

MAKING A DIFFERENCE - NOW



INTRODUCTION

The Swire Pacific Offshore Group (“SPO”) is a wholly owned subsidiary of Swire Pacific Limited which is based in Hong Kong. SPO has worked out of Singapore for 34 years, and has had formal Operational Headquarters status in Singapore since 2002 and whilst our vessels operate occasionally for local reasons under 9 other flag registries, 83% are flying the Singapore flag.

On the 9th of May 2008 its Executive Committee, as the highest level governance body with direct responsibility for economic, operational, health, safety, social and environmental performance within SPO, adopted its Sustainable Development Policy (see page 7). The application of the environmental, health and safety aspects of this policy is outlined by SPO’s Environmental Protection, Safety, Operating and Sustainable Development Policies.

See <http://tiny.cc/LIrtF> and <http://tiny.cc/Ohi24>

These policies are top-level documents, sitting above our QHSE Management System, which is extensive and has been in use across the company and its fleet

for many years. Together, the Policies and Management System have ensured that we have operated to ISO 9001, ISO 14001 and the IMO International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (“ISM Code”) – see (<http://tiny.cc/1pmQQ>). We also expect to be compliant with the ISO 26000 standard when it is promulgated in June 2010.

This report describes our performance in relation to our key economic, operational, health, safety, social and environmental issues during calendar year 2008 since our last report (for 2007) and presents our commitments for 2009. We have sought in this, our first report to be verified to the GRI G3 C+ standard, to report not only the required core performance indicators but to expand it to include all other additional indicators which clearly demonstrate that our activities and commitments to Sustainable Development are both consistent with the policies and practices adopted by the Swire group of companies and are considered material to the way we run our business. As such they are part of our strategic and operational decision making processes and not merely a later “bolt-on”.

This is achieved by the General Manager, CSR having direct reporting responsibility to the Managing Director, and wide experience within the company offshore and onshore, plus having input in the early stages of all strategic decision-making where SD issues may be relevant. We gathered data for this report primarily through our exclusive electronic vessel and business management information system, known as ORBIS (Operations Rationalising Business Information System).

ORBIS is available at all SPO locations (each vessel, each out port, and head-office) and all departments. The ORBIS scope extends to specified processes in all functional areas – Operations, Technical, HSE, Purchasing, Manning, Marketing, Accounts, HR, Insurance, IT and System Administration as well as specific external organizations such as Manning Agencies, which are closely related to SPO’s Business.

The contents of this 2008 report were based on the issues we regarded as material to our business, and what we felt would be most relevant to the current concerns of our principal stakeholders (detailed on page 4). During 2009, we will engage with our principal stakeholders to fine tune the key indicators and information that we provide, to assist them in enhancing their awareness and knowledge of our activities and commitment to operating in a sustainable manner.



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REPORTING PHILOSOPHY AND METHODOLOGY

The reportable emissions and operations figures from the j/v and associate companies are based on the Control (operating / financial control) Approach for each j/v or associate.

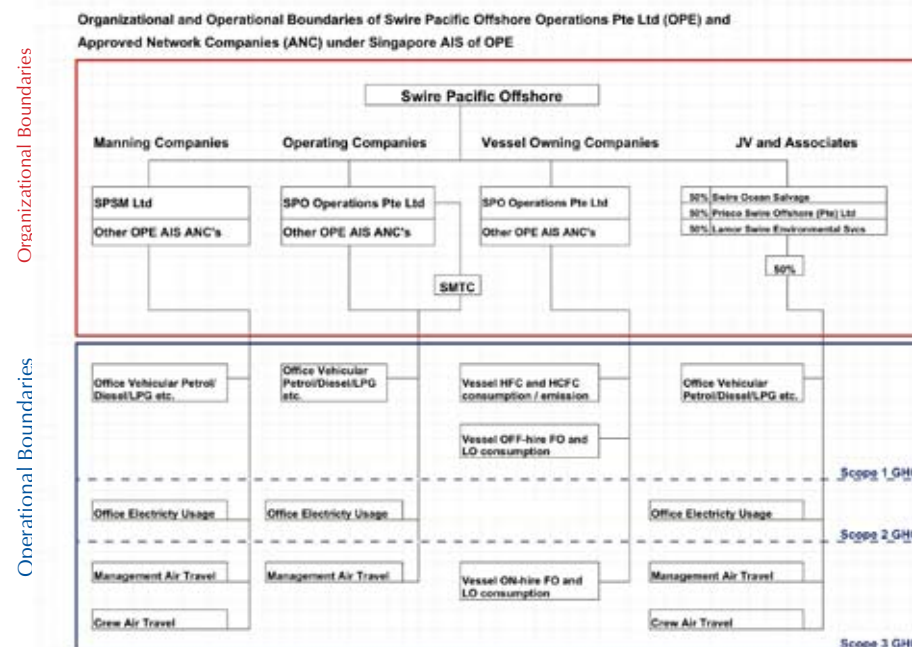
The Organisational and Operational boundaries of this entire report are a mirror of those defined in ISO 14064, as used for the Greenhouse Gas (GHG) emissions data from the companies reported on within SPO'S Organizational boundaries. These are shown in the diagram and primarily comprise the following:

Scope 1 Onshore office vehicular petrol / diesel / LPG usage
Vessel OFF-hire fuel oil and lube oil consumption
Vessel HFC and HCFC consumption / emissions

Scope 2 Onshore office electricity usage

Scope 3 Management and Crew air travel
Vessel ON-hire fuel oil and lube oil consumption

The distinction between “On”-hire and “Off”-hire fuel consumption is made as in all offshore contracts into which SPO enters, the client / charterer is responsible for provision of all fuel oil and lube oil when the vessels are on hire, and likewise SPO is responsible when the vessel is off-hire. The Operational Intensity of the vessel, and thus the level of emissions from fuel consumption whilst on-hire, is entirely within the direction of the client. This is a very significant distinction as the daily fuel oil consumption of a vessel can vary between 1.9 m³ MGO (5.0 tCO₂e) / day if directed to wait at anchor to 41.3 m³ MGO (110.4 tCO₂e) / day if directed by the client to steam at full speed. Each party therefore takes responsibility for that which is within its management control.



Organizational and Operational Boundaries of Swire Pacific Offshore Operations Pte Ltd and ANC for this report

REPORTING AND COMPARING METRICS OF OPERATIONAL INTENSITY

SPO's business is primarily the leasing of its vessels to perform offshore support services. The company's "Operational Intensity" is thus measured by the availability of its assets for hire, or "Available Boat Days" (ABD). This is the total number of days that its total number of boats was available during any period for revenue generating activity.

