



SWIRE RESOURCES

Sustainable Development Report 2014

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About This Report

This Sustainable Development Report is about our commitment to reducing our environmental impact, enhancing our health and safety performance, caring for our employees and engaging with our business partners and the communities where we operate. It describes our initiatives in calendar year 2014 and outlines our targets for 2015. We refer to the G3.1 Sustainability Reporting Guidelines of the internationally recognised Global Reporting Initiative (GRI)¹ for a coherent style of reporting.

MANAGING DIRECTOR'S MESSAGE

2014 has been a challenging year for Swire Resources in both Hong Kong and Mainland China. The 79 days of Occupy Central Movement in Hong Kong disrupted our store performance significantly in the affected areas and in China, the economy entered into a new normal of economic slowdown after years of accelerated growth.

Given the challenging times, sustainability remains one of our key values at Swire Resources. We have continued with our ambitious energy saving programme, which has enabled us to significantly reduce carbon emissions; these efforts have been recognised, as Swire Resources was the 2014 recipient of the CLP Green Plus Silver Award.

We believe people are vital to ensuring the sustainable future of our business; therefore, in 2014, greater emphasis was placed on people development. In addition to training employees to embrace new business skill sets and new technologies, we organised a range of programmes aimed at promoting health and wellbeing. Employees were encouraged to participate in after-work recreational activities to enhance their work-life balance. We also encouraged staff to join efforts to reduce our carbon footprint and protect nature by participating in our Green Monday programme. Our marketing initiatives also embraced our mission of contributing back to society including training under privileged secondary schools to participate our GigaSport 10km running race as means to build up their confidence.

Being one of the leading retailers in Hong Kong, we partnered with the Vocational Training Council (VTC) to launch an 18-month Earn and Learn Pilot Scheme for the retail industry, aimed at giving students opportunity to understand the potential career development through pre-graduation internships with the company.

Looking forward to 2015, we are in no doubt that the retail industry will continue to present challenges. However, we remain committed to protecting the environment, ensuring the safety and well-being of our staff, and contributing to the communities in which we operate.

Janis Tam
Managing Director



Governance & Economic Performance

Governance

Swire Resources Limited (SRL) developed its Sustainable Development (SD) Policy in 2009 to guide the thinking and management decisions behind all our operations and help to bring sustainable stewardship to life. We have also created an Environment and Health & Safety (EHS) taskforce to oversee adherence to this policy and enhance internal communication of EHS matters. The EHS Committee is chaired by a Director and includes representatives from various business units.



Economic Performance

		2014	2013	Change
Turnover	HK \$ million	3,020	3,896	(876)
Attributable Profits	HK \$ million	47	142	(95)

* 2013 figures have included Columbia China

The attributable profit for year 2014 was at HK\$ 47 million.

Swire Resources is an industry leader in the distribution and retailing of sports and lifestyle brands in Hong Kong and Mainland China. At the end of 2014, we were operating 249 retail stores, with 171 located in Hong Kong, 13 in Macau and a further 65 located in Mainland China. These primarily consist of three multi-brand sports and casual wear retail chains: Marathon Sports, which is one of the largest sportswear retail chain in Hong Kong, GigaSports and Catalog; as well as single-brand concept stores for the various brands the company distributes. In Hong Kong, we are the distributor for Columbia, Rockport footwear, Cath Kidston, Chevignon, Teva, Jockey, Repetto, UGG, Arena and Speedo. In Mainland China, we represent Repetto, Rockport footwaer and Chevignon.



ENVIRONMENT

Reduce Carbon Emissions / Enhance Energy Efficiency

Retail stores

In 2014, we continued to reduce our carbon footprint in our retail stores, offices and warehouse locations and achieved a 2% reduction over 2013. Following efforts to ensure all lighting in our stores is energy efficient, we were awarded the CLP Green Plus Silver Award 2014, recognising our commitment to minimal carbon impact through our daily business operations.

Head office and warehouse

In our head office and warehouse, our in-house SD team has been educating staff to make proper use of zoned lighting where available, and ensuring lights and air conditioning systems are switched off at the end of each day, in order to maximise the energy efficiency of our working spaces. In addition, the warehouse has adopted a policy of only using air conditioners once a certain temperature or humidity level has been reached.

