Swire Properties' Approach to Sustainable Real Estate

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General Manager, Technical Services and Sustainable Development
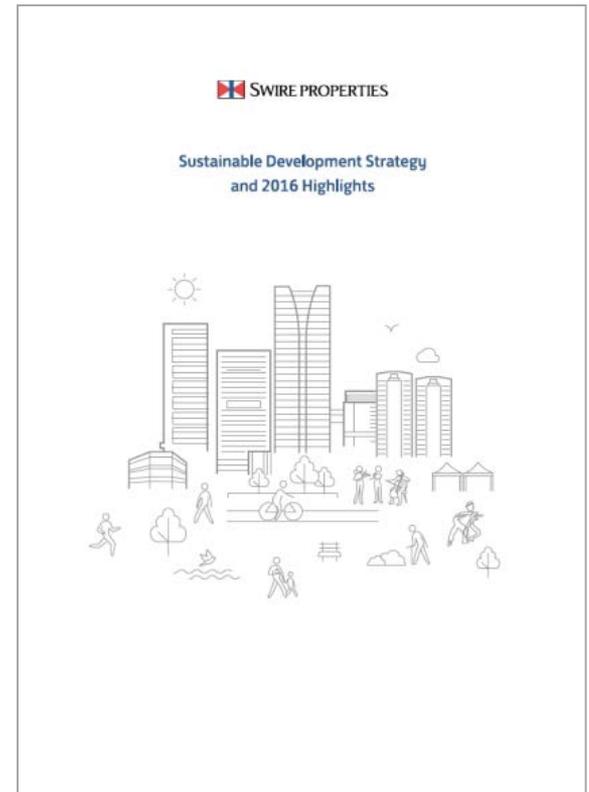*Swire Properties Limited*

Our Vision

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

Guy Bradley
Chief Executive "

SWIRE PROPERTIES

Sustainable Development Strategy
and 2016 Highlights

SD 2030

SD 2030 Strategy
Focus Area and 2020 KPIs

PLACES

FOCUS AREAS	PERFORMANCE CATEGORIES
Master Planning	• Stakeholder Engagement
	• City Development
Supporting Communities & Local Revitalisation	• Community Engagement
	• Community Investments
	• Heritage Preservation & Enhancement
	• Visual Perception
	• Social Integration & Regeneration
Supporting Local Economy	• Local Jobs & Commerce
	• Local Visitors
Liveability	• Visitor & Occupant Safety
	• Quality Public Spaces
	• Health & Wellbeing
Connectivity	• Public Transport Accessibility
	• Accessibility to International Transport Hubs
	• Electric Vehicle Support
	• Cycle-ability & Walkability
	• Barrier-free Access
	• Connectivity to Points of Interest
	• Virtual Connectivity

PEOPLE

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Talent Attraction	• Employer Branding	Refine communication strategy for employer branding
	• Compensation & Benefits	Conduct compensation and benefits review
	• Recruitment Process	Introduce new digitalised recruitment platform
Talent Retention	• Learning & Development	25% increase in training hours per employee per year[2]
	• Performance Development Review ("	Incorporate elements of SD 2030 Strategy
	• Incentive	
	• Working	
Safety, Health & Wellbeing	• Safety	
	• Satisfacti	
	• Health &	

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Diversity & Inclusion	• Policy, Strategy & Governance	Adopt a diversity & inclusion policy
		Establish a diversity & inclusion committee
		Introduce a formal employee grievance policy
	• Culture	Conduct diversity & inclusion awareness training for senior management
	• Disclosure	Public disclosure of data on: gender, age, job level, pay and ethnicity
Volunteering	• Community Ambassador Programme	Introduce community ambassador programme in employee induction
		Hong Kong Increase participation by 20%[6] for Hong Kong tenants & other Swire group companies
		Increase participation by 20%[6] for Hong Kong employees, their families and friends
		Mainland China Increase the number of community ambassador activities by 50%[6]
		Increase employee participation by 20%[6]
	• Community Caring Fund	Increase the number of nominated programmes from employees by 20%[6]

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SD 2030 Strategy
Focus Area and 2020 KPIs

PARTNERS

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Customers	• Retail	Conduct surveys to collect customer feedback
	• Office Workers	Conduct surveys to collect office tenant feedback
		Conduct 500 tours of The Loop[12] (Taikoo Place) for tenants, schools, and other groups
	• Hotels	Conduct hotel guest surveys
Residential	• Engagement (Owner, Occupier & Serviced Apartment)	Complete pilot survey in Hong Kong to establish baseline level of satisfaction
		Set an appropriate KPI for improvement