The count of available days currently includes periods of boat dry-dockings as although the boats are not available to earn revenue during these (usually statutory) periods, the dockings are a requirement to be able to continue to operate the boats. This intensity figure and all other data reported herein does not include any third party vessels that are operated under ship or technical management contracts by SPO.

YEAR	AVAILABLE BOAT DAYS	Y-O-Y* INCREASE IN OPERATIONAL INTENSITY
2005	20,329.0	
2006	21,231.0	4.44%
2007	22,553.6	6.23%
2008	23,878.5	5.87%

*Y-O-Y: year-on-year

During 2008 a group of senior managers in SPO and at our parent company conducted an internal Stakeholder Mapping exercise over several iterations to identify those key stakeholders who had the potential to significantly affect our ongoing business processes. This identified (in no particular order):

- 1 our top 20 clients by revenue (6 National Oil Companies and 14 listed Oil Majors)
- 2 our employees (both at sea and on shore)
- 3 our single source suppliers (where there is no alternative vendor)
- 4 business partners in significant joint ventures
- 5 certain governmental bodies in some areas where we operate and international regulators
- 6 investors and advisors (generally internal)
- 7 certain NGOs in the labour field
- 8 certain communities that may be affected, albeit on an *ad hoc* basis (as this is dependent on which vessels are working where at any one time)

It is planned to engage face-to-face with a material and significant number of these key stakeholders during 2009, to assist in better focusing our CSR deliverables against our internal and stakeholder expectations, and thus of the content of our next SD report.



MANAGING DIRECTOR'S MESSAGE

“Making a difference - Now”

Dear Stakeholders,

I believe we all have a vested interest in Sustainable Development and I am pleased to share our progress to date.

With the appointment of a dedicated GM for CSR, we continue to build on the work done in 2007 with further commitment to: a) enhancing our environment, b) raising behavioural safety awareness, c) attracting and retaining employees who are attuned with the Swire Group values, d) ensuring our supply chain and business partners are working with us responsibly and e) re-investing value back into our stakeholders' communities. This Sustainable Development Report will, as targeted in our “Agenda for 2008”, be externally verified to the Global Reporting Initiative (GRI) third generation (G3), standard “C+” to provide a transparent description of our standards of corporate governance and the way we are handling our responsibility to manage our business in a sustainable way. We have worked with our parent company to ensure that our data collection in 2008 is more robust, and consistent with that across our sister divisions, and this can be

seen in the Swire Pacific Ltd report to the Carbon Disclosure Project (CDP7).

Commercially, 2008 was an exceptionally good year for SPO. However, as our core business is driven more by the world market price for oil and gas, there has been a significant slowdown in demand for offshore oil and gas exploration towards the end of the year. The lack of vessel charter opportunities combined with the increase in new building vessels entering service will be a significant challenge, producing a severe and material strain on vessel utilization and day rates. This in turn freely translates into a reduction in our expectations for 2009 and into early 2010. Nevertheless, we strongly believe that SD / CSR is integral to our strategic business decision-making, and that by continuing to invest in the five sustainability areas detailed in the paragraph above, we will strengthen SPO's position in and for the future.

We are focusing on many areas of our business worldwide to reduce our emissions of Greenhouse gases (that is gases in the atmosphere that absorb and

emit radiation within the thermal infrared range) through better operating practices and technology. In reviewing our achievements against the targets we set ourselves for 2008, it is disappointing to have to report that we have encountered delays in the delivery of the software being developed for our “Green Zone” project, but you can rest assured that this project is still being pursued for trialing in 2009. Onshore, the one additional vehicle acquired by Head Office during the year is now our fourth hybrid drive; each one giving us a 55% decrease in GHG emissions against a conventionally powered vehicle of the same class. Movement towards company-wide adoption of our electronic document management system has reduced conventional paper filing and this will continue during 2009.

In recognition of the current inability of eliminating all of our environmentally harmful emissions, the necessary preparatory work was commenced during 2008 on our unilateral REDD (Reduced Emissions from Deforestation and forest Degradation) carbon credit offset scheme. This will enable us to move voluntarily

towards being a carbon neutral business with effect from the beginning of 2009. Our REDD project will be able to be in place well in advance of the enactment for our industry sector of any relevant global emission reduction / credit trading legislation that may be demanded at the UNFCCC meeting in Copenhagen in December 2009, and also the Emission Trading Scheme in New Zealand which came into force in September 2008, and which will encompass our sector from January 2011.

The investment we have made in our staff, particularly at our new state-of-the-art Swire Marine Training Centre, has enabled us to provide more discretionary training, particularly in the area of the proactive management of safety. The close proximity of SMTC to SPO's Head Office has also increased our interaction between employees and senior management. We clearly recognize that attracting and retaining the right people with the right skill sets and attitudes will be a critical challenge to our continuing success over the next 3-5 years, as our fleet grows, in conjunction with the supply pool remaining static.

We decided not to pursue accreditation to ISO OHSAS 18001 in 2008 as it was felt that this would be largely superseded by provisions within the new ILO Maritime Labour Convention 2006, which should be ratified in 2009 and come into force in 2010. We did however meet our target of the complete revision of our Safety Management System being approved by an independent Classification Society.

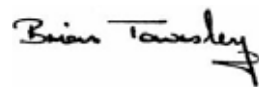
We conducted a Stakeholder Mapping exercise in 2008 to identify those entities that most impinge on our business and the way we manage it sustainably, and with their input, and have started the task of ensuring that all the 1,500+ suppliers and services companies that we use operate to at least the same core standards as SPO. Our objective is to “raise the game” for all of us such that we all will benefit in the future from working in a prudent, responsible and sustainable way today. We will increase the dialogue with our significant stakeholders in 2009 and beyond to ensure that their concerns, and their potential effects on our business, are considered at our strategic planning level.

We remain strongly committed to investment in education, especially where it may positively impact on our business. We have already committed to supporting an initial batch of 25 youths from a disadvantaged background to gain skills and work experience that will open new doors of opportunity for them and benefit their communities. We are currently planning to repeat this annually over the next four consecutive years. SPO is also a significant contributor, through the Swire Group’s Charitable Trust in Hong Kong, to supporting youth, environmental, arts and cultural projects predominantly in Greater China.

All of the initiatives detailed above are now in place and have been selected to deliver benefits and make a difference to the world we live in both now and in the future. We recognize this is particularly critical with respect to climate change, where there is a long lag between cause and effect, and the need for the world to act before we get to the tipping point.

