

Corporate Governance

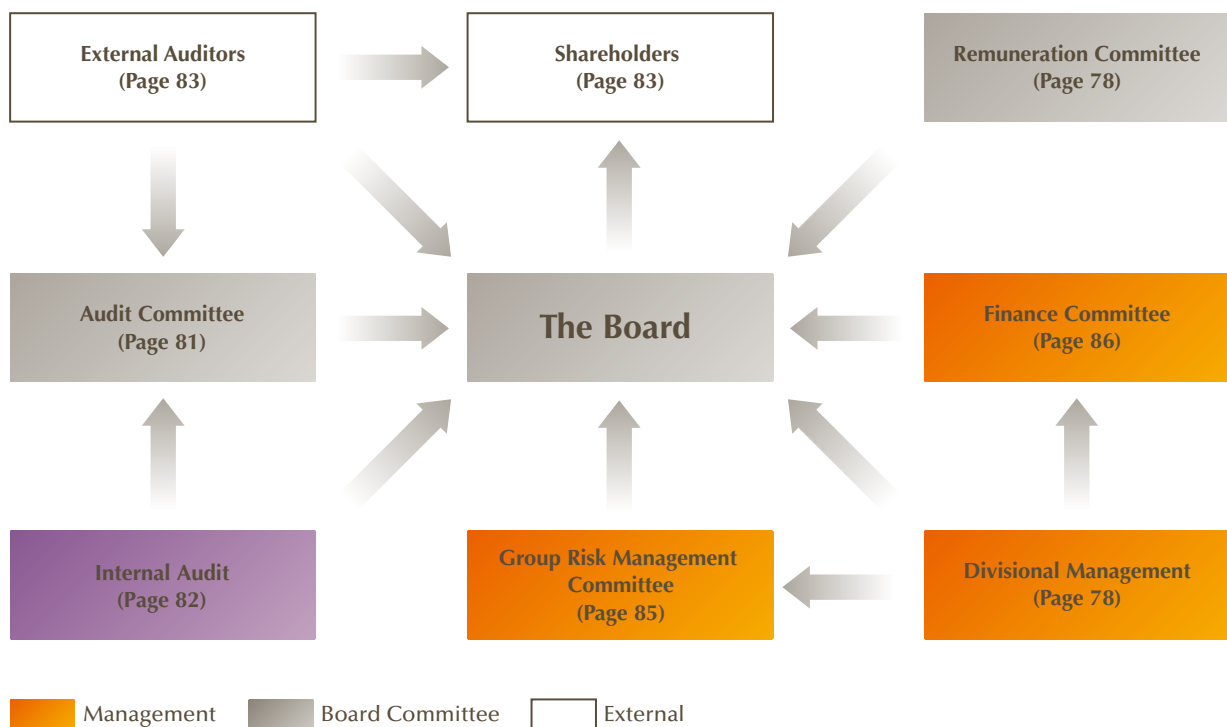
Governance Culture

Swire Pacific is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in achieving its long-term objectives it is imperative to act with probity, transparency and accountability. By so acting Swire Pacific believes that shareholder wealth will be maximised in the long-term and that employees, business partners, and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its strategies are fulfilled. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of stakeholders are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained

Governance Structure



Corporate Governance Statement

The Code on Corporate Governance Practices (the “CG Code”) as promulgated by The Stock Exchange of Hong Kong Limited sets out the principles of good corporate governance and provides two levels of recommendation:

- Code Provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance
- Recommended Best Practices, with which issuers are encouraged to comply, but which are provided for guidance only

Swire Pacific supports the principles-based approach of the CG Code and the flexibility this provides for the adoption of corporate policies and procedures which recognise the individuality of companies. Swire Pacific has adopted its own code on corporate governance practices which is available on the Group website www.swirepacific.com.

Corporate governance does not stand still; it evolves with each business and its operating environment. Swire Pacific is always ready to learn and adopt best practice. As part of its commitment to enhance corporate governance standards within the region, Swire Pacific is a member of the Asian Corporate Governance Association.

