BEAM.

Swire Coca-Cola Hong Kong implements recycling and efficiency measures at its Shatin production plant to reduce energy consumption. These include using recycled bottle-rinsing water to cool the refrigerant in its air-conditioning systems, and employing a heat exchange system to transfer waste heat from one production line to another. The plant uses air blowers to generate low-pressure compressed air to dry bottles with less use of energy. Solar panels are now used to heat water for boilers.

Waste management services contractor Swire SITA operates two major landfill sites and has aftercare contracts on six completed sites in Hong Kong. The company has been evaluating how to use the methane gas discharged from the landfills as an energy source, and recently signed a Memorandum of Understanding with the power generation company Towngas to jointly explore the feasibility of capturing and converting gas from the WENT Landfill – one of the largest and deepest landfills in the world – for distribution to Towngas end users in Western New Territories.

Air Pollution Control

Many Swire businesses have taken steps to reduce air pollution. Operating a Government-authorized Vehicle Emission Test Centre for commercial vehicles, the HUD group's automotive division has introduced exhaust systems using advanced emissions-reducing technology that is capable of reducing particulate matter in exhausts by up to 90%. Swire SITA's fleet and heavy equipment run on ultra-low sulphur diesel, as do the ramp vehicles operated by Cathay Pacific Catering Services. Swire Properties requires its contractors to submit an Environmental Management Plan that addresses air pollution and related issues at its construction sites.

Materials Efficiency and Solid Waste Management

Swire Pacific companies actively seek to eliminate waste by practising materials efficiency. Swire Beverages has successfully reduced the quantity of packaging material it uses and now selects material better suited to recycling. Several plants have reduced the quantity of paper wrapping required for cartons. In Hong Kong, Swire Coca-Cola's successful use of thinner aluminium cans without compromising product quality has achieved a material saving of nearly 10%.

Many Swire businesses have long been engaged in reducing, treating or recycling solid waste. Swire SITA works closely with the Government's Environmental Protection Department to design long-term solid waste treatment solutions. Cathay Pacific recycles multiple resources including aircraft fuel for use in ground vehicles, aircraft tyres, paper, aluminium, plastic, used printer cartridges, floppy disks, and food scraps.

Swire Properties significantly reduces demolition and construction waste below the industry average through careful planning and design as well as extensive reuse and recycling of materials such as aluminium, steel and concrete. For example, the Swire Properties development site at 16 Westlands Road has set a new industry benchmark by minimising the proportion of waste from a demolition site going for landfill disposal to only one percent. In the construction of Cambridge House and Three Pacific Place, the use of pre-cast elements and pre-fabricated building services components significantly reduced construction waste and installation time, as well as improving building quality.

Oriental Landscapes Limited (OLL), a Swire Properties subsidiary, recently purchased a wood-shredding machine that turns waste wooden pallets into organic mulch. The machine converts 100 pallets into approximately five cubic metres of mulch, sufficient to cover 100 square metres of planting area. OLL currently collects waste pallets from Swire Coca-Cola Hong Kong and various Swire Properties centres, and applies the resulting mulch on all its existing landscaped areas.

Water Conservation

A number of Swire Pacific operations have taken measures to save on water consumption and enhance the purity of water discharged. Vogue Laundry uses a continuous batch washer, saving up to 280 tonnes of water and 60 kilos of detergent a day. HAECO uses phenol-free detergents to wash aircraft during maintenance at Hong Kong International Airport. Cathay Pacific Catering Services has installed soaking tanks in its 'ware-wash' section for inflight meal utensils, saving around 22,400 litres of water a day. At Swire Coca-Cola Hong Kong's plant in Shatin, rinsing water is stored and re-used for crate washing, floor washing, garage cleaning and car washing.

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Health and Safety

The Swire Pacific group is committed to operating safely and providing a healthy, caring workplace for its employees, and to complying with appropriate legislation on Health and Safety in countries where it operates – or in accordance with its own higher standards as applicable. Swire companies provide a variety of services directly to the public, and adopting policies that minimise risk and safeguard the health and safety of all sectors of the community is an integral part of our corporate responsibilities.

Recognising that safety is a shared responsibility, the group requires companies and joint ventures under its operational control to publish and apply comprehensive health and safety policies, and to use their influence and example to promote these policies to staff, business partners and suppliers.

The health and safety policies adopted by individual companies within the group are continually reviewed and updated as specific businesses develop and continuous efforts are made to improve our performance in this area throughout our operations. Overall Swire policy on corporate safety and risk management is coordinated by the Group Risk Management Committee, chaired by a senior Director. The committee also monitors performance and compliance with EHS policies by the management of individual Swire companies and managers are encouraged to set high standards by personal example. Safety Management Systems are required to be implemented which aim to identify risks, design and promote safe working practices, provide staff with safety training, and identify nominated safety personnel. The group has also introduced worker injury risk management programmes.

Staff and Human Resources

The Swire Pacific group employs some 60,400 staff and takes steps to ensure it has a well-managed, skilled and motivated workforce. Swire Pacific is an equal opportunity employer and actively consults staff on a variety of issues. Employees throughout the group are encouraged to join staff associations to facilitate good industrial relations and effective consultation.

While the Swire Pacific group comprises a diverse range of businesses that are often run differently to one another, staff are nevertheless strongly united under a distinct Swire brand.