Our goals for the medium term are that by the end of 2013, SPO will be verifiably carbon neutral for all our Scope 1 and Scope 2 GHG emissions, and that we will be demonstrably operating our business sustainably, in accordance with the 7 principles detailed in the forthcoming ISO 26000 Guidance Standard on Social Responsibility (expected to be issued by ISO in June 2010) and with a lower GHG emission intensity, year-on-year.

We will be striving throughout 2009 to build on what SPO has achieved to date against the measurable key performance indicators and to promulgate widely the strong message that we should all act now, mindful of the needs of those who will follow us.



Brian Townsley
Managing Director



SUSTAINABLE DEVELOPMENT POLICY

We adopt this policy because:

- Sustainable development encompasses our dedication toward the environment, health & safety, employment, business partnerships and community matters.
- Long-term value creation for our shareholders depends on the sustainable development of our businesses and the communities in which we operate.
- We 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 operations: 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 realize their full potential.
- Favour suppliers 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.

MAKING IT HAPPEN

- All of Swire Pacific Offshore's offices shall apply this policy. We will encourage other companies in which we have an interest as a shareholder or through our supply chain to implement similar policies.
- We will encourage and empower our staff to be proactive on sustainable

development matters both at work and in the community.

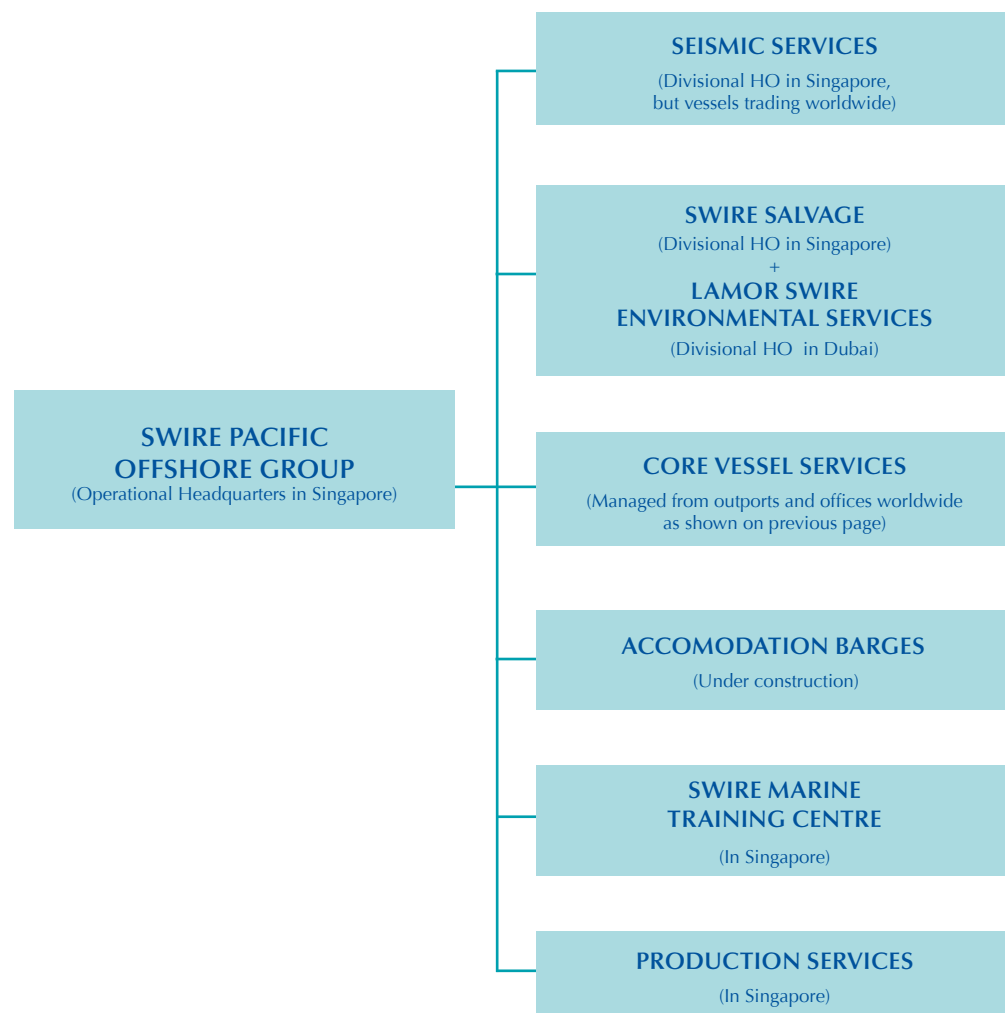
- We will monitor our performance and report it regularly.
- We will review this policy periodically, having regard in particular to stakeholder dialogues.

The Executive Committee

09 May 2009

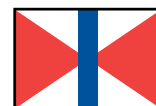


2008 OVERVIEW



Note: See diagram on page 3 showing organizational and operational boundaries

SWIRE PACIFIC OFFSHORE'S MISSION STATEMENT



To provide the highest-quality offshore marine support services to the oil and gas industry, advancing our mutual goal of safer, cleaner and more efficient offshore energy exploration and production, while operating the company on a sound commercial and sustainable basis that ensures profitability, growth and delivers satisfactory returns to our shareholders.

The Swire flag has been a recognised symbol of operational excellence and quality in the international marine industry for almost 140 years.

Swire Pacific Offshore is a trusted name in the offshore marine industry. Established in 1975, we have established a reputation as a leading offshore marine service provider to the offshore oil and gas industry, with a network that spans the globe.

As at 31 December 2008, SPO employed just over 1,800 employees worldwide (on shore and offshore) and owned and/or operated 69 offshore support vessels and managed a further 5 Anchor Handling Tug Supply ('AHTS') vessels operated out of, or managed from the offices shown on the map on page 10 with another 20 vessels on order. 43 of the delivered vessels are equipped with Dynamic Positioning ("DP") systems (30: DP1 and 13: DP2). SPO's fleet is modern with an average age of 10.4 years (a reduction from 11 a year ago) and includes the whole range of offshore support vessel types, comprising Anchor Handling Tug Supply Vessels, Platform Supply Vessels ('PSV'), Anchor Handling Tugs ('AHT'), Emergency Towage and Environmental Response Vessels ('ETV'), Ice-Breaking Supply Vessels, Seismic Survey Vessels, ROV/Dive Support Vessels and Accommodation Vessels. The most recent ventures include vessels equipped for Inspection, Maintenance and Repair (IMR) and Tier 1, Oil Spill Response (viz. minor incidents that can be dealt with using resources at the location or from the vessel).