Swire Pacific has complied throughout the year with all the Code Provisions of the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Additionally it has considered the Recommended Best Practices and complied with all of them with the following exceptions which it believes do not benefit stakeholders:

- **Section C.1.4 of the CG Code, recommending the production of quarterly statements.** The Company has chosen not to comply with this recommended reporting practice because it is its judgement that, as a matter of principle and practice, quarterly reports would not bring net overall benefits to shareholders
- **Section A.4.4 of the CG Code recommending the establishment of a nomination committee.** The Board has considered the merits of establishing a nomination committee as recommended but has concluded that it

is in the best interests of the Company and potential new appointees that the Board collectively reviews and approves the appointment of any new Director as this allows a more informed and balanced decision to be made by both the potential Director and the Board as to suitability for the role

The Board of Directors

Role of the Board

Swire Pacific is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking due account of the broad range of stakeholder interests.

Responsibility for delivering Swire Pacific’s objectives and running the business on a day-to-day basis is delegated to divisional management. The Board exercises a number of reserved powers which include:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy
- approving public announcements, including accounts
- committing to major acquisitions, divestments and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue, or buy-back, of equity securities under the relevant general mandates
- approving treasury policy
- setting dividend policy
- approving appointments to the Board
- ensuring that appropriate management development and succession plans are in place
- setting the Group remuneration policy
- approving annual budgets and forecasts
- reviewing operational and financial performance
- reviewing the effectiveness of internal control and risk management, including the adequacy of the resources, qualifications and experience of the staff of the Company’s accounting and financial reporting function, and their training programmes and budgets

To assist it in fulfilling its duties, the Board has established two primary committees, the Audit Committee (see page 81) and the Remuneration Committee (see page 78).

Chairman and Chief Executive

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is clear division of responsibilities between the running of the Board and the executives who run the business.

The Chairman is responsible for:

- leadership of the Board
- setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda
- facilitating effective contributions from and dialogue with all Directors and constructive relations between them
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information
- obtaining consensus amongst the Directors
- ensuring, through the Board, that good corporate governance practices and procedures are followed

Each division of the Group has one or more Executive Directors or Officers who are responsible for implementing the policies and strategies set by the Board in order to ensure the successful day-to-day management of the Group's individual businesses (see page 78). These executives are: M Cubbon (Property), A N Tyler and J R Slosar (Aviation), G L Cundle (Beverages), D Ho (Marine Services), and J B Rae-Smith (Marine Services and Trading & Industrial).

Throughout the year there was a clear division of responsibilities between the Chairman and the management executives named above.

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board currently comprises the Chairman, six Executive Directors and ten Non-Executive Directors. Their biographical details are set out on pages 89 and 90 of this report and are posted on the Group website.

The Non-Executive Directors bring independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. The Audit

and Remuneration Committees of the Board are comprised only of Non-Executives.

The Board considers that six of the ten Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. T G Freshwater is a Director of Goldman Sachs (Asia) L.L.C. ("GS"). M Leung and M M T Yang are Directors of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). GS and HSBC (together with Morgan Stanley Asia Limited) have been engaged by the Company and Swire Properties Limited as joint global coordinators, joint bookrunners and joint sponsors in respect of a proposed spin-off, initial public offering and listing of shares in Swire Properties Limited. T G Freshwater, M Leung and M M T Yang have no personal involvement in the engagement. In these circumstances, the Board does not consider the fact that T G Freshwater, M Leung and M M T Yang are Directors of companies which have been so engaged to be sufficiently material to affect their independence. C Lee has served as a Non-Executive Director for more than nine years. The Directors are of the opinion that he remains independent, notwithstanding his length of tenure. C Lee continues to demonstrate the attributes of an Independent Non-Executive Director noted above and there is no evidence that his tenure has had any impact on his independence. The Board believes that his detailed knowledge and experience of the Group's business and his external experience continue to be of significant benefit to the Company, and that he maintains an independent view of its affairs.

Confirmation has been received from all Independent Non-Executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules. In their confirmations T G Freshwater, M Leung and M M T Yang have noted the directorships referred to above.

The Independent Non-Executive Directors:

- provide open and objective challenge of management and the Board members
- raise intelligent questions and challenge constructively and with vigour
- bring outside knowledge of the businesses and markets in which the Group operates, providing informed insight and responses to management

The number of Independent Non-Executive Directors represented the recommended proportion (at least one-third) of the Board of Directors.

Appointment and Re-election

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment and all Directors are subject to re-election by shareholders every three years.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

Full details of changes in the Board during the year and to the date of this report are provided in the Directors' Report on page 92.

