



Sustainable Development Report 2008

Embracing Our Communities



About This Report

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1 Refer to <http://www.swireproperties.com/SD/SDreports.htm>



2 Premises that are wholly or partially owned and operated by Swire Properties.

This is Swire Properties' first Sustainable Development Report, following our Environmental, Health and Safety (EHS) Reports which were published from 2003 to 2007. The report reviews Swire Properties' sustainable development practices, performance and achievements for 2008. It also shares the ongoing and emerging challenges for our business, and the areas where we intend to do more. The report is also available on our website¹.

This report covers the environmental and social performance as well as the sustainability initiatives of the premises under Swire Properties' operational control² in Hong Kong, Beijing and Guangzhou.

To provide guidance on our most significant issues and to shape the content of this report, we established an employee editorial committee and conducted a stakeholder engagement exercise. Our report follows the Global Reporting Initiative (GRI) G3 framework and was verified by the Hong Kong Quality Assurance Agency (HKQAA) who has confirmed that this report complies with GRI G3's B+ reporting level according to the extent of coverage and information provided.

Chief Executive's Message

It gives me great pleasure to present Swire Properties' first Sustainable Development Report, which describes what the Company has achieved in 2008 towards its goal of sustainable development. For us, that means helping to meet Hong Kong's, and now Mainland China's property needs in an economically, environmentally and socially responsible way. This includes both building and managing our developments responsibly today as well as designing a sustainable portfolio for tomorrow.

Despite the challenging economic conditions, sound sustainable development policies remain fundamental to the future of our business. The current economic climate has made it all the more important to stand out and provide our customers with added value and our investors with lower risks. We confidently believe that this approach will ensure the long-term success of our business.

We recognise climate change as a challenge with far-reaching implications and consequences. While the effects of climate change and climate change policy pose obstacles for our business, they also present opportunities for innovation. We address climate change by creating and managing more energy efficient developments that will be of enduring value to our customers, tenants and business partners – as well as our investors. While our individual efforts will benefit our business and positively address environmental risks, industry-wide changes are needed to meet the challenges of climate change. We endeavour to help the Hong Kong property sector to shape its response to climate change through active participation in leading interest groups, including the HK-BEAM Society (which founded Hong Kong's own green building standard, BEAM), and through engagement with key stakeholders in programmes such as free energy audits for tenants.

The work outlined in this report reflects processes that have been embedded into the way we do business, together with the detailed work carried out by individuals and teams in the Company who are increasingly working in partnership with our suppliers and tenants.

I would like to thank all our people as well as our stakeholders who have helped us in the development of this report for the contribution they have made towards strengthening our strategies and practices. We look forward to reporting back to you on our further progress in next year's Sustainable Development Report.



Martin Cubbon
Chief Executive, Swire Properties





Operations & Portfolio

Incorporated in 1972, Swire Properties is one of Hong Kong's leading property developers and a wholly owned subsidiary of Swire Pacific. Swire Properties, which is headquartered at One Pacific Place, Hong Kong, owns a substantial portfolio of offices, retail, serviced apartments and hotel interests in Hong Kong, Beijing, Shanghai and Guangzhou. In the United States, Swire Properties Inc., a wholly owned subsidiary of

Swire Pacific, has also developed various residential and commercial properties, with major interests in Miami, Florida. In the United Kingdom, Swire Properties owns four stylish boutique hotels. Further information on Swire Properties' portfolio and their financial performance can be found in Swire Pacific's Annual Report 2008.¹



¹ <http://www.swirepacific.com/eng/ir/reports/ar08.pdf>

HONG KONG

Pacific Place

Festival Walk

TaiKoo Place

Cityplaza

MAINLAND CHINA

The Village at Sanlitun, Beijing

Jiang Tai, Beijing

Dazhongli, Shanghai

TaiKoo Hui, Guangzhou

UNITED STATES

Miami

UNITED KINGDOM

Cheltenham

Exeter

Bristol

Brighton

Corporate Governance

We are committed to ensuring that our business activities are conducted to high ethical standards, a key component of our long-term success. Integrity, commercial responsibility, commitment, creativity & innovation, and social responsibility are our cornerstone values. We conduct our business in a way that creates and sustains a financially strong organisation, in an environmentally and socially responsible manner, within the communities in which we operate.

Management Organisation

Swire Properties' highest governance body is the Executive Committee, led by the Chief Executive, Mr Martin Cubbon, who assumed this role on 1 June 2009, succeeding Mr Keith Kerr who had been Chairman and CEO since 2005. Supporting Mr Cubbon are eight General Managers who are responsible for the day-to-day running of each of the different divisions. The Executive Committee provides the overall management and strategic direction of the Company. Swire Properties' corporate governance policy places a high priority on continuous communication with shareholders and the accountability to them. Channels of communication are clearly established, providing stakeholders and employees with the means to communicate their views: these channels include meetings with major shareholders, investors and analysts, stakeholder engagement and employee representation on all committees.

More information on our corporate governance is detailed in Swire Pacific's Annual Report 2008.¹

Swire Properties is an active participant in a number of professional organisations where it seeks to exert a positive influence on the development of industry standards, as well as to keep itself abreast of industrial trends.

Environmental and community-related organisations of which the Company is a member include, in alphabetical order:

- Business Environment Council
- Construction Industry Institute Hong Kong
- HK-BEAM Society
- Hong Kong Demonstration Projects Committee
- Hong Kong General Chamber of Commerce
- WWF Hong Kong

Swire Properties also participates in many other business organisations which include, in alphabetical order:

- Employers' Federation of Hong Kong
- Hong Kong Hotels Association
- Ice Skating Institute of Asia
- The Lighthouse Club
- The Real Estate Developers Association of Hong Kong



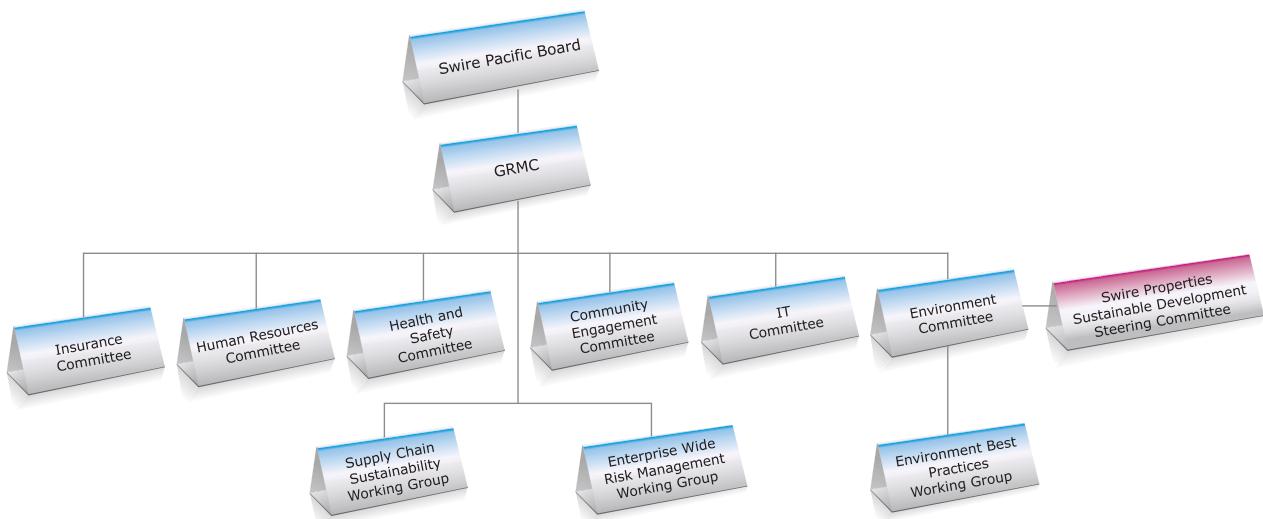
¹ Refer to <http://www.swirepacific.com/eng/ir/reports/ar08.pdf>

Embedding Sustainable Development into Swire Properties' Business

Numerous processes are followed by Swire Properties to ensure that their business decisions take into consideration the Company's commitment to sustainable development.