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Suppliers	• Supply Chain Policy	Full implementation of Swire Properties Supplier Code of Conduct ("Supplier CoC ") in Hong Kong and Mainland China
		Implement green procurement system across all business operations in Hong Kong and Mainland China
	• Monitoring (Compliance)	Ensure key high risk suppliers demonstrate compliance with Supplier CoC
	• Supply Chain Improvement	Conduct assessment to develop programme for supply chain improvements
Tenants	• Programme Development	Introduce sustainability guidelines for commercial tenants undertaking new fit-outs and renovations
		Design and implement a sustainability-related monitoring system in selected portfolios
	• Tenant Engagement	Review and expand the Green Pledge Programme to include the majority of office tenants
	• Tenant Satisfaction	Conduct tenant satisfaction surveys in office and retail portfolios in Hong Kong
		Set an appropriate KPI for improvement

(Focus Areas also listed: Customers, Residential, Government, NGOs, Joint Venture ("JV") Partners)

PERFORMANCE (ECONOMIC)

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Financial Performance	• Underlying Profit	For details of our financial performance in the year ended 31st December 2016, including key business strategies and review of operations, please refer to the Swire Properties Annual Report 2016
	• Dividends	
	• Gearing Ratio / Credit Rating	
	• Percentage of Trading Income versus Rental Income	
SD/Green Financing	• SD/Green Bonds	Explore the applicability of green bonds to our financing
	• Internal Fund	Assess the feasibility of establishing a SD internal fund
	• Venture Investment	Support small businesses, innovative ideas, and innovation through blueprint initiatives
Corporate Governance	• Whistleblowing Policy	Follow best practice whistleblowing policy
	• Anti-bribery & Anti-corruption	Annual bribery and corruption risk review by the Executive Committee
	• Responsible Investment	Incorporate environmental, social and governance ("ESG") / SD criteria into investment assessment process
	• Executive Compensation	Continually review executive compensation through the Remuneration Committee

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Disclosure & Reporting	• Integrated Reporting	Review International Integrated Reporting Council ("IIRC") framework and assess applicability for future reporting by the Company
	• Disclosure Benchmarks & SD Indices	Disclose SD information in accordance with requirements of relevant major global sustainability benchmarks
Investor Relations	• Direct	Meet regularly with investors specialising in ESG investments
	• Indirect	Actively participate in investor-led ESG platforms

(Focus Area also listed: Risk Management)

SWIRE PROPERTIES

SD 2030 Strategy
Focus Area and 2020 KPIs

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Climate Change	• Policy	Establish climate change policy
		Conduct climate risk assessment for all portfolios
	• Carbon Management & Accounting	Establish a comprehensive carbon accounting framework for reporting and management purposes
		Complete pilot study to measure carbon emissions from construction activities and embodied carbon from major building and construction materials used in One Taikoo Place
	• Decarbonisation	Achieve 27% carbon intensity reduction (tonnes of CO_2e/m^2) for Hong Kong portfolio [12, 13]

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Water	• Policy	Establish water management policy
	• Risk Assessment	Complete water risk assessment for Mainland China portfolio [19]
Biodiversity	• Policy	Establish biodiversity policy
	• Integration	Integrate biodiversity considerations into new developments
Occupant Wellbeing	• Indoor Air Quality ("IAQ")	Achieve IAQ excellent class and Mainland China IAQ standard for common areas in 80% of Hong Kong and Mainland China portfolios respectively
		Conduct research to reduce indoor PM2.5 (fine particulate matter) concentration
		Conduct occupant wellbeing surveys for office, retail and hotel properties
Building / Asset Investments	• Environmental Building Assessment Schemes [20]	Target the highest environmental building assessment scheme rating for all projects currently under development