Responsibilities of Directors

On appointment, the Directors receive information about the Group including:

- the role of the Board and the matters reserved for its attention
- the role and terms of Board Committees
- the Group's corporate governance practices and procedures
- the powers delegated to management
- the latest financial information

Directors update their skills, knowledge and familiarity with the Group through their ongoing participation at meetings of the Board and its committees and through regular meetings with management at Head Office and in the divisions. Directors are regularly updated by the Company Secretary on their legal and other duties as Directors of a listed company.

Through the Company Secretary, Directors are able to obtain appropriate professional training or advice should this be required.

Each Director ensures that he can give sufficient time and attention to the affairs of the Group. All Directors disclose to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated regularly.

Details of Directors' other appointments are shown in their biographies on pages 89 and 90.

Board Processes

All committees of the Board follow the same processes as the full Board.

The dates of the 2009 Board meetings were determined in 2008 and any amendments to this schedule were notified to Directors at least 14 days before regular meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings.

The Board met six times in 2009. The attendance of individual Directors at meetings of the Board and its committees is set out in the table on page 77. Average attendance at Board meetings was 90%. All Directors attended Board meetings in person during the year.

Agendas and accompanying Board papers are circulated with sufficient time to allow the Directors to prepare before the Board or committee meeting.

The Chairman takes the lead to ensure that the Board acts in the best interests of Swire Pacific, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole.

Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting papers, are available to all Directors. These record the matters considered by the Board, the decisions reached, and any concerns raised or dissenting views expressed by Directors. Draft and final versions of the minutes are sent to all Directors for their comment and record respectively.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings.

A typical Board meeting would consist of:

- review of a report by each Executive Director or Officer on the results since the last meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan
- the raising of new initiatives and ideas

- presentation of papers to support decisions requiring Board approval
- an update of legal and compliance matters for Directors' consideration
- any declarations of interest

The executive management of individual businesses within the Group provide the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other

information put before the Board. Queries raised by Directors are answered fully and promptly.

When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. One such meeting was held in 2009.

The Chairman meets at least annually with the Non-Executive Directors without the Executive Directors being present.

	Meetings attended/held			2009 Annual General Meeting
Directors	Board	Audit Committee	Remuneration Committee	
Executive Directors				
C D Pratt – Chairman	6/6			✓
P N L Chen	5/6			✓
M Cubbon	6/6			✓
D Ho	6/6			✓
K G Kerr (retired on 14th May 2009)	2/2			N/A
P A Kilgour (appointed on 1st April 2009)	4/4			✓
J R Slosar	5/6			✓
A N Tyler	6/6			✓
Non-Executive Directors				
Baroness Dunn	5/6			✓
J W J Hughes-Hallett	5/6			✓
P A Johansen	6/6	5/5	3/3	✓
M B Swire (appointed on 1st January 2009)	6/6			✓
Independent Non-Executive Directors				
C K M Kwok	4/6	5/5	3/3	✓
C Lee	5/6	5/5	3/3	✗
M C C Sze	6/6			✓
M M T Yang	5/6			✓
M Leung	4/6			✗
T G Freshwater	6/6			✓
Average attendance	90%	100%	100%	88%

Directors' and Officers' Insurance

Swire Pacific has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Conflicts of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and abstains from voting. The matter is considered at a Board meeting and voted on by Directors who have no material interest in the transaction.

Delegation by the Board

Responsibility for delivering Swire Pacific's strategies and objectives, as established by the Board, and for day-to-day management is delegated to the Executive Director or Officer at the head of each business unit. These individuals have been given clear guidelines and directions as to their powers and, in particular, the circumstances under which they should report back to, and obtain prior approval from, the Board before making commitments on behalf of Swire Pacific.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

- detailed monthly management accounts consisting of income statements, statements of financial position and cash flows compared to budget and forecast
- the output of internal and external audit reports
- significant controls breakdowns
- feedback from external parties such as customers, business partners, trade associations and service providers

Securities Transactions

The Company has adopted a code of conduct (the "Securities Code") regarding securities transactions by Directors and Officers on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. These rules are available on the Group website.

