

Performance (Economic)

We aim to deliver sustainable economic performance coupled with good corporate governance and high ethical standards.





Performance (Economic)

Progress

Green Financing

Corporate Governance

Investor Relations

Risk Management and Internal Controls

We aim to deliver sustainable economic performance coupled with good corporate governance and high ethical standards.



Top Material Issues



Corporate governance



Long-term financial performance/value

Progress

Our Performance (Economic) Working Group, made up of 12 representatives from different functions within the Company, works to achieve our 2020 KPIs in the focus areas under this Pillar, namely, Financial Performance, Green Financing, Corporate Governance, Risk Management, Disclosure and Reporting, and Investor Relations.

In 2019, we continued to make significant progress towards achieving our 2020 KPIs. Our progress is summarised in the table below.



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Progress Summary Table



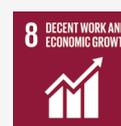
Financial Performance

Underlying Profit | Dividends, Gearing Ratio | Credit Rating

2020 KPI

Progress Updates in 2019

- Details of our financial performance for the year ended 31st December 2019 are available in the [Swire Properties Annual Report 2019](#).



Green Financing³⁰

Green Bonds

2020 KPI

- Review, develop and issue Swire Properties' first green bond

Progress Updates in 2019

- Issued our first green bond in January 2018, raising US\$500 million for green projects. Our second [Green Bond Report](#) was published in December 2019.
- Launched our first sustainability-linked loan in July 2019, with the interest rate being indexed against improvement in the Company's year-on-year ESG performance.

Internal Fund

2020 KPI

- Participate in the Swire Pacific SD Fund

Progress Updates in 2019

- Two energy-saving pilot schemes in our existing buildings received funding approval and are currently being implemented.

³⁰ In previous SD reports, we included a "New Ventures" Innovation Pipeline performance category. After having completed a review in 2019, we moved this category to [Innovation and Experimentation](#).



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Corporate Governance

Whistleblowing Policy

2020 KPI

- Follow best practice whistleblowing policy

Progress Updates in 2019

- SPL's [Whistleblowing Policy](#) was issued in November 2018.

Anti-bribery and Anti-corruption

2020 KPI

- Annual bribery and corruption risk review by the Executive Committee ("EXCOM")

Progress Updates in 2019

- An anti-bribery questionnaire covering the 2019 reporting period has been endorsed by EXCOM.

Responsible Investment

2020 KPI

- Incorporate SD criteria into our investment assessment process

Progress Updates in 2019

- In Hong Kong, we developed and adopted a new due diligence checklist with SD criteria to underpin more structured and systematic processes for responsible investment.

Executive Compensation

2020 KPI

- Continually review executive compensation through the Remuneration Committee

Progress Updates in 2019

- The Remuneration Committee continually reviews executive compensation.



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Risk Management

Enterprise Risk Management ("ERM") System

2020 KPI

- Review ERM System, including corporate risk identification, review and mitigation processes
- Integrate SD factors into corporate risk analysis

Progress Updates in 2019

- We updated our Corporate Risk Register to incorporate additional SD-related risks and integrate SD factors into our corporate risk analysis.
- Any SD-related risks identified in future materiality assessments will be considered and integrated into our Corporate Risk Register, if deemed appropriate.

Business Recovery Plan ("BRP")

2020 KPI

- Conduct a BRP drill exercise once every two years or on an as-needed basis
- Ensure all portfolios have local crisis response plans in place

Progress Updates in 2019

- A BRP drill was conducted in 2019.
- Local crisis response plans are in place for all portfolios.



Disclosure and Reporting

Disclosure Benchmarks and SD Indices

2020 KPI

- Disclose SD information in accordance with requirements of relevant major global sustainability benchmarks

Progress Updates in 2019

- We continued to participate in various [sustainability benchmarks and indices](#).



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Investor Relations

Direct

2020 KPI

- Meet regularly with investors specialising in Environmental, Social and Governance (“ESG”) investments

Progress Updates in 2019

- Held our inaugural ESG Investor Day, attended by over 50 investors and analysts, including some investors focused on ESG investments.
- Incorporated more discussions on SD in meetings with investors during regular post-results road shows.