The majority of SPO's customers are in the energy industry, ranging from the world's leading exploration and production corporations to offshore construction companies, subsea service companies and independent oil companies. We are fully equipped to support a wide range of offshore activities, including drilling, production, exploration, salvage, Floating Production Support and Offtake ('FPSO') vessel support, pipe-laying and subsea construction.

We work in almost every major offshore production and exploration region outside North America (due to Jones Act restrictions) and (currently) South America, and are amongst the small number of companies in our sector of the market able to relocate vessels seamlessly whilst meeting all the local and national regulations and social / employment requirements of a new client in a new area.

Our service offering places a strong emphasis on operational excellence and a proactive attitude towards Health, Safety

and the Environment ('HSE'). We place great importance on providing reliable and professional service in difficult operational conditions.

The operations conducted by our staff on our vessels for many (~50 at any one time on average) clients has been favourably reported on during feedback dialogues. During 2008, 23 clients reporting on the operation of 33 vessels rated our performance at an average of 4.36 out of 5 (with 1 being "poor" and 5 being "excellent"). We aim to increase this by a further 5% during 2009. We also received specific commendations for the crews on Pacific Raider from BP Exploration Ltd, Pacific Pickle from Qatar Shell GTL Ltd or awards, for the Pacific Prospector from Maersk Oil Qatar and for the Pacific Battler and Pacific Valkyrie from Australian Drilling Associates Pty Ltd. Pacific Dart was commended by Occidental Qatar Energy Ltd for reaching the 8 years LTI-free milestone at the end of January 2008.

Our proactive approach towards Sustainable Development enables our

“Give a man a fish and he will eat for a day.
Teach him how to fish and he will eat for a
lifetime.” Confucius, Chinese thinker and philosopher, 551-479 BC.

clients to benefit from these value-added services. When designing and specifying the hull forms and vessel propulsion systems for our new vessels currently under construction we spent significant time with potential clients to ensure that they would be more fuel efficient and cleaner burning for their generally intended operational profile. All of our vessels use Marine Gas Oil (MGO), a low sulphur fuel in accordance with ISO 8217, and will use ultra low sulphur diesel (<10ppm) where available. We have also been in discussion with a number of vendors to install a Fuel Efficiency Monitoring System on our vessels to permit real time monitoring of fuel consumption and thus GHG emissions

by optimization of support operations for clients. This will both save our clients money and reduce emissions through the ability to demonstrate the achievement of a reduced fuel-burn. Our long-term goals include working with other members of the industry to promote socially aware and environmentally conscious action for a more sustainable future.

SPO has also striven to maintain its position as an Employer of Choice in seeking to enhance the welfare and recognition of our existing staff, and has instituted two schemes to fund the education of youths who may otherwise not have had the opportunity to realize their full potential.

2008 OVERVIEW



Global view of SPO's main offices and outports, and joint venture worldwide. Depending on contracts in force, the vessels in our fleet may be operating out of or managed from any or all of these office locations at any one time.

GOVERNANCE

The Swire Pacific Offshore Group of companies is governed at the highest level by a Board of Directors. The MD and Finance Director of SPO are on the Board, along with the Chairman and 3 other Directors of our parent company, Swire Pacific Limited, and 2 independent directors. The Board of Directors is chaired by the Chairman of Swire Pacific Limited. There is an Executive Committee composed of all SPO Directors and Senior General Managers, which has operational responsibility for economic, operational, health, safety, social and environmental performance within SPO.

SPO has no shareholders itself, however as a wholly owned subsidiary of Swire Pacific Limited, which is listed in Hong Kong, we comply with the Stock Exchange of Hong Kong in accordance with the Code on Corporate Governance Practices, with Swire Pacific Limited's internal Code of Conduct covering ethical standards and with Swire Pacific's procedures which are available at: <http://tiny.cc/reiC7>

This compliance is in line with our belief that it is imperative to act with probity, transparency and accountability in order to achieve our long-term objectives. Our Board is committed to maintaining and developing robust corporate governance practices and conducting regular internal reviews that ensure:

- satisfactory and sustainable returns to its parent company, Swire Pacific Limited (SPL), and SPL's shareholders;
- the interests of stakeholders are safeguarded;
- that overall business risk is understood and managed appropriately;
- delivery of high-quality products and services to the satisfaction of customers; and
- that the highest standards of ethics are maintained.

Parent company shareholders provide input to the SPO Board through the three Directors of SPL who sit on SPO's board. Employees of SPO may provide input through their line management, the Executive Committee, or through the DPA (see below).

I have found no greater satisfaction than achieving success through honest dealing and strict adherence to the view that, for you to gain, those you deal with should gain as well.

Alan Greenspan (ex Chairman US Federal Reserve)

The requirement for probity, transparency and accountable conduct in all business affairs is highlighted to all of our new onshore staff within 6 months of joining, and our Officers who attend our new Marine Training Centre in Singapore at least every three to four years. At this time they meet Senior Management, our Designated Person Ashore (DPA), and are updated with our ongoing CSR initiatives, and which includes a formal reminder of our Corporate Ethics Policy. The DPA has been an internationally legally required position since 1993, peculiar to the shipping industry under the ISM code, wherein every Company must designate a person or persons ashore having direct access to the highest level of management. The responsibility and authority of the designated person or persons includes monitoring the safety and pollution prevention aspects of the operation of each ship and ensuring that adequate resources and shore-based support are applied, as required.



2008 FINANCIAL SUMMARY

2008 FINANCIAL RESULTS

As at 31st December 2008, the company operated a fleet of 69 vessels and was contracted to manage 5 third party vessels - a 9.5% increase in owned vessels over 1 year. SPO reported an attributable profit of USD 216.8 million, an increase of 20% over 2007.

Two vessels were sold during the year, resulting in capital profits of USD 12.1 million. Total capital expenditure on new vessels and equipment amounted to USD 179.0 million, compared to USD 171.7 million in 2007. New vessels delivered during 2008 generated USD 20.3 million of additional contribution to gross margin. Capital profits in 2007 totalled USD 33.2 million.

The high oil price during the first half of 2008 sustained a high level of demand for offshore exploration activity throughout the year, significantly increasing the day rates for offshore support vessels. Fleet utilisation during the year was 91%, a very slight decrease from the 2007 utilisation.

Average charter hire rates increased by 18% over 2007 to new record highs. However vessel operating costs also increased by 18% over the year, mainly driven by higher manning costs, which in turn reflected the increased fleet size, a shortage of experienced crew in the industry and the weaker US dollar during much of 2008.

