

Corporate Social Responsibility

During 2005, Swire Pacific introduced some important new corporate social responsibility (CSR) initiatives. While maintaining our long-term charitable and community commitments and making every effort to improve on our environmental performance, we also launched an internal programme designed to further staff engagement with CSR issues, and to demonstrate to staff, shareholders and the wider community that Swire Pacific is genuinely committed to being a responsible corporate citizen. The programme consisted of four workshops and a group-wide staff survey, and culminated in the formalisation of a set of key Swire CSR principles. In parallel, a major project was undertaken to strengthen future reporting efforts on environment, health and safety (EHS) issues within our diversified organisation.

Our Internal CSR Programme

The initial three workshops, which involved top management staff from companies around the Swire Pacific group, prioritised issues for future action. Priorities varied between the different companies, but those identified included the environment, health and safety, employee engagement and human resource management, community involvement and investment, supply chain management, corporate governance and stakeholder dialogue.

The fourth full-day workshop was targeted at management and staff who have a more direct involvement in the implementation of CSR initiatives within the different companies. The aim was to examine practical ways to put the priorities identified into practice.

A questionnaire-based survey meanwhile sought to find out what Swire staff think about our current environmental and social initiatives, and what they believe we should do about CSR issues in the future. The bi-lingual questionnaire was posted on Swire Pacific's Intranet and was also made

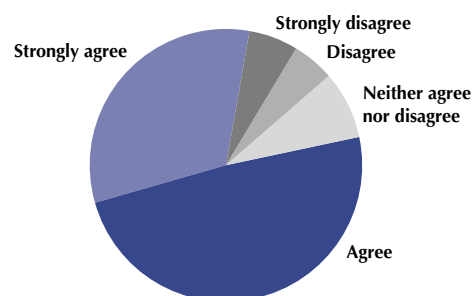
available in hard copy format. More than 4,500 staff from 14 Hong Kong-based companies in the Swire Pacific group responded anonymously to the survey - a 17% response rate, which was very encouraging.

The survey clearly underlined the group's policy of engaging staff in identifying how best to build on our CSR achievements. It revealed a significant level of satisfaction among staff regarding their employment conditions and remuneration packages. It also identified considerable enthusiasm for CSR within Swire. Many staff believe that Swire and/or Cathay Pacific are among Hong Kong's leading companies in terms of CSR.

Our staff perceive Swire as environmentally and socially responsible, ethical, and generous in terms of its record of giving to charitable causes. Most staff are happy with their work, feel valued and are satisfied with health and safety arrangements in their workplace. The survey showed that most staff believe the group offers prospects for career enhancement and promotion.

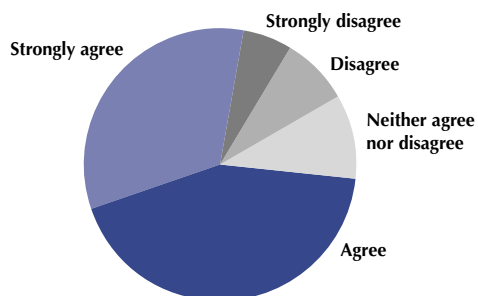
Some sample questions from the survey:

Swire is responsible in the way that they deal with their staff, the local community and broader societal concerns



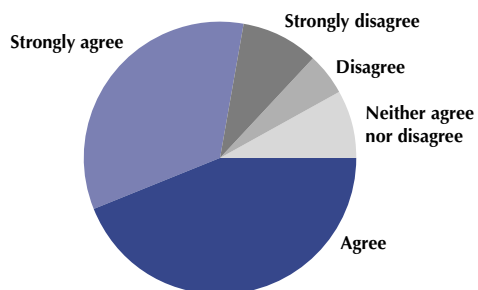
Total number of respondents: 4,540
Number of response for this question: 4,531

Swire is a good employer and treats its staff well



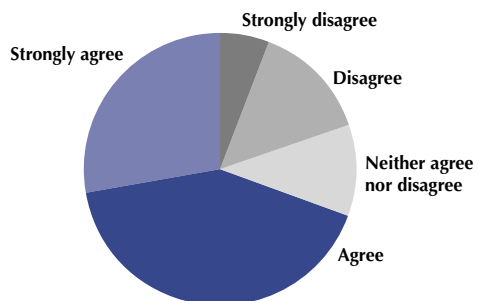
Total number of respondents: 4,540
Number of response for this question: 4,530

Swire is well managed and seeks to obey the law and adhere to ethical principles



Total number of respondents: 4,540
Number of response for this question: 4,520

I receive fair compensation and benefits for the job that I do



Total number of respondents: 4,540
Number of response for this question: 4,531

Moreover, they believe it is important to work for a company they respect. Approximately half of the respondents expressed a willingness to support a CSR programme that might involve them volunteering their time for a good cause.