Swire Properties' drive towards achieving sustainable development is championed by its Sustainable Development Steering Committee, chaired by one of the General Managers. The committee meets on a monthly basis to discuss existing and new initiatives, track progress against objectives and targets, and identify key business risks surrounding

sustainable development based on the precautionary principle ¹. The committee reports to the Swire Group Environment Committee, one of the eight functional and working group committees of Swire Pacific's Group Risk Management Committee (GRMC). The GRMC monitors risk processes through eight functional group committees and working groups covering human resources, health and safety, insurance, community engagement, information technology, environment, supply chain sustainability, and enterprise risk management.



Structure of Swire Pacific's GRMC and Swire Properties' Sustainable Development Steering Committee

In 2008, Swire Properties adopted Swire Pacific's Sustainable Development Policy to ensure that sustainability considerations are integrated into its decision-making and management processes. This Sustainable Development Policy ¹ supplements Swire Properties' existing Environmental Policy ² and Safety and Health Policy ³.



¹ The precautionary principle is a management rule that states that if a threat of serious or irreversible damage to the environment or human health exists, a lack of full scientific knowledge about the threat should not be allowed to delay mitigation or remedial steps if the balance of potential costs and benefits justifies implementing them; i.e. "prevention is better than cure".



² Refer to <http://www.swireproperties.com/SD/SDpolicy.htm>

³ Refer to <http://www.swireproperties.com/SD/Envtpolicy.htm>

³ Refer to <http://www.swireproperties.com/SD/safetyhealthpolicy.htm>



Swire Properties appreciates the important role that each of its stakeholders plays in the Company's continued success and strives to take into account their valuable opinions.

How we engage our stakeholders

To help us understand the views of our stakeholders on our sustainable development performance and on the content of this report, we engaged an independent third party to host a series of focus group discussions and interviews. Other aims were to make this report more readily accessible and readable and to provide input on our approach to and progress towards achieving sustainable development.

For the second year running, we engaged with stakeholders in Hong Kong who were identified based on their impact on our business. A total of 41 individuals from the following stakeholder groups were consulted in 2008:

- | | |
|------------------------------------|---|
| <i>Retail and office tenants</i> | <i>Management and general employees of Swire Properties</i> |
| <i>Contractors and consultants</i> | <i>Government departments</i> |
| <i>Media</i> | <i>Non-governmental organisations (NGOs)</i> |

Feedback Obtained

The key sustainability issues which stakeholders identified are listed below, and most of them are addressed in this report:

Environmental	Social	Economic
<ul style="list-style-type: none"> ▪ Life cycle analysis ▪ Carbon emissions, energy efficiency and conservation ▪ Operational waste management ▪ Construction and renovation waste management ▪ Renewable energy ▪ Carbon footprinting ▪ Material consumption and sustainable materials ▪ Green landscaping 	<ul style="list-style-type: none"> ▪ Community Ambassador programme, including volunteering, charity work, donations and community education ▪ Construction site safety ▪ Arts and culture ▪ Open space ▪ Revitalised and integrated communities 	<ul style="list-style-type: none"> ▪ Job creation ▪ Contribution to the economy, and the approach to the current economic crisis ▪ Cost savings, return on investment and cost benefit analysis of environmental technology ▪ Investment in sustainability

We also received the following encouraging feedback:

We are perceived as a leader in sustainable development in the property development sector, not only in Hong Kong but also in the Asia Pacific region.

Our use of the Building Information Modelling for the development of One Island East to increase construction efficiency and to reduce waste throughout the design, construction and facilities management processes was highlighted as an example of our use of innovative technologies to achieve sustainable development.

Our long-term commitment to developing sustainable and integrated communities, particularly in the context of urban regeneration, is highly valued.

Our Environment



Climate Change

Climate change is one of the most critical challenges that our society faces today and is the result of the excessive build-up of greenhouse gases in the Earth's atmosphere. The key contributor to this build-up is carbon dioxide emissions from energy production. As commercial buildings account for some 64% of the electricity consumed in Hong Kong¹, reducing our electricity consumption is essential. Swire Properties is committed to improving the energy efficiency of its buildings.

2,125,000 kWh

Energy saved in 2008 compared with 2007 in Hong Kong buildings under the operational control of Swire Properties.

This is equivalent to the annual electricity consumption of 460 Hong Kong households².



¹ Electrical and Mechanical Services Department, Hong Kong Government, http://www.emsd.gov.hk/emsd/e_download/pee/HKEEUD2008.pdf

² Hong Kong Legislative Council <http://www.legco.gov.hk/yr06-07/english/bc/bc04/papers/bc040601cb1-1750-22-e.pdf>

1,700,000 kWh

Energy saved in 2008 at Island Place, a property managed but not owned by Swire Properties, through the conversion from air-cooled chillers to water-cooled.

This is equivalent to the annual electricity consumption of 370 Hong Kong households.

To combat climate change, Swire Properties believes that it is important not only to improve its own energy efficiency but also influence its stakeholders to do the same. We have therefore developed the following series of pioneering programmes to reduce the carbon footprint of our own portfolio and of our tenants' premises as well as to educate the general public.

Free Energy Audits for Tenants

Swire Properties is the first developer in Hong Kong to provide free energy audits for office tenants. We believe that reducing carbon dioxide emissions requires a joint effort by all of the various stakeholders involved. As commercial tenants account for about 40% of a building's electricity consumption, we are delighted to share our energy saving expertise by providing energy audits and making recommendations on how our tenants can enhance their energy efficiency.

466 tonnes

The potential annual carbon reduction identified through the four energy audits conducted for office tenants in 2008.

This is equivalent to reducing CO₂ emissions by planting 20,000 trees.



From our stakeholders

"Swire Properties should involve its tenants in improving their environmental performance."

Thinex Shek, Hong Kong General Chamber of Commerce



Facilitating the reduction of emissions from our tenants' premises as well as from our own creates a win-win-win situation for our tenants, the Company and the environment. It also brings us valuable expertise ahead of the proposed mandatory Building Energy Codes that are expected to come into effect shortly.

Swire Properties is planning to make these audits available to all office tenants with effect from 2009.