FOCUS AREAS	PERFORMANCE CATEGORIES	2020 KPI
Energy	• Energy Reduction	**Hong Kong** Achieve 26% annual energy reduction, which is equivalent to energy reduction of 64 million kWh/year [14, 15]
		Achieve 29% energy intensity [16] reduction (kWh / m^2 /year) [17]
		Conduct energy audits for investment portfolios every five years (which is more frequent than the statutory requirement of once every 10 years)
		Mainland China Reduce annual energy consumption by 23 million kWh/year [18]
	• Renewable Energy	Formulate a strategy to increase the use of renewable energy where possible, by on-site generation, purchase from renewable sources and other methods
	• Intelligent Energy & Facility Management System	Implement pilot energy management automation projects in four selected properties (two in Hong Kong, two in Mainland China)
		Adopt facility management electronic databases in all investment portfolios
Waste	• Policy	Establish waste management policy
	• Waste Diversion	Achieve 25% commercial waste diversion rate for Hong Kong portfolio (including hotels)
		Achieve 80% demolition waste diversion rate from landfills for Hong Kong projects under development
		Achieve 60% construction waste diversion rate from landfills for Hong Kong projects under development

SWIRE PROPERTIES

SD Governance Structure

## Sustainable Development Steering Committee

Our Chief Executive, who chairs the SD Steering Committee, reports relevant sustainable development matters directly to the Board of Directors. The SD Steering Committee is responsible for reviewing and overseeing the implementation of our SD 2030 Strategy.

Working Groups

Each pillar is supported by a working group that is responsible for recommending specific KPIs for achievement by 2020 and 2030 within their respective focus areas. Membership of the working groups is cross-functional and cross-geographical.

Communication and Engagement Committee

Our SD communication and engagement committee is responsible for overseeing the internal and external communications and engagement plans.

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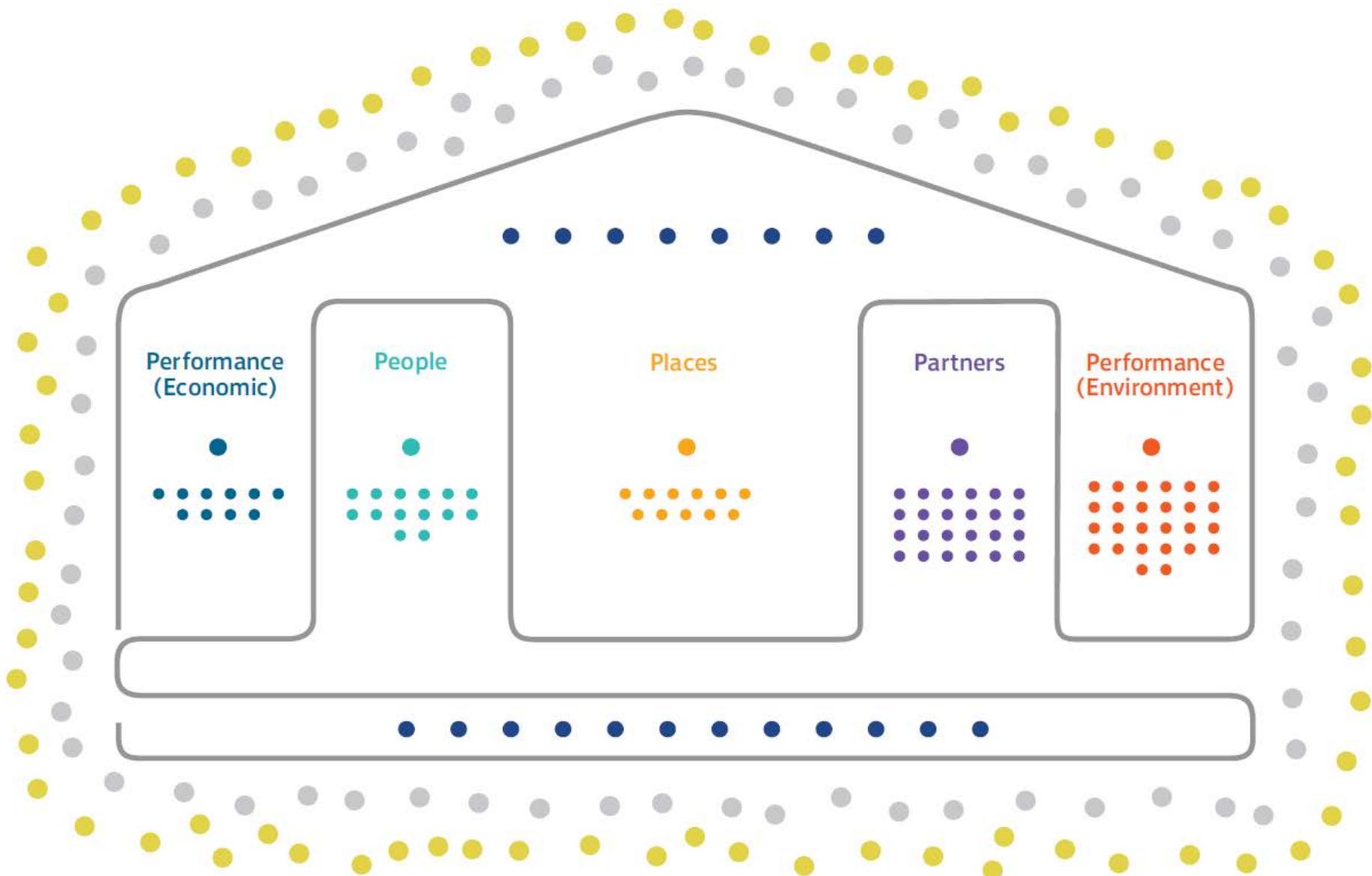
249 working group members & community ambassadors

