SUSTAINABLE DEVELOPMENT STRATEGY AND 2016 HIGHLIGHTS

To help us achieve our sustainable development (SD) vision, we have launched the SD 2030 Strategy which is built on five strategic pillars: Places, People, Partners, Performance (Environment) and Performance (Economic). It is underpinned by the concepts of innovation and experimentation as well as communication and engagement.

Places is at the heart of our SD 2030 Strategy. Through a process of Creative Transformation, we aim to explore new perspectives, to unlock unrealised potential in places, and to create and transform places into vibrant and high quality, sustainable communities. This will, in turn, create long term value for our shareholders, our business partners and the communities in which we operate.

We believe that an inclusive management approach will ensure that our SD 2030 Strategy is fully integrated across our operations. This is reflected in our new sustainable development management structure, which includes employees with diverse backgrounds and expertise and with different levels of work experience.

The following pages introduce our SD strategy, selected 2020 key performance indicators (KPIs), and highlights of our performance in 2016.

For a full account of our SD strategy, KPIs and 2016 performance, please refer to the Swire Properties Sustainable Development Report 2016.

SWIRE PROPERTIES
SUSTAINABLE DEVELOPMENT VISION

Our vision is to be the leading sustainable development performer in our industry globally by 2030.

Guy Bradley
Chief Executive
To ensure that our SD 2030 Strategy is properly integrated across business units, functions, levels, portfolios, and geographies, we have developed a robust sustainable development management structure. The key elements of this management structure are captured below.
Through effective placemaking and long-term placekeeping, we aim to continue to transform the places in which we invest so as to create value, while retaining their character, supporting our communities and enhancing people’s lives.

**Placemaking** describes our approach to transforming urban areas in which our properties are located and creating integrated and vibrant places. It guides us to balance the aesthetic, functional, ecological and cultural impacts of the design and construction of our properties.

**Placekeeping** describes our approach to maintaining and managing our assets to the high standards that we believe have become synonymous with our brand.

### SD 2030 Focus Areas and Performance Categories

We have identified five focus areas to help us measure and manage the effectiveness of our Placemaking and Placekeeping activities. Performance categories within each of these focus areas reflect our specific commitments. In 2017, we will continue to assess how to develop and refine our approach.

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<th>FOCUS AREAS</th>
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<td>Supporting Communities &amp; Local Revitalisation</td>
<td>• Community Engagement  • Community Investments • Visual Perception</td>
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<td>Supporting Local Economy</td>
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<td>Connectivity</td>
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Places is central to the achievement of our SD 2030 Strategy and relies on the contribution and performance of each of the other four pillars.
Highlights of Our Developments

**HONG KONG**

**Pacific Place, Cityplaza and Citygate**
- Our Hong Kong shopping malls sit atop strategic transportation hubs. In these retail-led properties, we invite our tenants in these malls to implement green measures through the Green Shop Alliance programme.

**Taikoo Place**
- We transformed Taikoo Place from the old Taikoo dockyard and sugar refinery into a commercial centre. It is home to over 300 international companies and serves over 26,000 office workers with green spaces, a wide range of restaurants and other amenities.

**MAINLAND CHINA**

**Sino-Ocean Taikoo Li Chengdu**
- Sino-Ocean Taikoo Li Chengdu wraps around the 1,400 year-old Daci Temple. Throughout project design and construction, special care was taken to preserve and enhance existing heritage structures.

**Taikoo Li Sanlitun**
- Our first completed project in Mainland China, Taikoo Li Sanlitun, was inspired by Beijing’s traditional “hutong” architecture. Home to over 200 retail outlets, 40 restaurants, an array of public art and a boutique hotel, we transformed the area into a lifestyle destination.

**HKRI Taikoo Hui**
- Our HKRI Taikoo Hui project is located on Shanghai’s West Nanjing Road. Both office towers received pre-certification for LEED Platinum (Core & Shell Version 2.0) from the U.S. Green Building Council and the retail mall achieved pre-certification for LEED Gold.

**INDIGO**
- INDIGO is a retail-led, mixed-use development featuring contemporary architecture, green features and quality public spaces. INDIGO was recently rated by a social media platform as one of the two best performing malls in Beijing in terms of indoor air quality.

**MIAMI**

**Brickell City Centre**
- Brickell City Centre, our landmark mixed-use development in Miami, U.S.A. obtained Leadership in Energy and Environmental Design (“LEED”) Gold certification for Neighborhood Development (Stage 2), a rating system that promotes the integration of smart growth, urbanism and green buildings into neighbourhood design as part of city development.
We aim to create an environment where our employees will be healthier, happier and more productive. We aim to invest in our employees and provide rewarding career paths so as to develop a diverse and industry-leading team.