Swire Resources has been offsetting business travel with Cathay Pacific's Fly Greener programme since 2009. To date a total of 2,998 tonnes of carbon emissions have been offset. We will continue this practise in 2015. All new vehicles purchased by the company are Euro V certified.

Raising Staff Awareness

Our efforts to raise staff awareness of environmental issues saw the implementation of innovative, interactive activities throughout the year. The Green Monday campaign encouraged staff to have "meatless Mondays" for nine consecutive weeks: an easy and effective way to reduce their carbon footprint and improve overall health. One meatless meal can save 1.37 kg of carbon emissions, which is equivalent to using an air-conditioner with a Grade 1 energy label for two hours. Fruit was also distributed to participants, and a weekly lucky draw was an added incentive for staff to join in the healthy fun.

Eco tours enabled staff to bring their families along on weekend excursions and learn more about the environment. In 2014, Swire Resources staff visited an organic strawberry farm at Pak Nai, to learn about the benefits of natural, chemical-free farming. A trip to learn about sustainable Gei Wai shrimp harvesting proved to be extremely popular and, of course, everyone enjoyed taking part in the tasting session.

Finally, Swire Resources continued to organise internal recycling programmes, particularly around festival seasons. Recycling facilities for red packets, old clothes and moon cake boxes were set up in our office and warehouse communal areas and staff made a great contribution to minimising waste in this way.

ENVIRONMENT

2014 Objectives and Targets		Remarks
<u>Hong Kong</u>		
To achieve a 30% reduction in kWh/sq.m. electricity consumption in our retail stores, compared with baseline year 2008.	Ongoing	Efficiency has improved by 29.3% compared with 2008.
To organise environmental campaign to raise staff awareness	✓	Two eco-tours and Green Monday have been organised
To seek opportunities to share environmental initiatives with industry peers	✓	We participated in the CLP Green Plus Awards scheme.
To encourage waste reduction within our offices	✓	Workshops have been organised to highlight food waste issues in Hong Kong and food up-cycling initiatives
<u>Mainland China</u>		
To improve energy efficiency in Mainland China operations and continue to promote environmental awareness to staff	✓	Two eco-tours have been organised in Shanghai and Guangzhou

2015 Targets

Hong Kong

- To maintain operational efficiency (i.e. 30% reduction compared with 2008) in kWh/sq. m
- To explore opportunities to reduce waste and promote staff awareness in this respect

Mainland China

- Continue to organise eco-tours for Mainland staff
- Continue to promote environmental awareness in our Mainland offices
- Continue to improve energy efficiency throughout our Mainland operations



HEALTH AND SAFETY

Swire Resources believes all accidents are preventable. To encourage and guide retail staff towards this goal, we continued to circulate a monthly safety bulletin to stores in Hong Kong and Mainland China, with the aim of promoting a responsible approach to safety issues amongst our staff. In addition, the intra and inter-brand safety checking programme has enhanced safety standards in our direct retail operations.

To foster an interactive approach to Health & Safety issues, we held an EHS experience-sharing session during our EHS taskforce meeting. Retail operation representatives discussed problems, shared best practices, and identified a number of solutions to ensure our EHS policies can be even more effective.



We collaborated with the Labour Department to provide a manual handling training session for our warehouse and transport staff, and representatives from Swire Properties spoke at our internal fire safety seminar in Hong Kong, to educate office staff about emergency procedures that could save lives. Expanding the reach to our Mainland staff, we completed a Cross Safety Observation exercise in our Beijing retail stores and warehouse - once again leveraging our connection with Swire Properties.

Disruption caused at the start of Occupy Central did have some adverse effects on the performance of some retail stores; however, we took it as an opportunity to revise and improve our contingency plans to ensure any further disturbances would have a minimal impact on the business. In addition, we successfully conducted an annual review and simulation exercise to test our Business Continuity Plans in both the Hong Kong office and at a Chevington store in Guangzhou, using scenarios that would render each location unusable and inaccessible for at least two weeks. All emergency protocols were correctly followed and the simulation exercise was completed satisfactorily; key learnings will be incorporated in the 2015 Business Continuity Plan.