Indirect

2020 KPI

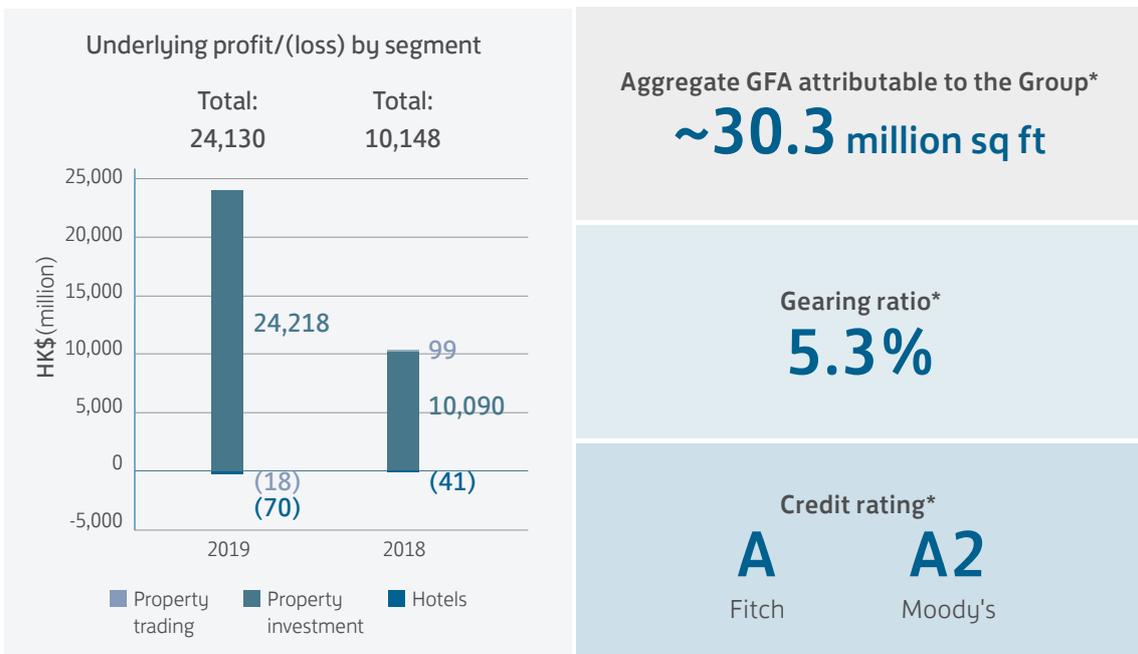
- Actively participate in investor-led ESG platforms

Progress Updates in 2019

- We continued to participate in investor-led platforms, such as GRESB, from which we received a five-star rating.

Financial Highlights for 2019

GRI 201



Our focus area on Financial Performance aligns with:

SDG 8

Promote sustainable economic growth, employment and decent work for all.

*At 31st December 2019



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Corporate Governance

We are committed to conducting our affairs in accordance with high ethical standards. This reflects our belief that it is imperative to act with probity, transparency and accountability in order to achieve our long-term objectives of maximising shareholder wealth while promoting the interests of our employees, those with whom we do business and the communities in which we operate.

The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to our shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risks are understood and managed appropriately;
- the delivery of high quality products and services to the satisfaction of our customers; and
- that high standards of ethics are maintained.

Our Chairman is responsible for ensuring, through the Board, that good corporate governance practices and procedures are followed. Our Audit Committee, consisting of three Non-Executive Directors, is responsible for assisting the Board in discharging its responsibilities for corporate governance. An 80% minimum Board meeting attendance requirement (in person or through electronic means of communication) was established for all Board members in May 2020.

Our EXCOM, which is chaired by the Chief Executive and comprises two Executive Directors and ten members of senior management, is responsible for overseeing the day-to-day operations of the Company.

For more information on Corporate Governance, please refer to the [Swire Properties Annual Report 2019](#).