### SD 2030 Focus Areas and Performance Categories

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<th>Focus Areas</th>
<th>Performance Categories</th>
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<td>Safety, Health &amp; Wellbeing</td>
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<td>• Culture</td>
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<td>Volunteering</td>
<td>• Community Ambassador Programme</td>
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<td>• Community Caring Fund</td>
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### Looking Forward: Highlights of Selected Key Performance Indicators (KPIs)

The contributions of our employees are critical for our success and implementation of our SD 2030 Strategy. Selected KPIs that we aim to achieve by 2020 include:

- **Talent Retention**: Incorporate elements of SD 2030 Strategy into employees’ annual performance goals
- **Talent Retention**: Achieve 25% increase in annual training hours per employee as compared to 2016
- **Safety, Health & Wellbeing**: Conduct compulsory health & safety training via e-learning platform for 100% of employees
- **Volunteering**: Increase participation in our Community Ambassador Programme by
  - 20% for tenants in Hong Kong and other Swire group companies compared to 2016
  - 20% for employees in Mainland China compared to 2016
In May 2016, we launched a seven-week Yammer campaign introducing our SD 2030 Strategy to our employees. To capture their attention, we posted a series of short videos featuring our top management exchanging ideas with children of employees about the meaning and importance of sustainable development for our business. In the words of our Chief Executive, Guy Bradley, “It’s quite simply everybody’s responsibility. We need to hear from everybody. We want suggestions, we want ideas, and if we don’t get those then this isn’t going to fly.”
We aim to continue to develop long-term, mutually beneficial relationships with our business partners and other key parties so as to improve our environmental, social, and economic performance.

**SD 2030 Focus Areas and Performance Categories**

<table>
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<tr>
<th>FOCUS AREAS</th>
<th>PERFORMANCE CATEGORIES</th>
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<td>• Supply Chain Improvement</td>
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<td>• Monitoring (Compliance)</td>
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<td>• Tenant Engagement</td>
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<td>Customers</td>
<td>• Retail</td>
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<td>• Hotels</td>
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<td>• Office Workers</td>
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<tr>
<td>Residential</td>
<td>• Engagement (Owner, Occupier &amp; Serviced Apartment)</td>
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<tr>
<td>Government</td>
<td>• Government Engagement</td>
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<td>NGOs</td>
<td>• NGO Engagement</td>
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<tr>
<td>Joint Venture (&quot;JV&quot;) Partners</td>
<td>• JV Partners Engagement</td>
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<td></td>
<td>• Partner Selection &amp; Company Formation</td>
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</tbody>
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**Looking Forward: Highlights of Selected KPIs**

We value the contributions of our partners and recognize that successful collaborations with them provide important opportunities for us to experiment and innovate. We are working continuously to strengthen engagement with suppliers and tenants on SD issues. Selected KPIs for 2020 include:

**Suppliers**
- Implement green procurement system across all business operations in Hong Kong and Mainland China

**Tenants**
- Introduce sustainability guidelines for commercial tenants undertaking new fit-outs and renovations of leased spaces
- Review and expand the Green Pledge Programme to include the majority of office tenants
- Conduct tenant satisfaction surveys in office and retail portfolios in Hong Kong
**2016 Performance*\**

### Suppliers

Procured over **HK$280 million** worth of green products\(^1\)

\(^1\)Products that meet specific environmental criteria, including green certification or accreditation by reputable, independent third parties.

**Tracked** 12 types of building materials, building services equipment and office supplies through green procurement monitoring system

### Tenants

Free energy audits offered to Hong Kong office tenants since 2008, identifying potential annual energy savings of **~2.8 million kWh**

Free energy audits offered to tenants at Taikoo Li Sanlitun, Beijing and TaiKoo Hui, Guangzhou, identifying potential annual energy savings of **~3.5 million kWh\(^2\)**

Green Pledges signed with tenants occupying **~53%** of office space in TaiKoo Hui, Guangzhou\(^2\)

\(^2\)At 31st December 2016

### Government and NGOs

Worked with HKSAR government and NGOs to evaluate waste generation of tenants and prepare for future implementation of a municipal solid waste charging scheme

### Green Shop Alliance

In June 2016, we became the first property developer to support the Green Shop Alliance, which is a forum through which landlords and tenants work together to promote sustainability initiatives in the retail industry in Hong Kong. Forty-seven of our retail tenants have joined the alliance and pledged to adopt green measures aimed at reducing energy and water use and managing waste. Together, we are working to embed sustainability measures into our tenants’ operations.

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*Performance data is reported on a 100% basis from operations (i) over which we have management control, and (ii) that have been fully operating for a complete calendar year at 31st December 2016. As the Brickell City Centre, Miami, U.S.A. has operated for less than a complete calendar year, its data is not included above.*
We aim to continue to design, construct and manage high quality developments that contribute positively to the communities in which we operate and the environment.