HEALTH AND SAFETY

2014 Objectives and Targets		Remarks
<u>Hong Kong</u>		
Continue to raise staff awareness by circulating monthly safety bulletins, encourage sharing of work injury issues at store managers' meetings and organise shop safety days	Ongoing	-
Continue to provide safety training to staff	Ongoing	-
Enhance fire safety awareness in the office	Ongoing	A Fire Safety Talk and Fire Drill have been organised
Indoor Air Quality Yearly Review	✓	A Good Class IAQ Certificate was awarded to the CP1 office
<u>Mainland China</u>		
Enhance EHS framework for Mainland retail stores and warehouses	✓	BCP Drill has been organised in Guangzhou
Promote safety awareness to staff (e.g. through safety competitions)	Ongoing	A Cross Safety Observation in Beijing stores and warehouse has been organised in conjunction with Swire Properties

2015 Targets

Hong Kong

- To achieve 3% reduction in the work injury rate compared with 2014
- To organise safety campaigns to promote a positive safety culture
- To maintain high standards of health and safety throughout all business and retail platforms, to ensure a safe working and shopping environment for all

Mainland China

- To promote fire safety awareness to Mainland staff
- To foster a positive safety culture through safety awareness campaigns



EMPLOYEES

Employees are crucial to sustaining business growth. In this respect, we face two major challenges in our daily operations: talent acquisition and staff retention.

We have adopted proactive recruitment strategies in the labour market to ensure a quality staff team is in place. At the same time, we have continued to participate in programmes and events organised by the Labour Department, Employees Retaining Board, HK Employment Development Service, Christian Action and other NGOs to offer different kinds of job opportunities to support community need.

In 2014, the Vocational Training Council (VTC) launched the 18-month Earn & Learn Pilot Scheme for the Retail Industry. The scheme integrated structured vocational education and on-the-job training, with the aim of equipping students with the requisite skills and knowledge to take their first step on their career path. Swire Resources hired 64 students, which made us one of the core employer companies participating in this scheme. As with any of our new joiners, we provided comprehensive training to the students, including general service skills, product knowledge, communication skills and other team-building activities. It was rewarding to see the enthusiasm and rapid development of this group of students through training and learning on the job in their assigned positions.

To support the sustainable growth of the business, Swire Resources fosters a work environment and reward system through which employees are encouraged to maximise their individual and team performance. In alignment with the increasing ratio of younger generation members of our workforce, and to match their changing work and life styles, we are putting more effort into staff engagement and motivation in a positive working environment, in order to drive and stimulate staff performance.

To continue 2013's theme of "Happy Staff, Happy Customers" in frontline operations, we further enhanced our mission of delivering "STARS" service (Smile & Hi, Teamwork, Action, Respect, Strong Knowledge) in 2014. By applying the new activity-based formula, we aimed to generate a friendly working environment, with strong cohesiveness amongst team members. We believe only when our staff feel respected and well supported by their teammates, can they achieve job satisfaction and this will translate into positive energy in providing superior STARS service to our customers.



EMPLOYEES

We also continued to develop the mentor system. Our shop managers have been given the opportunity to sharpen their mentoring skills and leadership abilities by taking on the role of “big brother” or “big sister” to junior staff. The managers were proud to be able to assist their assigned mentees to learn and progress in the working environment by sharing their own knowledge and experience. It has been rewarding to see such a win-win result, which has given both mentors and mentees confidence in their personal career development and set them on course to become the key pillars of our future leadership team.

More examples of our commitment in developing the young generations are reflected in our training and development programs. Besides the structured “Retail Academy” for training up the required position’s skills for all levels of frontline staff, some newly designed programs and activities were introduced.

Our commitment to developing the younger generation is reflected in our varied training and development programmes. In addition to the structured “Retail Academy” for training all levels of frontline staff, some newly-designed programmes and activities were introduced.

The tailor-made “Star Development Programme” is designed for newly-promoted shop managers. It includes a series of interactive courses covering leadership skills, a proactive mind-set, operational and people management, aimed at enriching both their personal and professional development.