A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, immediately before the two financial period ends, with a reminder that the Director cannot deal in the securities and derivatives of the Company during the blackout period before the Group's interim and annual results have been published, and that all their dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors and senior executives of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests as at 31st December 2009 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 93 and 94. In addition, one of the Executive Officers of the Company, J B Rae-Smith, is interested personally in 10,000 'B' shares of the Company and 73,066 ordinary shares and 18,821 preference shares of John Swire & Sons Limited, an associated corporation of the Company, and is also interested as one of the beneficiaries of trusts which hold 5,000 'A' shares of the Company and 97,659 ordinary shares and 9,628 preference shares of John Swire & Sons Limited.

Remuneration Committee

Full details of Directors' and Executive Officers' remuneration are provided in note 8 to the accounts. The Remuneration Committee comprises three Non-Executive Directors, two of whom – C K M Kwok and C Lee – are Independent Non-Executive Directors. The Committee is chaired by P A Johansen.

The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code and are posted on the Group website.

A Services Agreement exists between the Company and John Swire & Sons (H.K.) Limited, a wholly-owned subsidiary of John Swire & Sons Limited, which is the parent company of the Swire group. This agreement has been considered in detail and approved by the Independent Non-Executive Directors of the Company. Under the terms of the agreement, staff at various levels, including Executive Directors and Officers, are seconded to the Company. These staff report to and take instructions from the Board of the Company but remain employees of the Swire group. As a substantial shareholder of Swire Pacific, it is in the best interest of the Swire group to ensure that executives of high quality are seconded to and retained within the Swire Pacific Group.

In order to be able to attract and retain staff of suitable calibre, the Swire group provides a competitive remuneration package designed to be commensurate, overall, with those of its peer group. This typically comprises salary, housing, retirement fund, leave-passage and education allowances and, after three years' service, a bonus related to the overall profit of the Swire group, of which the predominant element is derived from the Swire Pacific Group.

Although the remuneration of these executives is not entirely linked to the profits of the businesses in which they are working, it is considered that, given the different profitability of businesses within the Group, these arrangements have contributed considerably to the maintenance of a flexible, motivated and high-calibre senior management team within the Group.

The Remuneration Committee reviewed the structure and levels of remuneration paid to Executive Directors and Officers at its meeting in November 2009. At this meeting the Committee considered a report prepared for it by Mercer Human Resource Consulting Limited ("Mercer"), an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors and Officers, as disclosed in note 8 to the accounts was comparable with that paid to equivalent executives in peer group companies.

No Director takes part in any discussion about his or her own remuneration.

On the recommendation of the Remuneration Committee, the Board approved the following fee levels:

Fee	2009 HK\$	2010 HK\$
Director's Fee	600,000	600,000
Fee for Audit Committee Chairman	200,000	200,000
Fee for Audit Committee Member	150,000	150,000
Fee for Remuneration Committee Chairman	65,000	65,000
Fee for Remuneration Committee Member	50,000	50,000

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for:

- the proper stewardship of the Company's affairs, to ensure the integrity of financial information
- preparing annual and interim accounts and other related information that give a true and fair view of the Group's affairs and of its results and cash flows for the relevant periods, in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance
- selecting appropriate accounting policies and ensuring that these are consistently applied
- making judgements and estimates that are prudent and reasonable; and
- ensuring that the application of the going concern assumption is appropriate

Internal Controls

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee as discussed on pages 81 and 82.

The foundation of a strong system of internal control is dependent on the ethics and culture of the organisation, the quality and competence of its personnel, the direction provided by the Board, and the effectiveness of management.

Since profits are, in part, the reward for successful risk taking in business, the purpose of internal controls is to help manage and control, rather than eliminate, risk. Consequently internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

The key components of the Group's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. This is more significant than any written procedures.

Swire Pacific aims at all times to act ethically and with integrity and to instil this behaviour in all its employees by example from the Board down. The Code of Conduct is posted on the internal intranet site.

Swire Pacific is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's philosophy.

Channels of communication are clearly established, allowing employees a means of communicating their views upstream with a willingness on the part of more senior personnel to listen. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause.

Through the Company's Code of Conduct employees are encouraged and instructed on how to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk Assessment: The Board of Directors and the management each have responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated.