In 2004 Swire published a booklet defining the essence of this brand as a blend of tradition and integrity with a modern, forward-looking and original outlook. Circulated amongst employees in the group, this was part of a continuing initiative to create a renewed focus on the strength of the Swire brand, and to encourage staff to live the brand's key attributes in their daily working lives.

In terms of remuneration, group companies aim to provide competitive employment packages that are regularly monitored in relation to the market. Packages offered by many group companies make use of incentive schemes with significant elements of pay related to individual and corporate performance in order to better align the interests of the group and its employees to long-term success.

Similarly, the group operates sound retirement benefit schemes that carefully address the best interests of all staff during their career with Swire and beyond. The assets of these schemes are administered by independent trustees and maintained independently. The majority of these schemes are of the defined-benefit type.

The group is widely recognised for its commitment to staff development.

In aviation, Cathay Pacific invests heavily in sophisticated management, engineering and pilot training. Its Cadet Pilot Programme has put over 100 qualified local pilots at the controls of the airline's aircraft since its inception in 1988. At HAECO, the Technical Training Department, manned by over 30 professionals, has trained staff for more than four decades. Throughout the group, management staff are provided with the opportunity to attend business education programmes at INSEAD, widely recognised among the world's top-tier business schools, at campuses in both Singapore and France. These courses are tailor-made in consultation with the group's senior management. Swire Resources, the distributor for leading sports and casual shoes and leisurewear brands, runs the Swire Retail Academy to train retail staff in customer service. Many other group companies actively invest in professional development of staff at all levels, to ensure they continually enhance their skills and contribute to the operational excellence that is a key attribute of the Swire brand.

Community Relations

Swire Pacific is committed to playing a full role as a responsible corporate citizen. A philanthropy committee chaired by a Board Director meets regularly to review charitable activities and community programmes that receive financial support as well as donations in kind in all the countries in which we operate. The committee maintains a close association with its major sponsorship projects to ensure they gain maximum long-term benefit from the group's assistance.

While Swire Pacific funds sport, the arts and many other community activities, it has long had a special interest in educational causes. The enthusiasm for education is evident in Swire Pacific's generous funding of many graduate and post-graduate scholarships in Hong Kong and overseas for students from Hong Kong, Mainland China and elsewhere in Asia. Swire was one of the earliest benefactors of the University of Hong Kong, and continues to provide substantial funding for student residences and academic facilities, along with graduate and post-graduate scholarships.

The Swire Pacific group has established educational trusts that continue to support students from around Asia studying in the UK, and has been active in sponsoring primary and secondary education in Mainland China, Taiwan and Hong Kong.

In Hong Kong, Swire has had a long association with the Taikoo Primary School, founded by the group in 1923, and today operating from a new campus completed by Swire Properties in 2003. Swire provides scholarships for students at the school as well as funding for language teachers and IT. In addition, a number of Swire staff sit on the school management committee, providing a good example of how our community involvement often goes beyond pure financial assistance. For over 10 years the group has funded a free training programme for spoken English in Hong Kong, through the Community English Language Laboratory (CELL). In Taiwan, we funded the development of the Swire European Campus, which provides education for the children of the Taipei international community.

Swire Pacific and Cathay Pacific are major sponsors in Hong Kong of the Life Education Activity Programme (LEAP), which uses mobile classrooms and specially trained staff to teach over 80,000 school children each year about healthy lifestyles and the dangers of substance abuse, including drugs, tobacco and alcohol.

Cathay Pacific's commitment to the long-term development of Hong Kong's aviation industry has an educational focus too. The airline supports the Advanced Aerospace Education Programme – a scheme offering ground theory training to young people looking to join the industry. Cathay Pacific's "I Can Fly" programme, launched in 2003, continued in the past year to encourage young people in Hong Kong to learn about aviation and to participate in community service and volunteer work under the guidance of the airline's pilots.

In addition to its educational focus, Swire Pacific seeks to assist those who are least able to help themselves. The Cathay Pacific Wheelchair Bank, originally established in 1996, continues to provide Hong Kong children suffering from neuromuscular disease with a better quality of life by funding specially adapted wheelchairs; associate Dragonair operates a similar scheme. Cathay Pacific also raises money for the United Nations Children's Fund (UNICEF) through its Change for Good Programme, which encourages passengers to donate their small change in any currency. This initiative has raised more than HK\$47 million for UNICEF since 1991. The Project Orbis flying eye hospital also benefits from Swire, while HAECO and its Xiamen subsidiary, TAECO, provide the hospital with free aircraft maintenance.

Other organisations we support include the Community Chest, the Asia Society, the Hong Kong Red Cross, the Hong Chi Association, the Outward Bound Trust, the Society for the Promotion of Hospice Care and the Sunnyside Club.

The group has always responded generously to the needs of communities – and the aid organisations seeking to help them – following natural disasters. In support of victims of the devastating Indian Ocean tsunami that occurred on 26th December 2004, over HK\$10 million has been raised by the group through both corporate and staff donations.

Note:

Cathay Pacific published a comprehensive Environmental Report in 2004 (www.cathaypacific.com) and Swire Properties compiled an Environmental, Health & Safety Report in the same year (www.swireproperties.com).