► *Swire Properties conducts free energy audit for tenants*

Best-in-Class Energy Efficiency Study

Since 2007, Swire Properties has been benchmarking itself against and sharing best practices with the world's leading property developers and managers. In 2008, Swire Properties benchmarked its energy efficiency performance with five leading property development and management companies in the US.

Of the companies that participated in the benchmarking, Swire Properties was identified as an industry leader in terms of:

- The continuous improvement in the efficiency of its building operations through its "knowledge-based" energy management approach.
- The use of the Building Management System and operational data in detecting and analysing faults.

Most importantly, areas for improvement were identified that will help Swire Properties further enhance the energy efficiency of its property portfolio.

Establishment of an Energy Efficiency Research Fund with Tsinghua University

Following our successful collaboration with the Building Energy Efficiency Centre of Tsinghua University in 2007, we established a research fund with them in 2008 to explore best practices in building energy efficiency.

A pilot energy study was conducted at Festival Walk. Further energy studies of other buildings will be conducted in 2009. In addition to conducting energy efficiency research on our buildings, we expect to develop a series of codes of practice, energy saving standards and operational guidelines, as well as training materials. We hope to share the findings with the industry in both Mainland China and Hong Kong through seminars and publications.



Energy study at Festival Walk

2,000,000 kWh

The estimated annual energy saving at Festival Walk from the joint efforts of Tsinghua University and Swire Properties.

This is equivalent to the annual electricity consumption of 440 Hong Kong households.

Renewable Energy for Christmas Decorations



Solar panels beneath the Christmas tree

To save energy and raise public awareness of energy conservation, Swire Properties used 132 m² of solar panels to generate the electricity for Festival Walk's Christmas light decorations. Approximately 24% of Festival Walk's total electricity consumption for Christmas decorations was saved through the use of solar power.

From our stakeholders

"Swire Properties can consider using sustainable materials when decorating our shopping malls in annual major festivals to decrease unnecessary energy and material consumption."

Cynthia Li, Management Trainee, Swire Properties

Waste Management

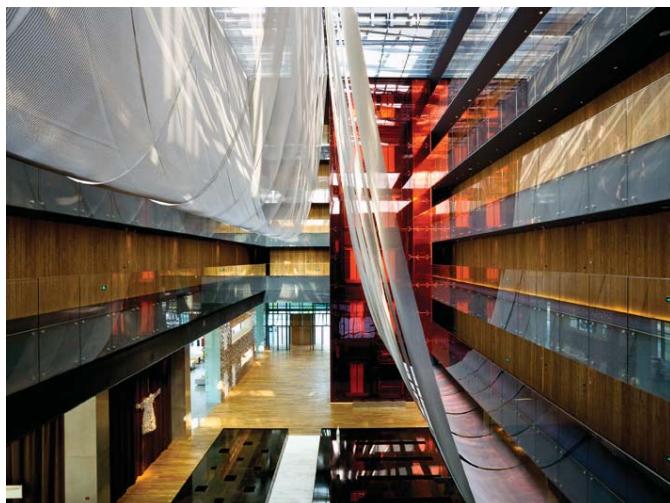
The significance of waste generation has grown as the economy expanded. With landfill capacity quickly running out, Swire Properties recognises the importance of innovation and partnership in reducing waste quantities.

Swire Properties has been involved in encouraging and facilitating its tenants to reduce, reuse, recover and recycle their waste since the early 2000s. 2008 saw more waste management initiatives rolled out across our properties. These included joining the Environmental Protection Department's "Program on Source Separation of Commercial and Industrial Waste" to raise the recovery rate of our general solid waste, and implementing an electronic waste recycling initiative at all of our Pacific Place premises as well as at Festival Walk.

A new initiative to recycle the waste glass and floor tiles from the renovation of Pacific Place Mall was established at the end of 2008 and will continue until 2011. Significant quantities of waste glass and floor tiles of this project are expected to be recycled over the coming years.

The possibilities do not end here. Swire Properties' long-term aspiration is to collaborate further with its tenants to develop a more robust source separation scheme and provide recycling facilities that increase overall recycling rate of its properties.

Reducing Consumption of Natural Resources at The Opposite House, Beijing



Reclaimed timber reused in the atrium of The Opposite House

August 2008 saw the opening of our luxury urban hotel in Beijing, The Opposite House.

The hotel development provided us with the chance to demonstrate how we conserve natural resources. By reclaiming existing timber from demolished traditional buildings for use in the finishes, we have avoided the harvesting of more trees. We reclaimed continental oak for the wall cladding and flooring of the atrium and the guest room floors, while the guest room corridors are finished with panels of reclaimed red pine.

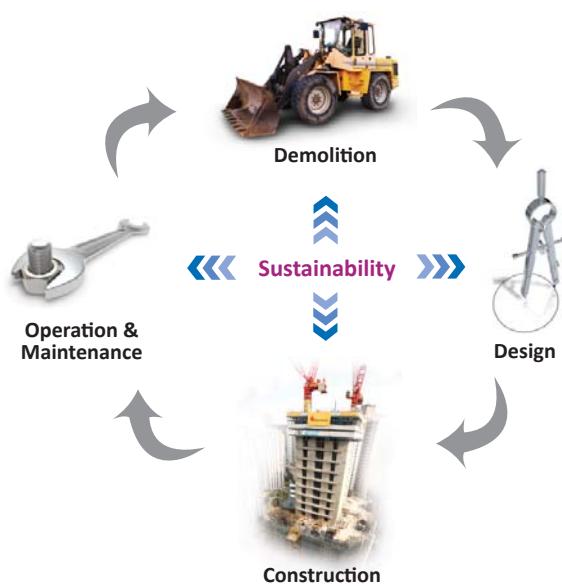
This philosophy extends to back of house areas as well: water-free urinals have been installed in staff washrooms to reduce the consumption of water, a key consideration in northern China.

Case Study: Holistic Design at One Island East



Located in the heart of Island East and completed in March 2008, One Island East is a new premium 1.5 million sq ft, 70-storey, triple Grade-A commercial office tower. From its design and construction through its operations and maintenance to the planning for its ultimate demolition, One Island East demonstrates our approach to exceeding the needs of successive generations of commercial tenants. By incorporating world class sustainability elements into its life cycle, we have prepared One Island East to meet the demands of the future.

One Island East has been provisionally awarded the BEAM's "Platinum" rating, demonstrating its achievement of world class sustainable development standards.



▼ Sustainability in One Island East's life cycle

Demolition

During the demolition of the original building, concrete crushers were used instead of typical percussive equipment. Using concrete crushers helped us to reduce noise, dust and accidents and to minimise the consumption of water usage for suppressing dust. It also allowed for easier recycling.

Swire Properties worked with Gammon Construction to develop a rigorous waste management plan. As a result, 99% by weight of demolition waste was reused or recycled during the demolition in 2003 and 2004.

Design



 *Building Information Modelling was used during the construction of One Island East*

Building Information Modelling (BIM) is a three-dimensional, real-time, dynamic modelling software that facilitates communication between the architects, engineers and construction teams, allowing them to streamline workflow, increase productivity and improve quality.