There are two key management committees which monitor risk processes throughout the Group; the Group

Risk Management Committee ("GRMC") and the Finance Committee. These primarily comprise senior management and both are chaired by the Group Finance Director who reports to the Board on matters of significance that arise.

The GRMC, discussed further on pages 85 and 86, focuses on business, operational, safety, security and reputational risks. The Finance Committee, discussed further on page 86, focuses on broad financial and treasury risks.

Management Structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and ongoing monitoring of risk. Individuals appreciate where they will be held accountable in this process.

A Control Self Assessment process requires the management in each material business unit to assess, through the use of detailed questionnaires, the adequacy and effectiveness of controls over the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This process and its results are reviewed by Internal Audit and form part of the Audit Committee's annual assessment of control effectiveness.

Controls and Review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasions, be some overlap between them. The typical control activities adopted by Group companies include:

- analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors
- direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities
- information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports

- physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subjected to periodic checks
- performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary
- segregation of duties: dividing and segregating duties amongst different people, with a view to strengthening checks and minimising the risk of errors and abuse

Swire Pacific has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time-frame intended to ensure that staff carry out their designated responsibilities.

Internal Audit: Independent of management, the Internal Audit department reports directly to the Chairman and performs regular reviews of key risk areas and monitors compliance with Group accounting, financial and operational procedures. The role of Internal Audit is discussed further on pages 82 and 83.

Audit Committee

The Audit Committee, consisting of three Non-Executive Directors, C K M Kwok, C Lee and P A Johansen, assists the Board in discharging its responsibilities for corporate governance and financial reporting. Two of the Committee members are Independent Non-Executive Directors, one of whom, C K M Kwok, is Chairman. All the members served for the whole of 2009.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the CG Code. They are available on the Group website.

The Audit Committee met five times in 2009. Regular attenders at the Audit Committee meetings are the Group Finance Director, the Head of Internal Audit and the external auditors. The Audit Committee meets regularly with the external auditors without the presence of management. Each meeting receives written reports from the Group Risk Management Committee, the external

auditors and Internal Audit. Other attendees during the year included the independent property valuers, legal advisers and the Deputy Finance Director.

The work of the Committee during 2009 included reviews of the following matters:

- the completeness, accuracy and integrity of formal announcements relating to the Group's performance including the 2008 annual and 2009 interim reports and announcements, with recommendations to the Board for approval
- the Group's compliance with regulatory and statutory requirements
- the Group's internal controls and risk management systems and its compliance with the CG Code
- the Group's risk management processes
- the approval of the 2010 annual Internal Audit programme and review of progress on the 2009 programme
- periodic reports from Internal Audit and progress in resolving any matters identified therein
- significant accounting and audit issues
- the Company's policy regarding connected party transactions and the nature of such transactions
- the relationship with the external auditors as discussed on page 83

In 2010, the Committee has reviewed, and recommended to the Board for approval, the 2009 accounts.

Assessing the Effectiveness of Internal Controls

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's systems of internal controls dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the systems of internal control, the work of Internal Audit and the assurances provided by the Group Finance Director

- the changes in the nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or position
- the effectiveness of the Company's processes in relation to financial reporting and statutory and regulatory compliance
- areas of risk identified by management
- significant risks reported by Internal Audit and the Group Risk Management Committee
- work programmes proposed by both Internal Audit and the external auditors
- significant issues arising from internal and external audit reports
- the results of management's Control Self Assessment exercise

As a result of the above review, the Board confirms that the Group's internal control systems are adequate and effective and have complied with the CG Code provisions on internal control throughout the year and up to the date of this annual report.

Internal Audit Department

Swire Pacific has had an Internal Audit department ("IA") in place for 14 years. IA plays a critical role in monitoring the governance of the Group. The department is staffed by 18 audit professionals and conducts audits of the Group and certain associates. The 18 professionals include a team based in Mainland China which reports to IA in Hong Kong.

IA reports directly to the Chairman of the Board and, without the need to consult with management, to the Chairman of the Audit Committee and via him to the Board. IA has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work.

The annual IA work plan and resources are reviewed and agreed with the Audit Committee.

Scope of Work

Business unit audits are designed to provide assurance that the internal control systems of Swire Pacific are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed.

The frequency of each audit is determined by IA using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous IA results, external auditors' comments, output from the work of the Group Risk Management Committee and management's views. Each business is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months. 49 assignments were conducted for Swire Pacific in 2009.