As noted on page 7, our mission statement is to generate satisfactory returns to our shareholders through the provision of offshore marine support services that are provided as safely, sustainably, environmentally responsibly, and efficiently as reasonably practical.

“The absolute fundamental aim is to make money out of satisfying customers.”

John Egan ex Chairman and CEO Jaguar Cars



2009 FINANCIAL OUTLOOK

With the significant reduction in the oil price that took place at the end of 2008 it is expected that the pace of offshore oil exploration will slow somewhat. In addition, a significant number of new offshore support vessels are expected to enter the market in 2009. Both these factors are expected to put downward pressure on day rates and utilisation for the offshore sector.

For SPO, 58% of the 2009 fleet capacity was pre-booked at 31st December 2008. Day rates fixed under these forward contracts are comparable to those achieved in 2008. SPO is expected to take delivery of two additional “V” class vessels in 2009. Contributions from these two new vessels and full year contributions from the vessels delivered in 2008 should mitigate in part the effect of the expected downturn in day rates in 2009. At 31st December 2008, 20 vessels were on order, with a total capital expenditure commitment of USD 415.9 million (31st December 2007: USD 424.4 million).

We still have some concerns that the introduction of significant additional vessels to our fleet and an industry-wide shortage of competent and corporately-aligned sea staff may hamper growth in the future, however at present we are successfully attracting the targeted number of suitable new-hires. To address the challenge of ensuring that all new employees are, and remain, aligned with our corporate ethos, the company opened its new Marine Training Centre in Singapore in June 2007. This has been running various in-house courses at near capacity all year, aimed at raising HSE awareness and inculcating core corporate values amongst new employees, plus providing the necessary advanced DP competence training to ensure we can safely man our expanding DP-equipped fleet, believed to be the biggest in the industry. The company will continue to explore investment opportunities to further develop its core skills and its quality reputation, as assured under ISO 9001 and testified to by many clients over the years.

Additional financial information for GRI indicator ECI is disclosed in the 2008 annual report of SPO's parent – Swire Pacific Limited at: <http://tiny.cc/kGGTq>, pages 38-43.

EC1 DONATIONS AND OTHER COMMUNITY INVESTMENTS

During 2008 SPO made the following charitable donations:

SWIRE GROUP CHARITABLE TRUST*	USD	1,588,132
Education	USD	13,260
Children and Youth	USD	5,883
Seafarers' Welfare	USD	516
Elderly Services	USD	333
Health and Welfare	USD	285
Disaster Relief	USD	180

* This supports multiple causes primarily in areas of youth, environment, arts and culture in greater China, see: <http://tiny.cc/B5BBk>

In addition SPO committed to support the Propeller Club in Manila select and provide vocational training to a batch of 25 disadvantaged youths over 18 months, commencing 01 January 2009, at a cost of USD 25,000 per batch. On completion, the scholars will be offered employment as junior engineers with SPO (or our sister deep sea company) where feasible, and if not feasible they will be able to return to their community with a set of skills they can use to advance both themselves and the economies of the communities in which they live. Subject to annual re-approvals it is hoped to repeat this in each of the subsequent 4 calendar years.

SPO hopes to establish a University Scholarship Scheme with effect from 2009 to assist a child of an employee (ashore or at sea) to further his/her education at a recognised tertiary institute, where he/she would not have otherwise had the opportunity.

In place of hard copy Christmas cards in 2008, SPO again sent out an e-mail greeting, and donated the money saved (USD 3,500) to the Mission to Seafarers, thus simultaneously avoiding some deforestation and benefiting a marine charity that does much good to seafarers such as / including our own, around the world.

FLEET

At 31st December 2008, SPO operated a fleet of 69 vessels and managed 5 more, an increase of 17.5% in operational intensity since 31st December 2007.

Four “V” class, 8,810 brake horse power, anchor handling tug supply vessels were delivered during the year. Three “A” class platform supply vessels were delivered and one “A” class vessel delivered in 2007 was converted into a seismic survey vessel in 2008.

SPO took delivery of two vessels which had previously been deployed by the HUD group in the Middle East under SPO management. These continued their deployment with their existing charterer in the Middle East. Two older anchor handling tug supply vessels, Pacific Taipan and Pacific Sentinel, were sold in January and September respectively, realising a total profit on disposal of USD 12.1 million. One leased “J” class vessel was returned to its owner.

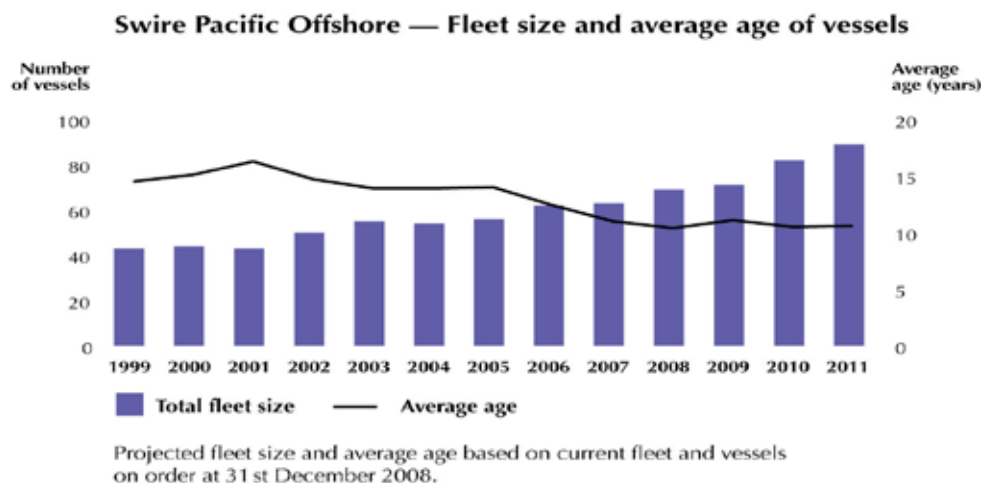
The average age of the fleet was reduced to 10.4 years at the end of 2008 from 11.0 years at the end of 2007 as a result of the above changes.

FLEET GROWTH OUTLOOK

SPO is expected to take delivery of two additional “V” class vessels in 2009. Contributions from these two new vessels and full year contributions from the vessels delivered in 2008 should mitigate in part the effect of the expected downturn in day rates in 2009.