**HK\$19.9 million and
254 m³ of materials**

The estimated savings from using BIM before construction to identify and remove clashes between builders' work and electrical and mechanical work.

Swire Properties' pioneering and extensive use of BIM was granted the prestigious 2008 Award for Design / Delivery Process Innovation Using BIM by the American Institute of Architects.

Swire Properties also incorporated numerous sustainable building design features to reduce the consumption of energy, water and raw materials throughout the life cycle of the building. These features were designed to create a built environment that is comfortable and to enhance the productivity of the occupants.

From our stakeholders

"Swire Properties is a world leader in using BIM technology. It drove the use of BIM on One Island East to reduce cost and construction time, increase efficiency and reduce waste throughout the design, construction and facilities management processes."

**Martin Riese, Managing Director, Gehry Technologies Asia,
Consultant to Swire Properties**

Construction

Energy consumption is one of the major environmental concerns associated with cement production. Cement production produces one tonne of CO₂ equivalent for every tonne of cement and accounts for approximately 7% to 8% of global man-made emissions.¹

**18,330 tonnes and
3,500 tonnes**

Weight of concrete and associated CO₂ emission savings respectively at One Island East through the use of grade 100 high performance concrete.



Construction of One Island East

Swire Properties chose grade 100 high performance concrete for the columns and core walls of One Island East, which constitutes 27% of the concrete used for the whole development. Grade 100 concrete has the benefit of offering the same reinforcement ratio as grade 60 concrete but with a 26% reduction in volume.

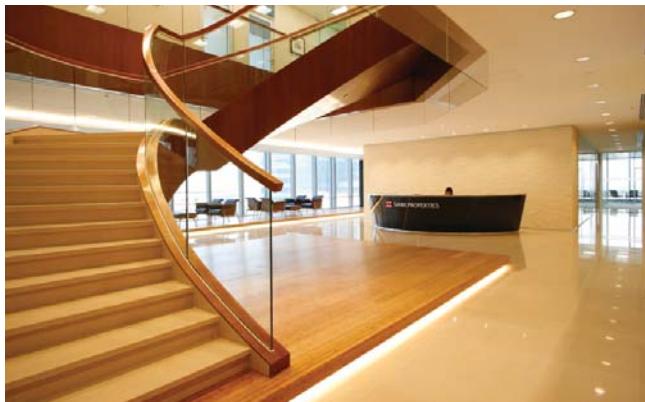
The use of grade 100 high performance concrete earned Swire Properties the Technological Achievement Award in the 2007 Hong Kong Awards for Industries.

Modular and standardised designs, such as movable external pedestal paving, wall panels, light troughs and air handling units, were adopted for One Island East to maximise production and material efficiency as well as to minimise waste generation. Elements such as staircases were pre-cast off-site, reducing noise and dust generation on-site.



¹ Mehta, P.K. "Role of Pozzolanic & Cementitious By-Products in Sustainable Development of the Concrete Industry", in Sixth CANMET/ACI/JCI Conference: Fly Ash, Silica Fume, Slag & Natural Pozzolans in Concrete, 1998

Operation & Maintenance



► Swire Properties' One Island East Offices

Swire Properties is piloting the BEAM Interior, a newly developed standard for building interiors, at its One Island East offices, and targets to achieve the "Platinum" rating. The standard sets a high benchmark for fit-outs that are healthy, productive places to work, maximise operational efficiency, and have a minimised environmental footprint. The open plan offices and lighting have been designed to maximise natural lighting and enhance work productivity. Ergonomic factors were also considered during the selection of workstation furniture to ensure our employees' health when using computers.

From our stakeholders

"The new office layout at One Island East is a better working environment that enhances productivity because it is more inspiring and comfortable to work in."

Jolyon Culberston, Director and General Manager, Swire Properties

Numerous environmental measures, from energy efficiency and water conservation to indoor air quality and waste management, are in operation at One Island East. One such example is the use of intelligent and double-decked shuttle lifts that are designed to minimise the use of electricity by collecting and carrying passengers more efficiently and thus reducing the number of stops. Another is the provision of recycling separation facilities and the implementation of a waste management plan for the whole development, covering waste paper, plastics, aluminium cans, rechargeable batteries and fluorescent light tubes.

In addition, CO₂ and carbon monoxide sensors have been installed on all the office floors and car parks respectively to optimise indoor air quality ultimately.

6,425 m³

The expected annual savings in term of water consumption from measures such as rain water harvesting.

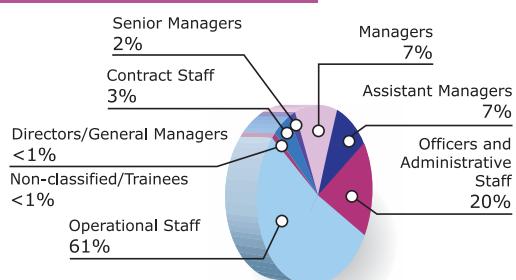
This is equivalent to 3,000 filled standard bath tubs.

Our People

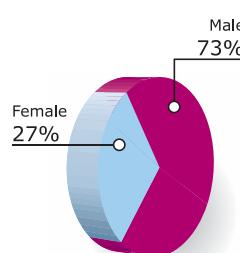


Creating a harmonious and engaging workplace is the key to attracting and retaining people of the highest calibre who are passionate about their work. We invest in our employees by providing them with career opportunities and training to enable them to develop their potential as individuals and as part of the overall organisation.

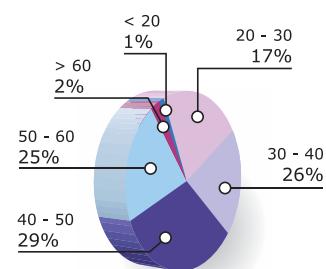
Demography of Employees



▼ Diversity of Employees by Grade



▼ Diversity of Employees by Gender



▼ Diversity of Employees by Age

In order to be able to attract and retain employees of a suitable calibre, Swire Properties provides a remuneration package which is designed to be competitive with those of its peers.

2,470
Number of Swire Properties employees
in Hong Kong.

A Caring and Ethical Workplace

Swire Properties has developed equal opportunities, anti-discrimination and harassment policies. At the end of 2008, we commenced a programme of training on these topics to raise awareness and understanding of the underlying issues, to highlight the benefits of a diverse workforce and to address common myths and stereotypes. Twenty percent of our security personnel have received training on human rights laws and procedures relevant to their work.

Employee Engagement Programme

Swire Properties recognises that enthusiastic and committed employees add value to the organisation, not just in terms of productivity, but also customer satisfaction, retention, profitability and long-term stakeholder value.

We implemented a series of employee engagement programmes in 2008 to stimulate employee awareness of sustainable development issues, some of which are outlined below.

Employee Newsletter Engages on Sustainable Development Issues



► CornerStone, the employee newsletter

To ensure sustainability remains at the forefront of the Company's daily practices, Swire Properties includes an EHS updates section and a sustainable development-related competition in every issue of CornerStone, an internal newsletter disseminated bi-monthly to all employees.

Sustainable Development Logo and Slogan Design Competition

A sustainable development logo and slogan design competition was held in 2008, the winning design of which became the front cover of Swire Properties' corporate calendar card and was disseminated to all its staff in a reusable tote bag. The calendar card also communicated our commitment to sustainable development.