GRI
102-18, 102-23

Ethics

Corporate Code of Conduct

Our [Corporate Code of Conduct](#) (“the Code”) applies to every employee, officer and director of the Company and its subsidiaries. It sets out the operating principles underpinning our management approaches to a range of issues, including:

- Business ethics
- Conflicts of interest
- Competition and antitrust
- Bribery
- Political contributions
- Gambling
- Procurement
- Record keeping
- Use of Company information and property
- Whistleblowing
- Health and safety
- Environment
- Equal opportunities and diversity
- Use of social media
- Privacy

Under the Code, all our employees have a responsibility to report concerns about any suspected or actual improprieties relating to the Company and/or its subsidiaries. Employees found to be in breach of the Code will be subject to disciplinary action. In 2019, there were no reported cases regarding breaches of the Code.

GRI
102-16, 102-17

HKEX
KPI B7.2



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Whistleblowing Policy

Our [Whistleblowing Policy](#) sets out our policy on whistleblowing, including the protection of whistleblowers from reprisal or disadvantage.

If an employee wishes to report concerns, they should contact our human resources and administration department, their immediate supervisor, the Swire group internal audit department (“GIAD”), or make a report through our whistleblowing platform hosted by a designated third-party service provider, which includes a 24-hour hotline service. Third parties who deal with Swire Properties, such as customers and suppliers, are also encouraged to report their concerns either directly to GIAD or via the whistleblowing platform.

In December 2019, we received one whistleblowing report related to the work behaviour of an employee. The case is under further investigation.

We are committed to the fair treatment of any person who makes a genuine and appropriate report. In addition to making every effort to keep the identity of whistleblowers confidential, all reported information is treated in confidence, except where Swire Properties is required by law or regulation to disclose it, for legal or audit purposes, or where Swire Properties refers the matter to relevant regulators or law enforcement authorities.

HKEX
KPI B7.2

Anti-Corruption Practices

We have a strict policy of compliance with anti-bribery laws in every applicable jurisdiction. Our employees are not permitted to offer or accept advantages for the purpose of influencing business decisions, to make any form of payment to officials, or to grant, guarantee or accept loans from any person or organisation with whom we have business dealings.

To avoid the perception of improper conduct, our employees are expected to exercise caution when making or soliciting contributions to charitable causes and when providing entertainment and corporate hospitality or reimbursing bona fide expenses for legitimate business purposes. In 2019, there were no concluded legal cases regarding corrupt practices brought against the Company or its employees.

All employees are required to confirm on an annual basis that they have read and agreed to be bound by the Code, which includes our anti-bribery practices. We have made it compulsory for our employees to receive online anti-bribery training once every two years.

In 2019, approximately 6,660 hours of anti-bribery related training were conducted for employees across the Company, and all Directors received anti-bribery-related training materials in January 2020.

GRI
205

HKEX
Aspect B7
KPI B7.1, B7.2,
B7.3 (new)



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Product Responsibility

We are committed to ensuring that our marketing and communications materials comply with relevant government regulations and industry guidelines, including the Residential Properties (First-hand Sales) Ordinance in Hong Kong and the Consent Scheme of the Hong Kong Lands Department.

We respect property rights, including intellectual property rights, and require our employees to comply with applicable legal requirements relating to the collection, holding, processing, disclosure and use of personal data, and to respect the privacy of others and the confidentiality of information received in the course of business.

Please refer to the [Partners](#) section of this report for information about our Data Management and Protection Policy (Customer Data).

Competition Law

We are committed to complying with all applicable competition and antitrust laws, including the Competition Ordinance in Hong Kong. In 2019, there were no legal actions related to anti-competitive behaviour brought against Swire Properties.

To help our employees understand the legal requirements of the Competition Ordinance in Hong Kong, we have guidelines in place on dealings with competitors and third parties, avoiding abuse of market power and participating in trade associations and industry bodies. We have also developed and implemented a Competition Law e-training programme for the relevant Hong Kong employees.

HKEX
KPI B6.3, B6.5



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Risk Management and Internal Controls

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company’s strategic objectives and for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems.

GRI
102-11, 102-30,
201, 403

Risk Governance Framework

Under our risk management framework, the Board and management are responsible for identifying and analysing the risks underlying the achievement of business objectives and for determining how such risks should be managed and mitigated.