**SD 2030 Focus Areas and Performance Categories**

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<thead>
<tr>
<th>FOCUS AREAS</th>
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<tbody>
<tr>
<td>Climate Change</td>
<td>• Policy</td>
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<td>• Decarbonisation</td>
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<td>• Carbon Management &amp; Accounting</td>
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<td>Energy</td>
<td>• Energy Reduction</td>
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<td>• Renewable Energy</td>
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<td>• Intelligent Energy &amp; Facility</td>
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<td>Management System</td>
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<tr>
<td>Waste</td>
<td>• Policy</td>
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<td>• Waste Diversion</td>
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<td>Water</td>
<td>• Policy</td>
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<td>• Risk Assessment</td>
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<td>Biodiversity</td>
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<tr>
<td>Occupant Wellbeing</td>
<td>• Indoor Air Quality</td>
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<tr>
<td>Building / Asset Investments</td>
<td>• Environmental Building Assessment Schemes*</td>
</tr>
</tbody>
</table>

*BEAM Plus / LEED / China Green Building Design Label / WELL Certification

**Looking Forward: Highlights of Selected KPIs**

We have always taken great care to develop high quality buildings, and as part of our SD 2030 Strategy we seek to continually improve our environmental performance. Our focus extends beyond the direct impacts of our buildings by seeking to mitigate climate impacts and to optimise resource efficiency.

Selected KPIs we aim to achieve by 2020 include:

- **Climate Change**: Establish climate change policy and conduct climate risk assessment for all portfolios.
- **Energy**: Achieve 26% annual energy reduction for Hong Kong portfolio compared to 2008 business-as-usual baseline. Achieve 29% energy intensity reduction for Hong Kong portfolio compared to 2008 business-as-usual baseline.
- **Waste**: Establish waste management policy. Achieve 25% commercial waste diversion rate for Hong Kong portfolio (including hotels). Achieve 80% demolition waste diversion rate for Hong Kong projects under development.
- **Water**: Establish water management policy. Complete water risk assessment for Mainland China portfolio.
2016 Performance*

Energy

18.9% ↓

in energy consumption\(^1\) achieved despite 16.1% increase in gross floor area of our Hong Kong portfolio (from 2001 to 2016)

\(^1\) Energy consumption refers to electricity consumption for the provision of shared services for and in the common parts of our buildings.

Waste

3,317 tonnes of waste recycled in Hong Kong commercial portfolio

Building / Asset Investments\(^2\)

32 buildings have obtained BEAM\(^3\) or BEAM Plus certification

12 buildings have obtained LEED\(^4\) certification

\(^2\) Accumulative figures at 31st December 2016

\(^3\) Building Environmental Assessment Method

\(^4\) Leadership in Energy and Environmental Design

Green Building Leadership

In 2016, we received the Grand Award in the new Green Building Leadership Category of the Green Building Awards from the Hong Kong Green Building Council and the Professional Green Building Council.

The assessment panel praised our integrated design approach and our knowledge-based energy management system, specifically the application of real operational data from other existing buildings to build up KPIs for new developments.

*Performance data on “Energy” and “Waste” is reported on a 100% basis from operations (i) over which we have management control, and (ii) that have been fully operating for a complete calendar year at 31st December 2016. As the Brickell City Centre, Miami, U.S.A. has operated for less than a complete calendar year, its data is not included above.
We aim to deliver sustainable economic performance coupled with good corporate governance and high ethical standards.

### SD 2030 Focus Areas and Performance Categories

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</tr>
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</table>
| Financial Performance| • Underlying Profit  
                        |     • Gearing Ratio / Credit Rating  
                        |     • Dividends  
                        |     • % Trading Income VS Rental Income |
| SD / Green Financing | • SD / Green Bonds  
                        |     • Venture Investment  
                        |     • Internal Fund |
| Corporate Governance | • Whistleblowing Policy  
                        |     • Responsible Investment  
                        |     • External SD Advisory Committee  
                        |     • Anti-bribery & Anti-corruption  
                        |     • Executive Compensation |
| Risk Management      | • Enterprise Risk Management System  
                        |     • Business Recovery Plan |
| Disclosure & Reporting| • Integrated Reporting  
                        |     • Disclosure Benchmarks & SD Indices |
| Investor Relations   | • Direct  
                        |     • Indirect |

### Looking Forward: Highlights of Selected KPIs

Selected KPIs for 2020 from 3 of our 6 focus areas are highlighted below. These KPIs reinforce our commitment to creating shareholder value.