► Corporate calendar card

Environmental Educational Tours for Employees



Environmental educational tour

In collaboration with WWF Hong Kong, Swire Properties arranged environmental educational tours for employees and their families and friends to enhance their awareness of local environmental issues. The tour included observing corals and fish in Sai Kung, a visit to a marine conservation centre in Hoi Ha Wan Marine Park and educational talk and games.

Green Seafood Menu Adopted at Corporate Events

At three major corporate events in 2008 – the Annual and Spring Dinners as well as the Christmas Drinks – Swire Properties fully complied with the recommendations of WWF Hong Kong's Seafood Guide. The guide was disseminated to the 2,981 attendees, who were also informed during the speeches, as well as on the menus, of Swire Properties' support for the conservation of the marine environment and biodiversity.

We extended this initiative to influence our tenants to choose sustainable seafood by holding a Sustainable Seafood Seminar, presented by WWF Hong Kong in November 2008. The seminar introduced WWF Hong Kong's Seafood Guide so our tenants have a better understanding of how they can support the environment through their corporate practices.

Professional Development

We recognise the importance of career development in retaining people. The professional and technical skills of our people continue to be developed through a range of vocational education and training pathways.

Three hundred and eighty-eight employees received external or overseas training or tuition sponsorship. Fourteen percent of employees received training on anti-corruption laws and policies.



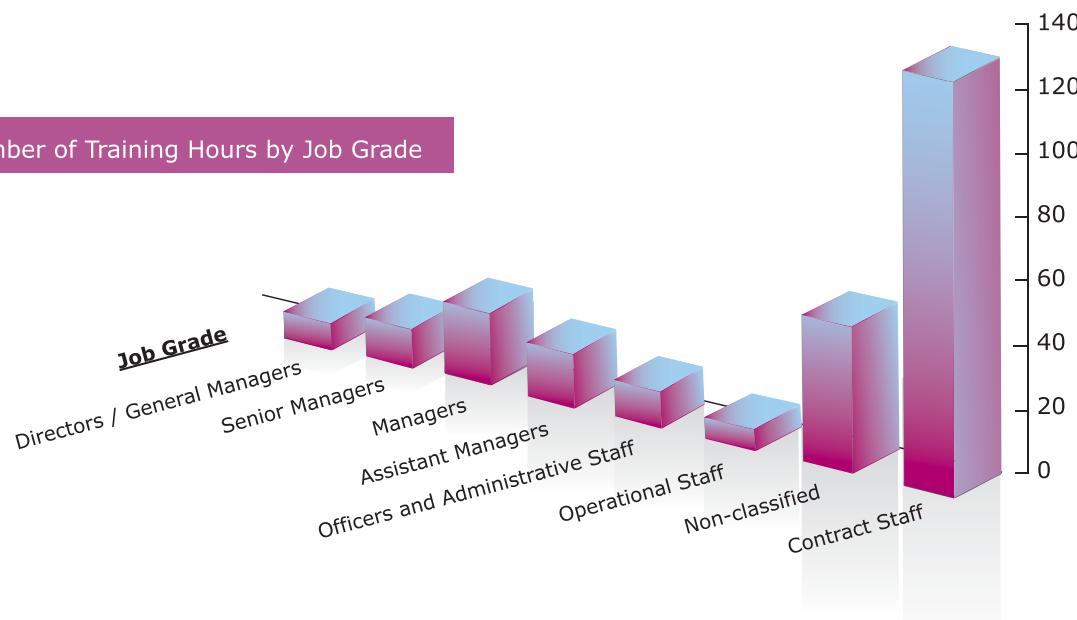
Internal training of Swire Properties employees

31,117 hours

of training conducted in 2008.

Career development for all our employees is discussed and tracked through an annual formal appraisal system to ensure that all receive performance feedback against agreed objectives and to discuss training needs and career progression. In addition, the careers of about 15% of our employees were reviewed by senior management, with the aim of facilitating promotions or internal transfer opportunities.

Average Number of Training Hours by Job Grade



Occupational Health & Safety



OHS in the workplace

We take our commitment to occupational health and safety (OHS) very seriously. We have in place a Safety Management System (SMS) to ensure our offices, properties and construction sites offer an incident and injury free environment for our employees, tenants, suppliers and contractors, as well as for the wider community.

Our commitment to OHS is guided by our Safety and Health Policy ¹. While ensuring a safe working environment is the responsibility of the Company and all our employees, our SMS Steering Committee has overall accountability for developing OHS policies, strategies and procedures for the Company. The committee consists of representatives from each of our seven management centres in Hong Kong. SMS Sub-committees are established at each management centre, which represent the frontline technical employees who deal with safety issues on a daily basis.



¹ Refer to <http://www.swireproperties.com/SD/safetyhealthpolicy.htm>

Major Stages in Risk Assessment Process

Identification of General Hazardous Activities (completed)



Analysing and Evaluating Risks
(in 2009)



Controlling and Mitigating Risks
(in 2009)



Reviewing and Monitoring Control Measures
(in 2009)

The SMS Steering Committee commenced the implementation of a formalised risk assessment process for all work performed by the technical and security team in 2008; this is due for completion in 2009.

Safety Guidelines for Handling Fluorescent Lamps with Mercury Content

As fluorescent lamps are widely used in our portfolio, we have run a recycling programme for several years. Whilst only containing a small amount of mercury, these lamps can present a health hazard to our employees if not handled properly. In response, Swire Properties has developed and launched Safety Guidelines for Handling Fluorescent Lamp with Mercury Content in 2008. These guidelines define appropriate personal protective equipment to be used, as well as procedures for handling the lamps and for cleaning up mercury spills.

A Healthy Working Environment

We spend more than 70% of our time indoors. Poor indoor air quality can lead to discomfort, ill health and, in the workplace, absenteeism and lower productivity. Through the provision of effective ventilation and implementation of a rigorous maintenance programme, Swire Properties' offices and all common areas of One Pacific Place and Festival Walk, as well as the whole Citygate development achieved the "Excellent" Class of Indoor Air Quality Certification Scheme in 2008. We hope to achieve the same classification in all remaining Swire Properties' offices in 2009.

We place great emphasis on ensuring all employees understand their roles in the creation of a safe working environment. All new frontline employees are required to attend Basic Safety Awareness Training as part of their induction to the Company, and to obtain further information in the Company's Staff Safety Handbook.

Our employees completed 2,648 training hours in 2008 to ensure that their awareness of work safety and skills to perform hazardous activities is up-to-date. Training programmes included fire safety, first aid and work safety in confined space.

One such training course included a luncheon talk on safety tips on working with display screen equipment (DSE) for office employees. This covered health hazards of working with DSE and solutions on how to combat them, a practical demonstration and stretching exercises.

Further to this, a representative from each management centre trained frontline security employees on pre-work exercises, which were implemented at all our developments in Hong Kong from October 2008.