To ensure that our training programmes remain relevant and attractive and to motivate the targeted participants, course content and methods are continuously updated and popular elements included to maintain interest levels. A team building workshop, “Running Team” was introduced in 2014. The idea came from the popular Korean TV show “Running Man”. The one-day “Running Team” programme required participants to complete a series of interesting and challenging tasks using team effort. In 2014, a total of 220 Senior Shop Associates joined the workshop and shared the satisfaction of team success.

In addition to internal training, we arrange diverse external learning opportunities for our staff team, from junior to managerial level employees. Financial assistance is provided for staff who attempt to improve their job-related skills. We also work with the Institute of Vocational Education (IVE) to organise classes in retail sales and retail management. In 2014, more than 400 frontline staff were enrolled in IVE classes.



EMPLOYEES

2014 Objective Achievement

To build different tools and channels to sustain a stable manpower supply	✓	Extended the use of sources and channels in recruitment like Whatsapp, trucks, web cam interview and recruited a pool of a stable and potential frontline staff through the participation of Earn & Learn Pilot Scheme
Reinforce staff engagement and motivation in a happy working environment	✓	Engaged senior staff by building their ownership in team performance and provided all rounded training to strengthen their personal and professional development. Aligned "STARS" service theme in activities like the annual Commitment Day and service campaign to uplift service standard and team morale in a supportive environment
Enhanced training programs' structure and methods to meet with latest brands' and business development	✓	Arranged tailor-made and diversified training programs and activities for employees, and worked with external institute for providing retail training to enrich their learning opportunities



2015 Target

- Complete the set up recruitment linkage in company website and continue to cooperate with NGOs and educational institute in different programs in order to strengthen the employer branding
- Enhance staff engagement by further enforcing team morale and look into improvement areas in staff retention
- Revamp training materials to suit the latest trend
- Develop strategic approach in developing middle management





BUSINESS PARTNERS

We favour suppliers and contractors who share our commitment to Sustainable Development. Currently, around 85% of stock purchases come from international brands such as Nike, Adidas, Reebok, Puma and Columbia, all of whom comply with international manufacturing practice standards. To ensure all our suppliers meet Swire Resources Limited’s standards, all 69 factories from which we source products have signed up to our code of conduct and 19 of the 69 have been audited by third parties to ensure compliance.

2014 Objectives and Targets		Remarks
Request factories that have not performed third-party audits to perform self-audits to monitor their compliance with our code of conduct	✓	20 factories have performed self-audits

2015 Targets
The 20 factories will continue performing self-audits in 2015 to monitor their compliance with our code of conduct. Third-party audits will be considered at a future date. Those factories found to be non-compliant will be given a three-month grace period for rectification. If they have any areas of non-compliance after the grace period, we will invite them to participate in an improvement programme (and engage external consultants if necessary) to ensure that they comply with our code of conduct.

OUR COMMUNITY

Our volunteer team comprises of many colleagues across both our retail and office locations. A total of 1981.5 hours were donated by our staff during weekends and weekdays to help a multitude of underprivileged and needy people in our local communities. To recognise our staff's commitment to volunteering, Swire Resources rolled out a new policy, a maximum of 2 days paid leave per year will be awarded by which 10 hours contribution of community service.

To enable our retail staff to fulfil their community service passions, additional volunteering opportunities during weekdays were organised. This has proved popular and enabled our company to give back even more to those in need. As a result, it is our target to further increase the number weekday opportunities in 2015.

Leveraging on our Group connections, we took underprivileged families to some educational tours to learn about aeronautical engineering and plant visits which created wonderful opportunities for the youngsters with very special and educational experience. We intend to further work closely with other Swire Group companies in 2015 to give children and families in need the chance to learn more through day trips and site visits.

After successful NGO collaborations in 2013, we focused our energy and resources on supporting smaller NGOs in 2014 including the Hong Kong Association for the Deaf, and the Banyan Service Centre which supports elderly citizens. It is meaningful to be more involved with small, local NGOs as they have a large impact on our immediate communities, but without support from companies and volunteers, they may struggle to continue their operations.