As summarised in the following diagram, the Board oversees management in the design, implementation and monitoring of risk management and internal control systems. Management provides confirmation to the Board, through its Audit Committee, on the effectiveness of these systems.

The management of risks is subject to audit by GIAD with support from specialist external consultants, where necessary.

Risk Governance Framework



Ongoing Review of our ERM System

Our ERM System helps us identify, analyse and manage business risks. Risk identification, analysis and management processes are completed on a regular basis throughout the year and the results help to guide our business decisions.

After reviewing our ERM System in 2017, we updated our Corporate Risk Register in 2018 to incorporate additional SD-related risks, such as climate-related risks. We have also integrated SD factors into our corporate risk analysis.

In late 2019, a half-day “top-down” risk identification workshop for our EXCOM was held by external risk management consultants. Certain new risks were identified and an evaluation of their impacts to the business is in progress. Going forward, we also plan to enhance the presentation and format of our Corporate Risk Register so that the details of each risk area are set out more clearly.



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Risk Profile

The following table provides an overview of our risk profile, including what we consider to be Swire Properties' principal existing and emerging risks, possible associated impacts, and mitigation measures that are in place or under development. Many of these mitigation measures refer to activities discussed in more detail elsewhere in this report.

Existing Risks and Possible Impacts	Mitigation Measures
<p>Economic and political volatilities could lead to adverse impacts on the property market and our development costs.</p>	<ul style="list-style-type: none"> • Differentiate our properties in the market and maintain a balanced tenant mix. • Pursue development schemes that do not require the payment of a land premium or, if the payment of a land premium is required, allow sufficient time to review the premium. • Arrange workshops for teams at building management offices to familiarise them with procedures for managing incidents arising from social unrest.
<p>Change in government policies could adversely affect the property market and our financing costs.</p>	<ul style="list-style-type: none"> • Liaise closely with government authorities about property-related policies, closely monitor policy developments and seek to secure planning approvals as early as possible. • Adopt conservative budgeting assumptions when assessing new opportunities. • Explore alternative sources of funding.
<p>Increase in development costs and delay in project completions could adversely affect our financing costs.</p>	<ul style="list-style-type: none"> • Closely monitor and manage construction progress and contractors to avoid delays in project development. • Implement stringent prequalification assessments of contractors and approval mechanisms for design changes. • Build in additional time during development planning to obtain statutory approvals and communicate with government authorities on a timely basis.



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Existing Risks and Possible Impacts

Health and safety issues could lead to casualties, property damage, construction delays and disruption to our business and/or damage to our reputation.

Cyber-attacks on networks and systems could result in disruptions to our business, data breaches, damage to our reputation, and/or financial loss.

Mitigation Measures

- Ensure [safety management](#) is part of property construction and management, including incident investigation, safety guidelines and training, contractor evaluation and maintenance programmes for fire-fighting systems and other building facilities.
- Our BRP and other business compliance measures (including specific health and safety provisions) are in place.

- Conduct regular audits to assess compliance with our Information and Cyber Security Policy, provide training on information security awareness, test network security and conduct drills as part of the BRP.
- A Cyber Incident Response Plan is in place to address cyber-attacks that may threaten our business.
- Include [data protection obligations](#) in contracts with third-party data processors.

Emerging Risks and Possible Impacts

Climate change, which may give rise to extreme weather conditions, could expose properties to increased risks of physical damage and could adversely affect property valuation.

Mitigation Measures

- A [Climate Change Policy](#) is in place.
- Conduct [climate risk assessments](#) for all portfolios.
- Science-based targets with a view to achieving long-term decarbonisation have been established.
- [Monitor and reduce carbon emissions](#) from construction activities and embodied carbon from major building and construction materials.



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Green Financing

We are committed to integrating sustainability considerations into our financing mechanisms. By obtaining green financing through green bonds and sustainability-linked loans, we not only support the transition to a low-carbon, more resource-efficient and sustainable economy, we also reaffirm our commitment to SD, and to designing and developing sustainable projects that improve the wellbeing of building occupants and local communities.