Swire Properties' efforts to promote a safe working environment for staff and their safe behaviour resulted in a reduction of accidents. A total of 38 accidents with three days of sick leave or more and 16,936 lost working hours were recorded in 2008, 5% fewer than in 2007. Our accident prevention performance was recognised with the Meritorious Award in Safety Performance at the 7th Hong Kong Occupational Safety and Health Award in 2008.



Pre-work exercise training

Gold for the OSH Annual Report Award

Award received at the 7th Hong Kong Occupational Safety and Health Award to celebrate our efforts in timely, accurate, informative and well-presented reporting of our OHS management tools and performance in our EHS Report 2007.



Head of Technical Services Department, Cary Chan, receives the award on behalf of Swire Properties

Merit for the Outstanding Employee in OSH (Property Management Company) – Non Managerial

Jonathan Lam, Senior Technical Supervisor of Cityplaza, was awarded the Merit of the Outstanding Employee by the Occupational Health and Safety Council.



Senior Technical Supervisor of Cityplaza, Jonathan Lam, receives the honour



Creating environments and contributing to communities is at the heart of what we do. Successful communities are those in which people are actively engaged and where there are shared values and understanding. Swire Properties has adopted this philosophy in the careful planning, design and management of its developments

Creating Sustainable Integrated Communities

Swire Properties' long-term corporate responsibility strategy focuses on building integrated communities. We have a long history of revitalising land to create a vibrant community. The first such development was the transformation of Taikoo Sugar Refinery and Taikoo Dockyard into an entirely new integrated community collectively known as Island East. We have further introduced a broad range of arts and cultural events and activities to enrich life in the neighbourhoods.

Community Ambassador programme

Swire Properties Community Ambassador, the Company's volunteer programme, was established in 2001 to bring together our existing resources, including our employees' and tenants' expertise, to serve the community.



 Swire Properties Community Ambassador Logo



From our stakeholders

"Swire Properties supports and sponsors community activities at its premises to enhance the relationship with its neighbourhoods."

Angela Hui, Director of Development,
Hong Kong Philharmonic Orchestra, which received sponsorship from Swire Properties

4,100 hours

Service hours contributed to the community in 2008.

In addition to financial contributions, members of Swire Properties Community Ambassador also contribute their time to charitable programmes and initiatives. Swire Properties launched the Volunteer Community Service Leave initiative in 2008. This initiative grants additional leave to full-time permanent and contract employees for participating in community activities supported by the Company. The programme supports local as well as regional charitable causes.

Collaboration to Provide Relief for Sichuan Earthquake Victims



 Scarves donated to victims of the Sichuan earthquake

Swire Properties has run an annual programme of knitting scarves for needy people since 2002. In 2008, the Company extended this initiative to the victims of the Sichuan earthquake. By inviting other Swire Pacific companies to make their contributions, and with the support of former employees, their families and friends, we ensured that approximately 3,900 scarves were knitted and delivered to Mian Yang in Sichuan.

Engaging Tenants in Providing for Underprivileged during Mid-Autumn Festival

Partnering with one of our tenants, OTIS Elevator Company, Swire Properties' employees hand-made and delivered lanterns, together with other gifts, to elderly people living alone in Kwun Tong to celebrate the Mid-Autumn Festival. This was conducted with the help of other Swire Pacific companies, friends and families, and the Hong Kong Children and Youth Services.



Hand-made lanterns for the elderly

Offering Skills to Underprivileged Households



Fixing degraded homes for underprivileged families

Following on from the success of the Mr Fix programme in 2007, 38 of our technical employees contributed 254 hours of their technical services to 17 underprivileged families during the run up to Chinese New Year in 2008. We aimed to improve the families' living environment by fixing degraded or broken household components.

Nurturing Young Community Ambassadors

A programme in operation since 2006, Little Angel encourages children of employees, friends and families of Swire Properties and other Swire Pacific companies to volunteer their time and effort to needy causes, fostering a new generation of givers. In 2008, 56 children became Community Ambassadors.

Educational Programme

Our community education programmes focus on the future leaders in the community, as well as the people with whom we interact, such as our tenants. We are passionate about building a better community, and this lies at the heart of our corporate responsibility strategy.



▀ Radio drama script-writing workshop

In 2005, Swire Properties established the Swire Organisation for Youth Arts (SOYA), which promotes arts development and helps nurture the talents of artistic and creative young people. The Viva Vivace! Radio Drama Competition is one of the significant programmes funded by the SOYA. Under the guidance of radio drama professionals, the programme helps develop the creative potential, confidence, language skills and art appreciation of students through a series of workshops on script-writing and performance for radio drama under the theme "Arts & Life". Five secondary schools were shortlisted in 2008 from the original 40 to perform their radio dramas live in Cityplaza shopping mall to compete for the awards.

Improving Students' English through Shakespeare Performances

Swire Properties is the founding sponsor of Shakespeare4All (S4A), an NGO that uses Shakespeare performances to improve local students' English fluency and self confidence. Since 2003, over 3,000 students have benefited from their participation in the performances, which have all won wide acclaim. 2008 saw an enthralling performance of "The Taming of the Shrew" by over 80 students from 21 schools. This was the second S4A play under the direction of one of our senior management, who contributed a significant amount of his personal time and expertise.



▀ Swire Properties' Director directing "The Taming of the Shrew"

Environmental Awareness Tours for Local Students

In order to share experiences of how Swire Pacific companies manage their businesses in a sustainable manner, we organised four environmental tours of our properties in 2008, attracting 160 students from three local schools, in the hope that this would stimulate environmental awareness in future decision makers.

Arts & Culture

Swire Properties is committed to exposing Hong Kong to arts and culture. Our investment in an active and constantly changing arts and culture scene is entirely for the enjoyment of the general public.

Swire Properties offers exhibition venues in Island East for artists to showcase their work and also to promote arts and cultural activities in the community. At the end of 2008, 20,000 sq ft of rentable space in TaiKoo Place was converted into an additional cultural venue called the ArtisTree¹. The debut event was a retrospective of works by British fashion designer, Vivienne Westwood. Organised by London's prestigious Victoria and Albert Museum, the event was open to the public and admission was free. More arts and cultural events are planned at this venue in future.



Vivienne Westwood officiated the exhibition at ArtisTree



¹ Refer to <http://www.islandeast.com/eng/events/venue/artistree.htm>



▼ Winner of the Green Christmas Tree Design

Swire Properties' commitment to arts and culture is reflected in its recently opened Beijing development, The Village at Sanlitun, which we hope to establish as the centrepiece of a vibrant local community from the outset. A highlight was Swire Properties' collaboration with an environmental organisation, the Green Long March, and Milk Magazine to run the Green Christmas Tree Design Competition. The competition was complemented with seminars at renowned Beijing universities on environmental awareness. The winning design was constructed in The Village at Sanlitun along with miniature versions of the three runners-up.

Artwalk Tours

Our Island East developments incorporate an extensive art collection, including paintings, tapestries and sculptures. Since 2002, Swire Properties has organised over 80 Artwalk Tours with over 1,000 visitors to introduce this art collection to the public. Professional guides lead visitors to interesting works, explain the stories or meanings behind the creations, and introduce the artists.



▼ Artwalk Tour at Island East

Performance Data Summary

We collect a wide range of data to help monitor our sustainable development performance and to identify areas for improvement. This data covers developments under Swire Properties' operational control in Hong Kong only, except where indicated.