The survey demonstrated that Swire staff believe the group should be working with others, including local governments, on projects to improve the environment and the society in which they live. For our staff, priorities for CSR projects fall into four main areas: environment and conservation, social responsibility, community involvement and staff welfare.

Our CSR Principles

The internal programme culminated in the formalisation of a set of key principles based on the Swire ethos that has guided our business operations for 130 years. In practice, this means that Swire is committed to delivering quality, and the very highest standards of professionalism, accountability and transparency in everything that we do. This pursuit of operational excellence is the common thread that runs through all Swire companies and it has spawned an unspoken trust between Swire and our wider stakeholders. This trust is evident in the way we honour our corporate social responsibility commitments. The following principles form the cornerstones of Swire’s CSR initiatives:

1. We will take the most ethical path in all our business undertakings, honouring our commitments to our customers, staff, shareholders, business partners, suppliers and other stakeholders.
2. We will care for our staff, nurture the communities in which we operate, and make a positive contribution wherever we do business.
3. We recognise the importance of aligning our social responsibilities with our long-term business decisions and objectives.
4. We are committed to engaging our staff and our communities in our CSR initiatives.

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In addition to these principles, specific internal guidelines were set down in the areas of business conduct, people, health, safety and the environment, and stakeholders. These guidelines will assist our staff in implementing our ongoing CSR commitments.

Environment, Health and Safety

EHS Database

Swire Pacific first published an EHS report in 2003, based on 2002 data from 11 major business units, which together account for approximately two-thirds of group turnover and employee numbers. It was subsequently determined that we needed to define consistent and verifiable performance indicators against which to benchmark individual companies' EHS records and facilitate robust data collection. The group continued to refine these performance indicators in 2004, and in 2005 an external consultant was engaged to assist our Environmental Working Group in this task. Definitions and methodology for the data-collection process were also formalised. The database includes: usage of energy, fuel, water and materials; water quality; waste disposal and recycling; legal compliance; health and safety; and greenhouse gases.

With appropriate software in place, the 11 business units were asked to input 2004 data into the database as a trial run. The system was found to be largely satisfactory and the companies were requested to provide 2005 data in the first quarter of 2006, for the production of an EHS report in 2006.

EHS Initiatives in 2005

During 2005, the combined efforts of several Swire Pacific businesses were once again successful in terms of improving energy efficiency, and in delivering the additional benefits of reduced greenhouse gas emissions and improved air quality. A number of businesses achieved significant cost savings through improved energy efficiency. Another business unit demonstrated the environmental and commercial benefits of efficient management of clean water, through recovery and re-use systems in all of its Mainland China bottling facilities.

Managing waste aboard – Cathay Pacific

Reducing the amount of waste generated during passenger flights is a significant challenge for airlines. In 2005, Cathay completed its comprehensive waste management strategy.

A key initiative which came from this was the trial of a new system to sort and separate aluminium cans and small plastic water bottles in-flight. This was a success, and the system will be rolled out on all inbound flights in 2006.

A considerable portion of the 160,000 aluminium cans and 40,000 small water bottles will be recycled on these flights. Efforts to develop guidelines for all outpost offices to improve resource use and waste management practices are also made.

Minimising energy use – Cathay Pacific Catering Services

From refrigerators and washing machines, to steam boilers and stoves, Cathay Pacific Catering Services (CPCS) uses substantial amount of electricity, diesel, water and gas in its operations.

Over the years, much has been done to reduce and optimise energy usage. For instance, motion-controlled escalators and timer-controlled staircase lighting have been initiated.

In 2005, a heat recovery tank was installed into the steam boiler system which can recover excess steam for re-use. Full-year figures are not yet available, but it is expected to save over 25,000 litres of diesel annually.

Another initiative was the installation of anti-ultraviolet window film on windows near its traysetting areas. This reduces heat entering through the windows, so less electricity was required to cool down the area. CPCS estimates daily energy savings of about 52.5 kWh.

Conserving water – Swire Beverages

Swire Beverages uses substantial amounts of water every day. As part of its on-going efforts to conserve water, the division installed a water conservation system in its Hong Kong bottling plant at Siu Lek Yuen in August this year. This followed the successful deployment of the same system in Swire Beverages' other bottling plants in Mainland China.

The water conservation system stores water discharged from sand and activated carbon filters, which was used during back-washing and forward-washing. Large water tanks are then used to store the water which, after sedimentation, is diverted to other existing water treatment systems.