In order to take advantage of the projected growth in demand for better quality offshore accommodation for the industry’s workforce, an order was placed for two accommodation barges for delivery in 2010. An order was also placed for an additional survey class vessel for delivery in 2010. At 31st December 2008, 20 vessels were on order, with a total capital expenditure commitment of USD 415.9 million.

Aside from the fleet growth noted above, and the new office premises noted below under indicator EN3, there were no other material changes in our organization.

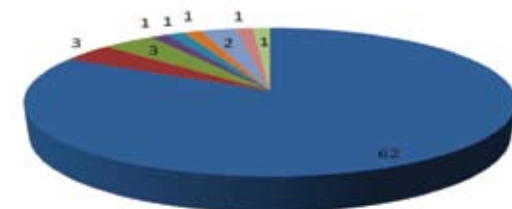


			VESSELS IN OPERATION			VESSELS ON ORDER EXPECTED TO BE RECEIVED ON:		
			ACQUIRED	DISPOSED	YEAR-END	2009	2010	2011
VESSEL CLASS	BRAKE HORSE POWER	2007	2008					
<u>ANCHOR HANDLING TUG</u>								
<u>SUPPLY VESSELS</u>								
J-class	2,600 - 4,200	12	-	1	11	-	-	-
T-class	3,600	2	2	-	4	-	-	-
P-class	4,800	8	-	-	8	-	4	4
S-class	5,440	4	-	-	4	-	-	-
6,000 series	6,000 - 6,500	3	-	1	2	-	-	-
UT704	7,040 - 9,000	3	-	1	2	-	-	-
R-class	7,200	8	-	-	8	-	-	-
V-class	8,810	1	4	-	5	2	3	-
W-class	10,800	8	-	-	8	-	-	-
A-class	12,240	7	-	-	7	-	-	-
D-class	18,250	-	-	-	-	-	1	3
<u>PLATFORM SUPPLY VESSELS</u>								
A-class	6,310	3	2*	-	5	-	-	-
<u>ICE BREAKING SUPPLY VESSELS</u>								
E-class	23,170	2	-	-	2	-	-	-
<u>SEISMIC AND HYDROGRAPHIC SURVEY VESSELS</u>								
Survey	2,600 - 6,400	2	1*	-	1	-	1	-
<u>ACCOMODATION BARGES</u>								
I-class		-	-	-	-	-	2	-
		63	9	3	69	2	11	7

*one "A" class vessel was converted into a seismic survey vessel during 2008

ISM - INTERNATIONAL SAFETY MANAGEMENT

Documents of Compliance (DOC) are held which allowed SPO to operate a fleet of owned plus managed vessels under 9 Flag Registries in 2008.



For full details of ISM Code requirements, see <http://tiny.cc/9rE8z>

ENVIRONMENTAL PERFORMANCE

“We do not inherit the earth from our ancestors; we borrow it from our children.”
Native American Proverb

It is firm and active SPO Policy that we wish to excel as corporate citizens by working with others to promote Sustainable Development, to be a good steward of the natural resources and biodiversity under our influence and to ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed. (See our Sustainable Development Policy on page 7)

Indicators EN 1 and EN 2 are not reported in this document as SPO is a service provider, rather than a generator of products from inputs of raw or recycled resources. Such resources that are consumed are not material in respect of our turnover or service provided, except for fuel and lubricants whilst vessels in our fleet are off hire, and these are reported separately under indicators EN3 and EN16.

EN3 DIRECT ENERGY USAGE

ENERGY SOURCE	UNITS	2007 TOTAL	2008 TOTAL	GROSS IN/DECREASE	REBASED IN/DECREASE
Marine Gas Oil (MGO)	litres	126,276,000	148,544,247	+17.63%	+10.74%
2008 comprising:					
MGO – vessels ON Hire			140,093,426		
MGO – vessels OFF Hire			8,450,821		
Marine Lube Oil (LO)	litres	1,933,000	1,258,000	-34.9%	-38.7%
2008 comprising:					
LO – vessels ON Hire			1,125,096		
LO – vessels OFF Hire			132,904		
Vehicular Petrol	litres	50,080	43,083		
Vehicular Diesel	litres	(not reported separately)	26,235		
Vehicular Fuel	litres	50,080	69,318	+38.4%	+20.7%

Note 1 Marine fuel was recorded as a consolidated “on” + “off” hire figure in 2007. In 2008 it is split for reporting to enable capture of distinct Scope 1 and Scope 3 (per ISO 14064) and the Greenhouse Gas Protocol (see diagram on page 4) GHG emissions. The same is true for emissions from consumption of LO. As we are unable to reasonably and viably record the intensity of vessels’ operations on a per hourly basis (or less) and thus fuel consumption, and so GHG emissions, comparisons of year-on-year figures will not yield statistically valid information. We are however progressing our “Green Zone” Fuel Economy Management System to permit individual vessels to indicate to individual clients the cost of fuel/emissions being generated on a real-time basis in order to assist our clients make optimum, efficient use of each vessel on hire.

Note 2 The “Rebased in/decrease” is adjusted for the change in fleet size 2007 to 2008.



We continued to renew our fleet with vessels with more fuel efficient propulsion systems and hull forms replacing older, less fuel efficient vessels. In 2008 we acquired 7 new vessels from the building yard plus two existing vessels and disposed of three older vessels, and this will continue through 2009 and beyond.

We have also been looking closely at managing our operations for our clients to make them as operationally (and thus financially and environmentally) efficient as possible in real time (see Note 1 above). This has taken our potential vendor/s longer than hoped for a number of reasons but we expect this to come to fruition in 2009.

The number of company vehicles has shown a net increase from 34 to 39 during 2008. This has coincided with the opening of new offices or warehouses in Angola, Douala and Dubai. These areas are harsher environments and require more robust and heavier vehicles, with commensurately higher fuel consumption than those that would be required when opening a new city office in (say) Europe. The one extra car for the Singapore office is a fuel efficient, low emission hybrid. The net increase in vehicles has been used to rebase the gross increase shown in the table below.

EN4 Indirect Energy Consumed by Primary Source

ENERGY SOURCE	UNITS	2006 TOTAL REPORTED	2007 TOTAL REPORTED	2008 TOTAL	% INCREASE / DECREASE Y-O-Y
Electricity purchased by onshore offices worldwide	kWh	338,498	411,455	1,090,487	265%

All heating, cooling and lighting in our outport offices worldwide is purchased and consumed by indirect use of electricity from local power supply companies. Our offices/buildings in Russia, and also in Dubai and Qatar, are triple glazed / well thermally insulated due to the outside ambient air temperature, but only the very newest offices in Russia such as ours, have any thermostatic control to the heating.