	Unit	2008	2007	2006	2005	2004	2003
Energy use and CO_{2e} emissions							
Purchased electricity ¹	Mega Watt Hours	221,309	223,434	225,564	219,512	209,781	210,770
Indirect CO _{2e} emissions ²	Tonnes	171,809	177,294	190,939	155,590	148,693	149,394
Industrial diesel	Litres	21,670	21,560	26,284	12,797	18,668	13,178
Petrol	Litres	17,970 ³	16,467	15,958	16,892	-	-
Ultra-low sulphur diesel	Litres	61,699 ³	38,512	35,625	21,920	-	-
Materials used							
Refrigerants containing HCFCs refilled	Kilogrammes	2,266	2,409	4,779	3,320	-	-
Refrigerants containing HFCs refilled	Kilogrammes	1,615	2,265	5,395	3,808	-	-
Paper and paper products	Kilogrammes	35,570	36,906	33,334	29,859	-	-
Water use							
Potable water used for cooling	1,000's Cubic Metres	138	154	135	108	90	-
Potable water used for properties and landscaping	1,000's Cubic Metres	316	344 ⁴	332	251	246	230
Wastewater reuse and discharge							
Wastewater discharged	1,000's Cubic Metres	45,914	47,287	49,252	46,900	67,342	69,888
Seawater reused for flushing	Cubic Metres	213,444 ⁵	183,130	247,874	144,543	360	1,546
Waste potable water reused for flushing	Cubic Metres	12,376	11,536	7,153	9,836	12,086	767
Waste disposal							
Construction and demolition waste	Tonnes	8,747 ⁶	11,547	5,637	1,023	18,710	30,685
Commercial / industrial waste	Tonnes	19,143	19,555	19,004	18,695	15,644	18,626
Residential / domestic waste	Tonnes	168 ⁷	266	457	454	363	360
Grease trap waste	Tonnes	5,654	5,515	5,521	5,166	5,800	5,452
Garden waste	Tonnes	408	460	268	140	52	76

	Unit	2008	2007	2006	2005	2004	2003
Waste recycling							
Concrete waste	Tonnes	-	-	210	1,458	1,814	5,202
Steel	Tonnes	285	300	440	412	6,162	4,950
Paper cardboard	Tonnes	3,302	3,463	3,373	3,691	3,602	2,835
Aluminium	Tonnes	10	12	12	14	13	14
Plastics	Tonnes	74	86	91	80	28	30
Waste lubrication oil	Litres	2,843	2,238	3,501	4,122	3,173	2,564
Health & safety							
No. of employees ⁸		1,992	1,892	1,843	1,801	1,758	1,803
No. of reportable accidents (sick leave > three days)		38	40	47	40	41	46
No. of hours lost to accidents (sick leave > three days)		16,936	14,820	17,130	11,631	14,766	11,859
No. of fatalities		-	-	-	-	-	-
Accident rate ⁹		19	21	25	22	23	26
Severity rate ¹⁰		760	695	822	567	738	580



¹ Data from Three Pacific Place included since 2005.

² CO_{2e} emission = activity data (kWh) x emission factor (kg CO_{2e} / kWh). The 2008 emission factor is 0.54kg CO_{2e} / kWh and 0.84 kg CO_{2e} / kWh as advised by CLP and Hongkong Electric respectively.

³ Includes consumption by Swire Properties' boat.

⁴ From June to December 2007, potable water was used for flushing at Citygate 3 while a damaged seawater pipe was repaired.

⁵ The consumption was overestimated in Citygate in 2008 because the logging system for recording the loading speed of the variable speed drive control was recording a longer full load operating period than was actually happening. There are plans to replace the logging system with a water meter but this has not been confirmed yet.

⁶ The construction of One Island East was completed in early 2008.

⁷ The serviced apartment, the Atrium at Pacific Place, was closed for renovation from early 2008.

⁸ Includes full-time and part-time employees of Swire Properties and Oriental Landscapes Ltd., but excludes Taikoo Shing Management Ltd. and Westlands Court Management Ltd.

⁹ Accident rate = no. of reportable accidents / no. of employees x 1,000.

¹⁰ Severity rate = (no. of work hours lost to accidents / total hours worked) x 200,000 work hours. (200,000 work hours = 100 full-time employees x 40 hours per week x 50 weeks per year).

Targets 2008/2009

Progress Tracking of 2008 Objectives & Targets

Key ✓ Achieved ➔ Underway ✘ Not Achieved or Started

Environment

Objectives and Targets	Performance	Remarks
Operational Improvement		
Achieve 30,000,000 kWh accumulated energy saving from 2002 to 2010 at our wholly owned properties in Hong Kong	➔	Achieved an estimated energy saving of 2,125,000 kWh in 2008, bringing the accumulated saving to 26,500,000 kWh
Continue the "Best in Class" exercise	➔	Benchmarking conducted against five property developers in the US
Streamline and standardise waste separation in our offices	➔	Conducted a preliminary survey to identify and explore more opportunities for recycling
Join Environmental Protection Department (EPD)'s Waste Separation at Source Programme for our commercial buildings	➔	Pacific Place, Festival Walk, TaiKoo Place and Island Place have joined
Develop Green Guidelines	✓	Adopted Swire Pacific's Green Office Guidelines
Employee Engagement		
Develop Energy Reduction Incentive Programme	✓	Organised Hong Kong Carbon Reduction Campaign
Organise an environmental outing for employees and their families	✓	Refer to Our People section
Carry out an indoor air quality assessment of our internal offices	➔	One Island East is scheduled to conduct an indoor air quality assessment in quarter one of 2009
Commercial and Retail Tenant Engagement		
Promote WWF Hong Kong's Green Menu for corporate dining	✓	Refer to Our People section
Facilitate electronic waste recycling	✓	Refer to Our Environment section
Re-develop Environmental Guidelines for tenants	➔	Developed the Tenant Fit-out Guidelines for One Island East, and in the process of updating guidelines for our remaining properties
Resident Engagement		
Facilitate implementation of environmental initiatives through the Sustainability Forum	✓	Environmental initiatives include a questionnaire survey on sustainability issues and preparation of a photography competition for all residents
Run a Glass Recycling Pilot Programme	✗	A suitable centralised glass staging area for all estates has not been located. The search continues in 2009
Studies and Projects		
Explore Green Roof opportunities for our portfolio	➔	Citygate green roof was completed in 2008. We are still exploring opportunities for further green roofs at our other developments
Source / deploy food waste reduction systems at our premises	➔	Research has been undertaken on food waste technology and site visits were undertaken of potential technology suppliers. Further research to be conducted before a final decision is made
Develop wastewater conservation strategy	➔	Air conditioning condensate reuse has begun in Pacific Place and One Island East