Progress of Establishment of SD 2030 Strategy

Creating a climate for change

- Identified drivers
- Internal discussions and meeting

Engaging and enabling the whole organisation

Partnership with Forum for the Future (Feb-Jul 2015)
- In-depth engagement of stakeholders in SD discussion
- Drafted SD framework and goals

Implementing change

Management Offsite Meeting
- 1.5 days conference in Shanghai

Develop SD 2030 Strategy
- 5 strategic pillars
- Establish measurable 2020 KPIs
- New sustainable development management structure

Sustaining the change

- Constantly review the progress towards 2020 KPIs
- Regular meeting in working groups and committees
- Continuous stakeholder engagement: Making Swire Places

2014   **2015**   **2016**   **2017 onwards**

Engaging and Enabling the Whole Organisation

A 6-month project to review current targets against potential future operating conditions and collaboratively define leadership for Swire Properties for the next 15 years.

Scoping
- Kick-off meeting
- Shortlist interviewees

Interviews and research
- **29 interviews** with internal employees and external experts
- **Focus group sessions**
- Secondary desk research on key trends

Workshops
- **2** workshops with **senior management team** and **functional teams**
- Draft SD framework and action plans

Review & recommendations
- Report on recommendation & next steps

| Feb | Mar | Apr | May | Jun | Jul | 2015 |

Management Offsite Meeting

Management team had an offsite meeting in Shanghai and had made great progress on the SD 2030 target and how to bring SD2030 Strategy into action.
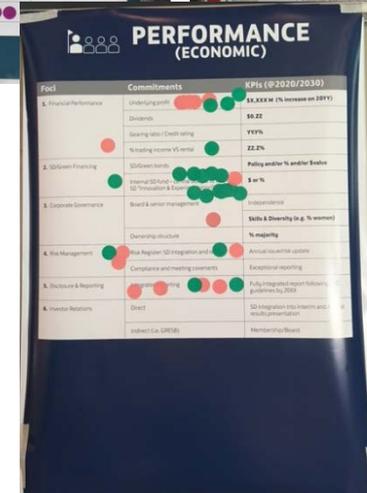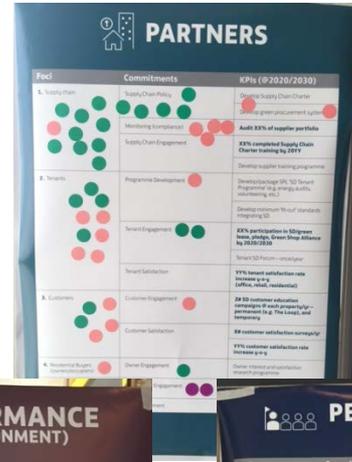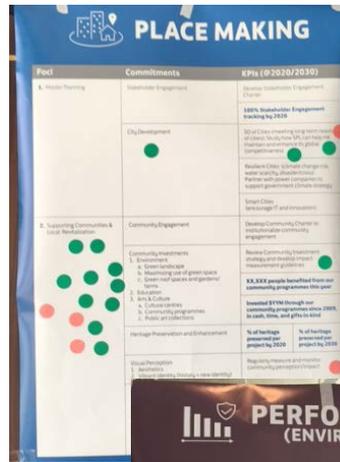
SD 2030 Strategy
Taikoo Place Redevelopment