IA specifically assists the Audit Committee in assessing the effectiveness of the Group's internal controls through its review of the process by which management has completed the annual Control Self Assessment, and the results of this assessment.

IA conducts ad hoc projects and investigative work as may be required by management or the Audit Committee.

Audit Conclusion and Response

Copies of IA reports are sent to the Chairman, the Group Finance Director and the external auditors. The results of each review are also presented to the Audit Committee.

Management is called upon to present action plans in response to IA's recommendations. These are agreed by IA, included in its reports and followed up with a view to ensuring that they are satisfactorily undertaken.

External Auditors

The Audit Committee acts as a point of contact, independent from management, with the external auditors (the "auditors"). The auditors have direct access to the Chairman of the Audit Committee, who meets with them periodically without management present.

The Audit Committee's duties in relation to the auditors include:

- recommending to the Board, for approval by shareholders, the auditors' appointment
- approval of the auditors' terms of engagement
- consideration of the letters of representation to be provided to the auditors in respect of the interim and annual accounts
- review of reports and other ad-hoc papers from the auditors
- annual appraisal of the quality and effectiveness of the auditors
- assessment of the auditors' independence and objectivity, including the monitoring of non-audit services provided, with a view to ensuring that their independence and objectivity is not, and is not seen to be, compromised
- approval of audit and non-audit fees

Auditors' Independence

Independence of the auditors is of critical importance to the Audit Committee, the Board and stakeholders. The auditors write annually to the members of the Audit Committee confirming that they are independent accountants within the meaning of the International Federation of Accountants Code of Ethics and that they are not aware of any matters which may reasonably be thought to bear on their independence. The Audit Committee assesses the independence of the auditors by considering and discussing each such letter (and having regard to the fees payable to the auditors for audit and non-audit work) at a meeting of the Committee.

Provision of Non-audit Services

In deciding whether the auditors should provide non-audit services the following key principles are considered:

- the auditors should not audit their own firm's work
- the auditors should not make management decisions
- the auditors' independence should not be impaired
- quality of service

In addition, any services which may be considered to be in conflict with the role of the auditors must be submitted to the Audit Committee for approval prior to engagement, regardless of the amounts involved.

Fees paid to the auditors are disclosed in note 6 to the accounts.

Shareholders

Communication with Shareholders and Investors

The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company.

The principal methods used to communicate with shareholders include the following:

- the Group Finance Director makes himself available for meetings with major shareholders, investors and analysts over two-month periods immediately after the announcement of the interim and annual results and at certain other times during the year. In 2009 the Group Finance Director held 29 meetings with analysts and investors in Hong Kong, conducted two analyst briefings, three investor group briefings and three overseas roadshows and spoke at five investor conferences
- through the Group website. This includes electronic copies of financial reports, audio webcasts of analyst presentations given at the time of the interim and annual results announcements, slides of presentations given at investor conferences, latest news, public announcements and general information about the Group's businesses
- through publication of interim and annual reports
- through the AGM as discussed below

The Annual General Meeting

The Annual General Meeting is an important forum in which to engage with shareholders. The most recent Annual General Meeting was held on 14th May 2009. The meeting was open to all shareholders and to the press. The Directors who attended the meeting are shown in the table on page 77.

At the Annual General Meeting, separate resolutions were proposed for each issue and were voted on by poll. The procedures for conducting a poll were explained at the meeting prior to the polls being taken. The agenda items were:

- receiving the report of the Directors and the audited accounts for the year ended 31st December 2008
- declaration of final dividends
- re-electing Directors
- re-appointing the auditors and authorising the Directors to set their remuneration
- a general mandate authorising the Directors to make on-market share repurchases
- a general mandate authorising the Directors to allot and issue shares up to 20% of the then issued share capital, provided that the aggregate nominal amount of the shares of any class so allotted wholly for cash would not exceed 5% of the aggregate nominal amount of the shares then in issue

Minutes of the meeting together with voting results are available on the Group website.

Other Information for Shareholders

Key shareholder dates for 2010 are set out on the inside back cover of this report and in the Financial Calendar on the Group website.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of each class of the Company's total issued share capital is held by the public. Details of the shareholder profile of the Company are included in the Directors' Report on page 95.