**Risk Management**
- Integrate SD factors into corporate risk analysis
- Review Enterprise Risk Management system including corporate risk identification, review and mitigation processes

**SD / Green Financing**
- Support small businesses and innovation through blueprint initiatives
- Explore the applicability of green bonds to Swire Properties’ financing

**Corporate Governance**
- Establish external SD Advisory Committee
- Incorporate environmental, social and governance (“ESG”) / SD criteria into investment assessment process
In 2016, we were listed in five leading global or regional sustainability indices or rankings, including the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index and, for the first time, the FTSE4Good Index. In addition, the 2016 Channel NewsAsia Sustainability Ranking recognised us as one of the 100 most sustainable corporations in Asia and one of the top three sustainable corporations in Hong Kong. Our SD performance was recognised as being within the top 15% of companies in the real estate industry globally, according to RobecoSAM’s The Sustainability Yearbook 2017.

For further details of our financial performance, including key business strategies and review of operations, please refer to the Swire Properties Annual Report 2016.

Leadership in Sustainability Indices

In 2016, we were listed in five leading global or regional sustainability indices or rankings, including the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index and, for the first time, the FTSE4Good Index. In addition, the 2016 Channel NewsAsia Sustainability Ranking recognised us as one of the 100 most sustainable corporations in Asia and one of the top three sustainable corporations in Hong Kong. Our SD performance was recognised as being within the top 15% of companies in the real estate industry globally, according to RobecoSAM’s The Sustainability Yearbook 2017.
SUSTAINABLE DEVELOPMENT IN ACTION

Tai Kok Place Redevelopment

Our Tai Kok Place redevelopment project exemplifies many important elements of our SD 2030 Strategy. It involves the phased construction of two triple Grade-A office towers, namely, One Tai Kok Place and Two Tai Kok Place, an elevated air-conditioned walkway linking the surrounding buildings, the creation of two new open public spaces and streetscape enhancement works.

Through this project, we aspire to create a more connected, people-friendly commercial centre featuring high-performance, sustainable buildings and green spaces, while retaining the neighbourhood’s distinctive character and providing vibrant public spaces to benefit the local community.

PLACES

- Connecting Places:
  Pedestrian-friendly, elevated walkways and improved streetscapes will reinforce existing connections to surrounding buildings and transport hubs.
- Liveability:
  Inviting green spaces and outdoor seating areas will offer places for people to gather, and have been carefully designed and positioned to reduce urban heat island effects and improve micro-climate.
- Natural Ventilation:
  Buildings have been situated to create new wind corridors that will introduce natural ventilation and cooling breezes.

PERFORMANCE (ENVIRONMENT)

- Capitalising on Data Analytics:
  Analysis of over 10 years of energy data collected from our portfolios will make it possible to achieve energy savings of up to 9.7% at One Tai Kok Place through implementation of an efficient and highly optimised chiller control system.
- Waste to Energy:
  A bio-diesel trigeneration and desorption chiller system will supply combined heating, cooling and power generation, contributing up to 2% of building energy. Used cooking oil generated by tenants will be converted into biodiesel by third-party recyclers to help power the system.
- Green Technology:
  Air handling units with electrically-commutated (EC) plug fans will be adopted to achieve greater reliability and energy savings of 5.7% in our building cooling systems.

OPTIMISING RESOURCES EFFICIENCY:

- Renewable Energy:
  One Tai Kok Place will generate over 25% of its energy needs from on-site renewable energy sources such as solar PV, wind and geothermal.
- Optimising Resource Efficiency:
  The project team has taken into account not only the design and construction of the building but also how it will be operated and maintained in the future.

- Partnering on Innovation:
  We are working closely with the National University of Singapore and the Hong Kong Polytechnic University to implement a dual-mode roof fitted with a combined green roof and solar PV system. This is expected to be one of the first commercial projects in Hong Kong to adopt a combined roof system.

- Long-term Investment:
  The Tai Kok Place redevelopment represents a HK $1.5 billion investment. Together, the two new buildings will offer approximately 2 million sqft of new Grade-A office space.

The above graphic is an artist’s impression of the Tai Kok Place redevelopment and is shown for general reference only. It is subject to approval and further revision.
About Swire Properties

Swire Properties develops and manages commercial, retail, hotel and residential properties, with a particular focus on mixed-use developments in prime locations at major mass transportation intersections. Swire Properties is listed on the Main Board of the Stock Exchange of Hong Kong and its investment portfolio in Hong Kong comprises Taikoo Place, Cityplaza and Pacific Place as its core holdings. In addition to Hong Kong, the Company has investments in Mainland China, the United States and Singapore.

About this Publication

This publication introduces our SD strategy, selected 2020 KPIs, and highlights of our performance in 2016.


We welcome your feedback on our sustainable development performance and reporting. You can contact us by email at sustainabledevelopment@swireproperties.com or write to us:

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