Green Bond Proceeds Fully Allocated

The issuance of our first green bond in January 2018 is a sign of our deepening and ongoing commitment to SD. The bond raised US\$500 million at a coupon rate of 3.5% and is due in 2028. The 10-year green bond was issued under our US\$4 billion Medium Term Note Programme and was rated A2 by Moody's Investors Service and A by Fitch Ratings.

This was the first bond in Hong Kong to obtain Pre-issuance Stage Certification under the Green Finance Certification Scheme by the Hong Kong Quality Assurance Agency (HKQAA). The net proceeds from the green bond have been fully allocated to the following green projects:

Category	Projects	Green Bond Proceeds Allocated ¹
Green Buildings	One Taikoo Place and Two Taikoo Place	HK\$3,720 million 95.6%
Energy Efficiency	Cityplaza, Pacific Place and Taikoo Place	HK\$147 million 3.8%
Renewable Energy	One Taikoo Place	HK\$13 million 0.3%
Sustainable Water and Wastewater Management	Taikoo Place, including One Taikoo Place	HK\$11 million 0.3%
Total allocated proceeds		HK\$3,891 million² 100%

¹ As at 30th September 2019

² An independent assurance provider, PricewaterhouseCoopers has issued a limited assurance report. Please refer to pages 7 to 9 of the [green bond report](#) for further details.

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Details of First Green Bond

Size	US\$500 million
Tenor	10-year
Issue Date	10th January 2018
Coupon	3.5%
Issue Price	99.566%
Ranking	Senior Unsecured
Joint Lead Managers & Bookrunners/ Joint Green Advisors	<ul style="list-style-type: none"> Bank of America Merrill Lynch HSBC
Ratings	<ul style="list-style-type: none"> A – Fitch A2 – Moody's
Certification	First Green Bond in Hong Kong to obtain Green Finance Certification from HKQAA 
Second Party Opinion Provider	 SUSTAINALYTICS
Inclusion in Green Bond Indices	<ul style="list-style-type: none"> Bloomberg Barclays MSCI Green Bond Index ICE BofAML Green Bond Index

Our [Green Bond Framework](#) is available online. Net proceeds will be used to fund green projects meeting one or more of the following categories of eligibility recognised in the [Green Bond Principles](#).



Renewable Energy



Energy Efficiency



Sustainable Water and Wastewater Management



Climate Change Adaptation



Green Buildings

In 2019, we issued our second [Green Bond Report](#) which provides information on the bond's green projects and estimated quantitative environmental impacts, including energy and water savings, renewable energy generation and wastewater management impacts, among others.



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Swire Properties' First Sustainability-linked Loan

In July 2019, we secured our first sustainability-linked loan, making Swire Properties the first company in Hong Kong to launch such a financing mechanism against improvement in its year-on-year environmental, social and governance (“ESG”) performance.

We reached an agreement with Crédit Agricole Corporate and Investment Bank to convert an existing five-year revolving credit facility of HK\$500 million, dated August 2017, into a sustainability-linked loan, with the interest rate being indexed against improvement in the Company’s year-on-year ESG performance.

Within this loan structure, the bank will grant a reduction in interest rate each year based on the following two criteria:

- We retain our listing on the DJSI World.
- We achieve a target reduction in energy use intensity, measured in units of kWh/m² each year, for our Hong Kong portfolio.

This loan will be used for investments supporting the Company’s targets set under our SD 2030 Strategy, such as the adoption of advanced energy-saving technologies, and to fund ongoing green building developments, including Two Taikoo Place.

This loan was developed with reference to the framework of the internationally recognised Sustainability Linked Loan Principles developed by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association.

Investor Relations

We believe in keeping our investors properly informed of our operations and our plans, in being transparent and proactively communicating with them about all matters, both financial and those related to sustainability.

Our Inaugural ESG Investor Day

In November 2019, our inaugural ESG Investor Day was held at Blueprint at Taikoo Place and was attended by over 50 investors and analysts. During the event, members of senior management gave presentations on updates and achievements related to our SD 2030 Strategy. The participants were also given a tour of Taikoo Place and had the opportunity to experience the first-hand SD features built into the complex.