SPO does not consume any material quantities of identifiable energy indirectly from nuclear power (UK offices connected to the National Grid will of course have a component produced by nuclear power), or from solar, geothermal, wind, hydro, biomass based or hydrogen based renewable sources.

The carbon intensity figure used for conversion of electricity consumption to CO₂e is the last posted average of the UK grid Conversion Factor for the last 5 years, from the DEFRA web site Annex 3. The company-wide figures will be slightly distorted if the average carbon intensities at our outports differ from that in UK, however, we believe any such distortion is not materially significant when taken across all our office locations worldwide.

The significant increase in y-o-y Indirect Energy Consumption is a function of 1) more robust reporting and data collection techniques and 2) "SMTC" becoming fully operational. Our "SMTC" facility includes a new warehouse, seismic division office and the company's primary server room. These account in total for 93.83% of our onshore invoiced power consumption in Singapore, and showed a 51% increase in consumption during 2008. A power consumption audit will be conducted in 2009 to see where this can be reduced.

EN16 GREENHOUSE GAS EMISSIONS

SOURCE	UNIT	CONVERSION TO tCO ₂ e	QUANTITY	tCO ₂ e 2008
Scope 1				
Vessels' Off Hire MGO consumption	litre	0.0029875160	8,450,821	25,246.963
Vessels' Off Hire LO consumption	litre	0.0028539000	132,900	379.283
Office vehicular usage (uls petrol)	litre	0.0027187130	43,083	117.130
Office vehicular usage (diesel)	litre	0.0026393650	26,235	69.244
Refrigerants containing HCFCs refilled (mainly R-22)	kg	GWP: 1,700 (ODP: 0.05)	754.45	1,282.565
Refrigerants containing HFCs refilled (mainly R417a)	kg	GWP: 1,950 (ODP: 0.00)	269.00	524.550
Total Scope 1 footprint				27,619.735
Scope 2				
Electricity	kWhr	0.000537020	1,090,487	585.613
Total Scope 2 footprint				585.613

Table 1 SPO GHG Footprint 2008

- Note 1** Conversion factors for petrol, diesel, Marine Gas Oil (MGO) and Lubricating Oil (LO) from the HK Government Guidelines to Conversion Factors
- Note 2** The conversion factor for electricity usage is the latest (April 08) posted update for the average of the UK grid Conversion Factor for the last 5 years, from the DEFRA web site Annex 3
- Note 3** GHG conversion factors use NET calorific values (HHV converted from LHV). This is consistent with the IPCC approach for CO₂ (though not with the US EPA, API and Australian Greenhouse Office approach). Net calorific values are also used for fugitive CH₄ emission figures
- Note 4** HFC/HCFC GWP/ODP figures from IPCC (1994)
- Note 5** The boundaries for Scope 1 and 2 (and 3 below in EN17) emissions are as per definitions in ISO 14064

The majority of the quantifiable data is gathered through ORBIS, our electronic management information system. It covers all consumables from our head office, fleet and our global outport network.

The MGO and LO that powers the engines of our fleet when ON hire was responsible in 2008 for generating close to 93% of the aggregated Scope 1, 2 and 3 GHG footprint. In our offshore marine support sector, the fuel itself is always owned and paid for by the charterers of the vessels, and (once we have provided the most fuel efficient propulsion system: engines and hull form, and operators) it is they who are solely responsible for the operational intensity of the vessels and therefore the level of fuel burned. It is thus reported as a Scope 3 generated emission. SPO does not intend to offset the portion of its GHG footprint (Scope 3) that is related to emissions from ON hire MGO and LO consumption.

EN17 OTHER RELEVANT INDIRECT (SCOPE 3) GREENHOUSE GAS EMISSIONS

SOURCE	UNIT	CONVERSION TO tCO ₂ e	QUANTITY	tCO ₂ e
SCOPE 3				
Vessels' On Hire MGO consumption	litre	0.0029875160	140,093,426	418,531.352
Vessels' On Hire LO consumption	litre	0.0028539000	1,125,096	3,210.911
Management Air Travel				2,700.000
Crew Air Travel				32,544.710
Total Scope 3 footprint				456,986.973

Management and Crew air travel GHG emission figures were obtained using the calculator at www.atmosfair.de for the typical aircraft and class of travel relevant for the (943) individual management flight sectors budgeted in 2009 and for crew air travel from extrapolation of flights taken over a 6 month period in 2008.

EN19 EMISSIONS / ELIMINATION OF ODS BY WEIGHT

SOURCE	UNIT	2007	2008	ODP	REMARKS
HFC - R134a	t	1.718	nil	0.000	No longer carried on our vessels
HCFC – R22	t	nil	0.75445	0.049	
HFC – R417a	t	nil	0.26900	0.000	
Halon 1301 (CBrF3)	t	n/a	0.52700	10.000	This Halon was not emitted but recovered from a vessel and recycled / reclaimed by a Singapore Government registered Halon handling company in the approved manner, and a certificate provided.

Note 1 Refrigerant emission figures are based on the assumption that the total volume of HFCs supplied as refrigerant to our vessels will over the long term be equal to the volume consumed or emitted.

Note 2 This table does not include any emissions of ODS relating to air-conditioning/refrigeration processes for onshore offices as this is always provided by landlords as a central service.

One vessel had its legacy engine room fixed fire-fighting system changed from Halon 1301 to CO₂, but the Halon was retained on board until correct disposal could be assured. This was done this year.

The intent of the company was to migrate from usage in the fleet of HCFC refrigerant R-22 (GWP 1,700, ODP 0.05) to HFC R-417a (GWP 1,950 but ODP 0.0), but on investigation R417a, along with the special lubricants required for use with this gas, was found to be generally unavailable in the areas where our vessels are primarily based.

On the basis that the deleterious climatic effects are only caused when the gases actually escape to the atmosphere a number of mitigation initiatives were put in place to manage this by:

- a) putting full gas-management packs on all vessels to permit the refrigerant to be handled such that leaks to atmosphere were greatly reduced and also vacuumed back to the condenser more efficiently;
- b) reducing the inventory on board by design of system;
- c) increasing the maintenance interval by choice and design of system and compressor sizing; and
- d) reducing the number of leaks (both the last two going hand-in-hand with reducing the fleet age profile).