This initiative, along with others during 2005, allowed Swire Beverages to save over 216,000 tonnes of water, translating to cost savings of close to HK\$1.2 million.

Reducing emissions – Swire Properties

Energy saving and emissions reduction continued to be key areas of focus for Swire Properties in 2005.

In 2003, the division began studying an innovative control strategy for its air-conditioning chiller plant in Festival Walk, as part of longer-term plans to reduce overall electricity consumption.

The project was completed in early 2005 and involved operating an additional pump instead of a chiller which required more energy to run.

The change in control strategy has allowed Swire Properties to reduce electricity consumption by 435,000 kilowatts per year. This meant 260,000 kilogrammes in carbon dioxide emissions were avoided. The project earned the division a Honourable Mention Award by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE).

At the beginning of the year, the 11 business units were requested to report annually on their EHS developments. In preparing these reports, the companies were encouraged to adopt the broader GRI Reporting Requirements. Of the 11, six produced environmental reports during the year, four prepared material ready for production, and one company will continue with its current EHS reporting mechanism via its joint venture partner.

Community Initiatives in 2005

Our focus continues to be in the areas of arts and culture, the environment and education. Our philanthropy committee, chaired by a Board Director, met five times in 2005 to review and administer our charitable activities and the community programmes that receive financial support as well as donations in kind in all the countries where we operate. These include recurrent scholarships, long-term sponsorship commitments, as well as environmental, arts and cultural initiatives. The committee maintains a close association with its major sponsorship projects to ensure they gain maximum long-term benefit from the group's assistance.

Long-term projects in Hong Kong include sponsorship of LEAP (Life Education Activity Programme), a project which has had proven success in teaching young children of the dangers of substance abuse; CELL (Community English Language Lab), a free programme that assists the general public to learn colloquial English in an informal environment, and substantial cash subsidies to the Taikoo Primary School (a school first established by Swire more than 80 years ago) for the strengthening of English and Putonghua skills.

An important new initiative in 2005 was the establishment of the Swire International Young Fellows Programme in conjunction with the prestigious Hong Kong University of Science and Technology (HKUST). Swire Pacific feels that if Hong Kong is to maintain its edge as one of the world's leading business and financial centres, it needs to stay at the forefront of the move towards greater internationalisation. The fellowship programme enables HKUST to admit six overseas students annually as full-time undergraduates on a variety

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of degree courses in different faculties, with scholarships to cover tuition, accommodation and living expenses in Hong Kong. At the same time, 20 selected local undergraduates will have the opportunity to participate in HKUST's annual overseas exchange programmes, and will receive Swire scholarships to attend leading universities in the US and Europe, for periods ranging from one semester to one year.

Swire was the sole sponsor for classical pianist Rachel Cheung Wai-ming, who made her debut at the 2005 Hong Kong Arts Festival. At 13 years old, she was the youngest performer ever to appear at the Festival.

We also initiated the sponsorship of 20 senior high school students at a school in Yu Yuan, Shaoguan, in Mainland China. A visit was made to the school by staff volunteers to make contact with the students and find out about their family circumstances and their new life at the school, and also to tell them about Swire and our long-time association with China. Some volunteers pledged to go back and help the children with extracurricular activities such as learning first aid and hair-cutting skills, so that they can help others in their villages and learn to give back to society as well as to receive.

Staff and Human Resources

Swire Pacific employs some 63,500 staff, is an equal opportunity employer and actively consults its staff on a variety of issues. Employees throughout the group are encouraged to join staff associations to facilitate good industrial relations and effective consultation.

Group companies aim to provide competitive employment packages. The group also operates sound retirement benefit schemes that are independent and address the best interests of all staff. During the year, companies in the group once again ran a broad range of development programmes to help staff enhance their skills and contribute to the operational excellence that is integral to the Swire brand.

The Swire Pacific Intranet continues to facilitate communication between employees and senior management. With avian flu remaining a significant potential threat, staff are regularly

updated via the Intranet about the latest developments and precautions to be taken. During the year, designated qualified staff coordinated seminars and training programmes that addressed important health and safety issues. Finally, our injury reporting system once again ensured there was a rapid and effective response procedure in place in the event of staff injuries in the workplace. In 2005, there were no work related fatalities within the workforce of any of our subsidiary operations.

Looking Forward

Swire Pacific's 2005 CSR Programme indicates that we are on the right track. Swire has always taken its CSR commitments very seriously and a responsible and proactive approach to CSR issues is very much a part of the fabric of the organisation. Nevertheless, there are areas in which we can improve our performance.

We have therefore set down the following objectives for 2006:

- Ongoing training and staff development in the area of CSR
- Providing more resources around CSR initiatives
- A strengthened process of stakeholder engagement and dialogue