Health & Safety

Objectives and Targets	Performance	Remarks
Health and Safety Targets		
Maintain zero prosecution on health and safety issues from the Government	✓	
Maintain zero fatality record	✓	
Health and Safety Awareness Raising and Training		
Update existing safety handbook	➡	Revised handbook will be published in early 2009
Foot-care programme for employees	✓	Subsidy has been provided for a foot assessment and purchasing insoles to employees
Implementation of pre-work exercise for frontline employees	✓	Refer to Our People section
Risk Assessment		
Conduct comprehensive job hazard analysis and risk assessment for all identified works	➡	General risk assessment will be completed in mid-2009
Continuous Improvement		
Enhance experience sharing and best practices benchmarking	✓	Achieved recognition from external programmes

2009 Objectives and Targets

Operational Improvement

- Streamline and standardise waste separation in our premises
- Include sustainability in the assessment and selection of our supply chain
- Set up the EHS database outside of Hong Kong operations
- Conduct a comprehensive job hazard analysis and risk assessment for all identified works
- Produce a demonstration video of pre-work exercise for review by frontline staff
- Conduct task inspections of hazardous activities at all our developments
- Maintain a record of zero prosecution on health and safety issues by the Government
- Maintain a record of zero fatality

Studies & Technical Visits

- Source / deploy food waste reduction systems

Resident Engagement

- Hold a photography competition around the theme "Green Lifestyles" for 11 estates

Employee Engagement

- Continue and develop the Employee Engagement Programme
- Conduct an indoor air quality assessment of Swire Properties' offices
- Provide specific accident investigation and safety inspection training

Tenant Engagement

- Collaborate with tenants to support local environmental campaigns
- Redevelop our Environmental Guidelines for tenants
- Conduct free energy audits for office tenants and complete by 2013

To meet technical standards, we have applied the GRI G3 framework to the preparation of this report. The GRI G3 framework provides reporting principles and recommends specific report content. Through a third party verification conducted by the HKQAA, it has been confirmed that this report complies with level B+ based on the extent of coverage of the G3 framework.



GRI G3 references are shown in the table below. Some GRI information on governance, financial performance and employment data can also be found in Swire Pacific's Annual Report 2008.¹

GRI G3	Page Reference	GRI G3	Page Reference
PROFILE			
1.1	2	Economic performance indicators	
1.2	2, 9-12, 17-24, 26, 27	Economic management approach	6, 9-11, 14, Swire Pacific's Annual Report 2008: Corporate Governance
ORGANISATIONAL PROFILE			
2.1, 2.4	3	EC1	3, Swire Pacific's Annual Report 2008: Delivering Value, Ten-year Financial Summary, Chairman's Statement, Review of Operations: Property
2.2	3, 4	EC2	9-11
2.3	3, 5, 6, Swire Pacific's Annual Report 2008: Review of Operations: Property	EC8	10, 11
2.5, 2.7	3, 4, Swire Pacific's Annual Report 2008: Review of Operations: Property	Environmental performance indicators	
2.6	3, Swire Pacific's Annual Report 2008: Delivering Value, Review of Operations: Property	Environmental management approach	6, 9, 12
2.8	3, 4, 17, Swire Pacific's Annual Report 2008: Delivering Value, Ten-year Financial Summary, Chairman's Statement, Review of Operations: Property	EN1	12, 14, 15, 29
2.9	1, Swire Pacific's Annual Report 2008: Chairman's Statement, Review of Operations: Property	EN2-EN4, EN8, EN9, EN16, EN19, EN21, EN29	29
2.1	14, 15, 22	EN5, EN18	9-11, 15
REPORT PARAMETERS			
3.1-3.3, 3.6, 3.8, 3.11	1	EN6, EN7	9-11, 14, 15
3.4	Back page	EN10	16, 29
3.5	1, 7, 8	EN13, EN14	19
3.7	1, 30	EN22	29, 30
3.9, 3.10	29, 30	EN26	9-16
3.12	33	Labour practices and decent work performance indicators	
3.13	34	Labour practices management approach	6, 17-20
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
Governance			
4.1	5, 6, Swire Pacific's Annual Report 2008: Corporate Governance	LA1 (partial), LA3	17
4.2, 4.3	5, Swire Pacific's Annual Report 2008: Corporate Governance	LA6, LA12	20
4.4	5, 7, 8, Back page, Swire Pacific's Annual Report 2008: Corporate Governance	LA7	22, 30
4.5-4.7	Swire Pacific's Annual Report 2008: Corporate Governance	LA8	21
4.8-4.10	6, Swire Pacific's Annual Report 2008: Corporate Governance	LA10	19-21
Commitments to external initiatives			
4.11	6	LA11	19
4.12	3, 5, 10, 12, 13, 16	LA13	5, 17, Swire Pacific's Annual Report 2008: Corporate Governance
4.13	3, 5, 19	Human rights performance indicators	
Stakeholder engagement			
4.14-4.16	7	Human rights management approach	6, 18
4.17	8	HR8	18
Society performance indicators			
Product responsibility performance indicators			
1 http://www.swirepacific.com/eng/ir/reports/ar08.pdf			



¹ <http://www.swirepacific.com/eng/ir/reports/ar08.pdf>

Verification Statement



Scope and Objective

Hong Kong Quality Assurance Agency (HKQAA) conducted an independent verification of the Sustainable Development Report 2008 of Swire Properties. The report presents a review of Swire Properties' sustainable development practices, performance and achievements for 2008.

The overall aim of this verification statement is to provide assurance that the information stated in the report is accurate, reliable, objective and has been audited and validated by an independent third party.

Methodology

The process we have used in this verification exercise is based on current best practices. In this respect, the report has been evaluated against the following criteria:

- Adherence to the principles of completeness, accuracy, neutrality, comparability and responsiveness, as set out in the Institute of Social and Ethical AccountAbility's AA1000 Assurance Standard, and
- The GRI G3 Sustainability Reporting Guidelines

The verification procedure adopted to gather evidence included reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the report, and verifying randomly selected statements, claims and data contained within the report.

Conclusion

In our opinion, the report meets the content and quality requirements of the GRI G3 Sustainability Reporting Guidelines. Among the different levels defined by these Guidelines, it is confirmed that the "B+ application level" has been met.

The information presented in the report provides a structured, balanced and consistent representation of Swire Properties' performance in the context of sustainable development. We are satisfied that the report includes factual statements and the data contained and referred to within the report is accurate and reliable. The report is a fair and honest representation of Swire Properties' initiatives, targets, progress and performance on its sustainable development achievements. We were impressed by the diligence of Swire Properties in its collation and analysis of the required information gathered for the report.

The report represents a further step forward in the continuing process of making explicit Swire Properties' approach to sustainable development.

Recommendations

For future reporting, Swire Properties is encouraged to continually improve the reporting practices of its sustainable development aspects. Of particular note, we recommend Swire Properties consider wider inclusion of supply chain management performance related to sustainable development, and to extend the clarity of the reporting contents by giving more descriptions on the reporting rationale.

Signed on behalf of HKQAA

A handwritten signature in black ink, appearing to read 'Connie Sham'.

Connie Sham
Senior Manager, Strategic Business Manager



Please help us to improve our future Sustainable Development Report by sending us your views via email: EHSfeedback@swireproperties.com

Or by writing to:

Environmental Affairs Manager
Swire Properties Ltd.
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Hong Kong

This report is also available at
<http://www.swireproperties.com/SD/SDreports.htm>

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