Finally, we are delighted that for the eighth consecutive year, Swire Resources has been nominated as a Caring Company. Through this nomination, we were able to recommend 3 of our most dedicated volunteers as Caring Ambassadors in recognition for all their time spent helping the less fortunate and their selfless hard work.



OUR COMMUNITY

2014 Objectives and Targets		Remarks
<u>Hong Kong</u>		
To increase participation rate	√	Participation rate increased by 22% compared with 2013
To further promote volunteering activities to retail staff	√	We have nearly a double retail staff joining our community service than same period last year
To explore new NGO partners so as to extend our service coverage	√	Partnered with S.K.H. St. Christopher's Home, Hong Kong Association of the Deaf & Banyan Service
To establish volunteer service leave mechanism to encourage more participation	Ongoing	We have offered 2 days of voluntary service leave each year to volunteers fulfilling certain requirement
<u>Mainland China</u>		
Seek more community service opportunities in Mainland China	Ongoing	Organized 2 community services in Beijing and Shanghai



OUR COMMUNITY

2015 Targets

Hong Kong

- To organise three additional community service events, targeting retail staff participation, to promote a sense of community
- To increase participation by 5% compared with 2014
- To set up a community service award for retail staff to encourage participation in voluntary services
- To involve retail and office staff in organising community service events, in order to develop their organisational and leadership skills

Mainland China

- Seek more community service opportunities in Mainland China
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Contact Us

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Appendix 1

Sustainable Development Policy

Swire Pacific Limited has established a formal Sustainable Development Policy which provides a policy direction and oversight to all group companies. In line with SPL's policy, Swire Resources adopts this policy because we recognise our long-term value creation depends on the sustainable development of our businesses and the communities in which we operate. We also wish to excel as corporate citizens.

Our policy:

Industry leadership:

We will work with others to promote sustainable development in the industries in which we operate.

In our operation:

We will meet or exceed all legal requirements and:

- Be a good steward of the natural resources and biodiversity under our influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed.
- Operate as far as is reasonably practicable in a manner which safeguards the health and safety of all our stakeholders.
- Strive to be an employer of choice by providing an environment in which all employees are treated fairly and with respect and can realise their full potential.
- Favour supplies and contractors who promote sustainable development and encourage the responsible use of our products and services by our customers and consumers.
- Promote good relationships with the communities of which we are a part and enhance their capabilities while respecting people's culture and heritage.



Appendix 2

Summary of Statistic (Hong Kong)

Environmental		Quantity							
		Unit	2014	2013	2012	2011	2010	2009	2008
Materials									
EN3 & EN4	Direct energy consumption by primary energy source	GJ	1,772	1,816	1,778	1,609	1,536	1,613	1,567
	Indirect energy consumption by primary source	GJ	29,249	29,789	30,639 ^{Note 6}	28,206	28,655	29,619	29,575
	Total energy consumption	GJ	31,021	31,604	32,398 ^{Note 6}	29,815	30,191	31,232	31,142
EN8	Total water withdrawal by source	m ³	2,866	2,661	3,403	3,042	3,282	3,367 ^{Note 5}	2,967
EN10	Percentage and total volume of water recycled and reused	% of total	0	0	0	0	0	0	0
	Water discharge to sea	% of used	0	0	0	0	0	0	0
EN21	Water discharge to sewer	% of used	100	100	100	100	100	100	100
	Total water discharge by quality and destination	% of used	100	100	100	100	100	100	100
Emissions, Effluent, and Waste									
EN16	Direct greenhouse gas emissions by weight	Tonnes of CO ₂	137	136	133	121	116	127	113
	Indirect greenhouse gas emissions by weight	Tonnes of CO ₂	5,393	5,485	5,653 ^{Note 6}	4,944	4,973	5,396	5,265
	Total greenhouse gas emissions	Tonnes of CO ₂	5,530	5,621	5,786 ^{Note 6}	5,066	5,089	5,522	5,378
EN19	Emissions of ozone-depleting substances by weight	Tonnes of CFC-11 equivalent	0	0	0	0	0	0	0
Labour Practices and Decent Work									
Employment									
LA1	Total workforce	No. of employees	2,787	2,656	2,526	2,336	1,716	1,542 ^{Note 4}	1,661 ^{Note 4}
Occupational Health and Safety									
LA7	Total working hours of employees	Thousand hrs	4,555	4,374	4,106	3,278	2,909	2,733 ^{Note 5}	2,719
	Total injuries ^{Note (1)}	No. of employees	42	29	60	44	28	42	33
	Total fatalities	No. of employees	0	0	0	0	0	0	0
	Lost time injury rate ^{Note (2)}	-	1.84	1.33	2.92	2.68	1.92	3.07	2.43
	Lost days due to injuries	No. of days	584	417	926	341	260	218	317
	Lost day rate ^{Note (3)}	-	25.62	19.05	45.11	20.81	17.87	15.95	23.32