PLACES
- Connecting Places
- Liveability
- Natural Ventilation

PEOPLE
- Employee Contributions

PARTNERS
- Integrated Design Approach
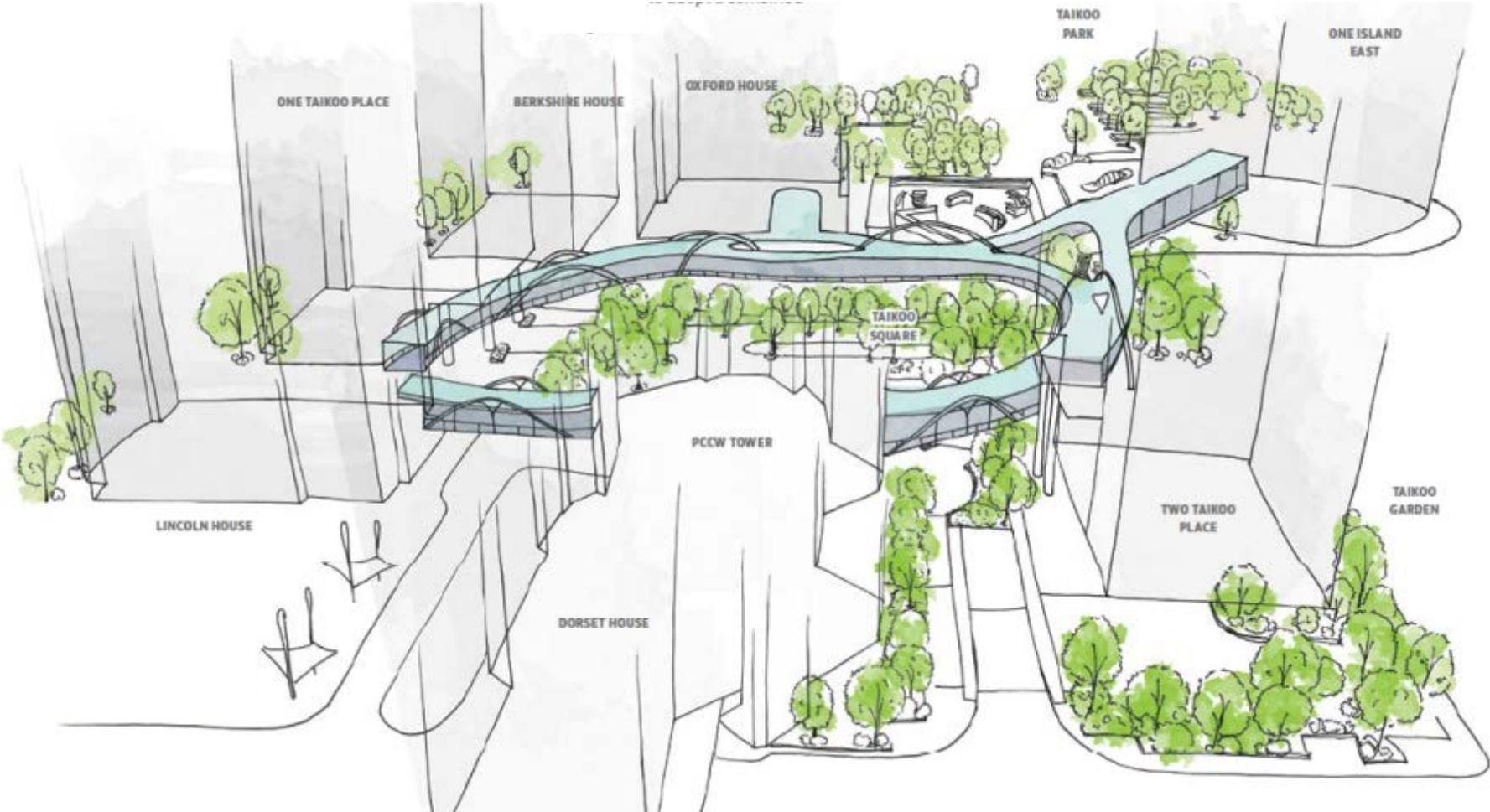- Partnering on Innovation

PERFORMANCE (ENVIRONMENT)
- Capitalising on Data Analytics
- Waste to Energy
- Green Technology
- Optimising Resource Efficiency

PERFORMANCE (ECONOMIC)
- Long-term Investment

Sustaining the Change
Continuous Staff Engagement

- Making Swire Places
- Staff Forum
- Voting till 12th June 2017