Notes:

(1) Total injuries are those which result in lost time of a minimum of one day. (In the above table total injuries includes fatalities)

(2) Lost Time Injury Rate = Total Injuries / Total Hours Worked X 200,000*. (*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)

(3) Lost Day Rate = Total Days Lost / Total Hours Worked X 200,000*. (*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)

(4) Figure has been revised to include secondees and include only the wholly owned operation of Swire Resources Limited

(5) Increase was due to extended operational hours in warehouse

(6) Figure revised due to updated consumption figure.

Appendix 3

Summary of Statistic (China)

Environmental		Quantity							
		Unit	2014	2013	2012	2011	2010	2009	2008
Materials									
EN3 & EN4	Direct energy consumption by primary energy source	GJ	-	-	-	-	-	-	-
	Indirect energy consumption by primary source	GJ	3,198	5,077	4,807 ^{Note 4}	4,603 ^{Note 4}	-	-	-
	Total energy consumption	GJ	3,198	5,077	4,807 ^{Note 4}	4,603 ^{Note 4}	-	-	-
EN8	Total water withdrawal by source	m ³	500 ^{Note 5}	1,498	537	762	-	-	-
EN10	Percentage and total volume of water recycled and reused	% of total	0	0	0	0	-	-	-
EN21	Water discharge to sea	% of used	0	0	0	0	-	-	-
	Water discharge to sewer	% of used	100	100	100	100	-	-	-
	Total water discharge by quality and destination	% of used	100	100	100	100	-	-	-
Emissions, Effluent, and Waste									
EN16	Direct greenhouse gas emissions by weight	Tonnes of CO ₂	-	-	-	-	-	-	-
	Indirect greenhouse gas emissions by weight	Tonnes of CO ₂	749	1,101	1,042 ^{Note 4}	998 ^{Note 4}	-	-	-
	Total greenhouse gas emissions	Tonnes of CO ₂	749	1,101	1,042 ^{Note 4}	998 ^{Note 4}	-	-	-
EN19	Emissions of ozone-depleting substances by weight	Tonnes of CFC-11 equivalent	0	0	0	0	-	-	-
Labour Practices and Decent Work									
Employment									
LA1	Total workforce	No. of employees	505 ^{Note 5}	1,142	1,135	920	-	-	-
Occupational Health and Safety									
LA7	Total working hours of employees	Thousand hrs	1,136	2,329	2,091	1,606	-	-	-
	Total injuries ^{Note (1)}	No. of employees	0	3	3	2	-	-	-
	Total fatalities	No. of employees	0	0	0	0	-	-	-
	Lost time injury rate ^{Note (2)}	-	0	0.26	0.29	0.25	-	-	-
	Lost days due to injuries	No. of days	0	425	60	142	-	-	-
	Lost day rate ^{Note (3)}	-	0	36.5	5.74	17.69	-	-	-

Notes:
(1) Total injuries are those which result in lost time of a minimum of one day. (In the above table total injuries includes fatalities)
(2) Lost Time Injury Rate = Total Injuries / Total Hours Worked X 200,000*. (*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)
(3) Lost Day Rate = Total Days Lost / Total Hours Worked X 200,000*. (*: This represents rate per 100 employees, based on 40 hours per week for 50 weeks a year.)
(4) Figure has been revised to include standalone shops, offices and warehouses data.
(5) Decrease was due to Columbia Joint Venture separation.