The new design criteria included fitting 2 x 60% capacity compressors on all our newer buildings in place of the previous 1 x 100% configuration, permitting more efficient (reduced) usage of necessary compressor capacity for the same effect. All usage of R-134a reported in 2007 has been superseded by R-417a as a more flexible, more widely available alternative giving more commonality of a better engineered product. The refrigerant inventory carried has been reduced to 60% of 2007 levels, with a simultaneous 6.8% increase in operational intensity over the same period.

EN26 INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF SERVICES, AND EXTENT OF IMPACT MITIGATION

SPO had an ISO 14064 Scope 1 and 2 GHG footprint in 2008 of ~ 28,205.35 tCO₂e (see table 1 under EN16). Of this footprint 90.6% related to emissions due to consumption of MGO and LO whilst vessels were off-hire. This is because the ship's crew still living on board require power to be generated to supply heat, light, air conditioning, food refrigeration and other domestic "hotel" services, in addition to ongoing self-maintenance and internal operations necessary for the functioning of a vessel. The emissions at the ship could practically only be reduced further to existing practices by a) cold-ironing (connecting to shore power supply whilst alongside) or b) putting the vessels into cold lay-up (de-manning completely).

Cold-ironing is only a net benefit if the supplying grid / power station/s is known to be using energy sources with reduced emissions such as renewable or nuclear.

Drawing from an oil or coal powered grid to save burning MGO on board may actually exacerbate the footprint. Down-manning, or completely de-manning our vessels when they are not working has significant operational and economic negative implications when re-activating the vessel and is not feasible as a short term solution.

Given the lack of significant footprint reduction possible on our Scope 1 and 2 emissions, the next best option is to mitigate the effects by off-setting the footprint.

SPO has thus committed to mitigating some of its Scope 1 and Scope 3 GHG footprint with effect from 01 January 2009 by unilaterally generating sufficient offsets. Unilaterally generating offsets can be more cost effective than buying 3rd party credits through open trading, and allows SPO to trade any surplus (although this is not currently foreseen or intended), to generate an additional revenue stream.

SPO has chosen to investigate the establishment of its own REDD (Reduced Emission from Deforestation and forest



Degradation) project in the San Rafael / Chaco areas of Paraguay, using World Land Trust (WLT) in the UK (see <http://tiny.cc/Rn2aj>) as Project Managers and working closely in conjunction locally with Guyra Paraguay (see <http://tiny.cc/dYJ0I>). Refer also to EN13 on the next page.

It is envisaged that this project will generate ~ 1 million Voluntary Carbon Units (VCUs) that are required to offset our projected footprint over the 20 years from 2009 to 2028. It is hoped that the VCUs from REDD schemes will become accepted as “Approved UN FCCC Credits” at the post-Kyoto UN FCCC CoP - 15 meeting in Copenhagen in December 2009, after the strong case that was made for them by many parties at the Bali CoP - 13 Meeting in December 2007.

SPO entered into a contract with WLT in December 2008 to produce the Project Definition Document (PDD) that will be required to have any eventual unilateral VCUs validated and verified with the exchange to be used under the auspices of the Voluntary Carbon Standard Association (VCSA).

Production of the PDD will be undertaken during Q1-3 of 2009, and will then form the basis of an internal discussion as to whether or not the company should proceed to the full Development Phase of the project. If the decision to proceed to the Development Phase is taken, it is intended that SPO will offer its clients the opportunity to purchase credits for its operations with our vessels that produce Scope 3 GHG emissions.

The PDD will be produced for validation by the VCSA in accordance with the UN Convention on Climate Change and Biological Diversity Guidelines, to Gold Standard on Societal issues, thus ensuring that we can leverage the project to provide the indigenous peoples in the REDD project area/s with the maximum benefit feasible. The forward commitment for the PDD development is ~ USD 450,000, the majority of which will be spent locally in Paraguay.

For issues connected with vessel disposal practices see PR1 below.



EN11 LOCATION AND SIZE OF LAND OWNED ADJACENT TO PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS

EN13 HABITATS PROTECTED (OR RESTORED)

SPO is expecting the PDD to be produced in 2009 to determine that around 5,000 ha / 20 sq miles of land will be required for its REDD project. In addition to the REDD project yielding avoided deforestation and social benefits, Guyra Paraguay will assist in determining which land parcels in and around San Rafael have the highest potential to generate significant value for the biodiversity of the region, by protecting existing forest and creating corridors of regenerating forests along watercourses and between forest blocks. These corridors can aid the movement of large-ranging species such as capybara and endangered birds, puma and ocelot, and also help species affected by climate change move across the landscape as conditions change. San Rafael is situated in the South-east of Paraguay in the departments of Itapúa

and Caazapá. It is an area of forested lands and natural savannahs of 60,000 hectares and represents the remaining 7% of the originally much larger 'Bosque Atlántico del Alto Paraná', the Upper Paraná Atlantic Forest. The forest provides shelter for globally threatened species as well as endemic endangered species that depend on the Atlantic Forest to survive. More than 310 bird species have been recorded, including the Harpy Eagle, Blue-Winged Macaw and the Bare-Throated Bell-Bird. Also very rare mammal species such as the Giant Armadillo, Bushdog, Lowland Tapir, Tarandua, Dwarf Red-Brocket Deer and the Maned Wolf form part of the biodiversity of San Rafael. San Rafael gained a priority conservation status in the country, and since 1997 it is a designated Important Bird Area (IBA) See: <http://tiny.cc/OZ91G> by Birdlife International. In addition, WWF declared the area as a 'biodiversity hotspot'. See: <http://tiny.cc/SOFFN>



EN 15 NUMBER OF IUCN RED LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS

SPO is a partner in a joint venture that operates three Ice Breaking Supply Vessels (IBSV) off the coast of Sakhalin Island in the Russian Far East. The waters off Sakhalin Island are the only known summer feeding grounds for the western sub-population of Gray Whales (*Eschritius robustus*). This sub-population is probably genetically isolated from the only other extant sub-population, known as the eastern gray whale. Their ranges do not overlap, and the estimated population in 2008 was 130, of which approximately 25 are reproductive females. This western sub-population is listed on the IUCN Red List of Threatened Species as "Critically Endangered" (see <http://tiny.cc/SddFa>).

All staff on the three IBSVs are briefed by experts before the beginning of each western gray whale feeding season (summer and autumn), and our client has set its operational requirements to reduce the risks to the whales by re-routing away from the feeding grounds both any infrastructure such as pipelines and vessel transit routes, which are rigorously enforced. The IBSVs

also carry dedicated whale / marine mammal observers during the season to ensure that the IBSVs do not endanger any of the western gray whales and to collect data and help expand the scientific body of knowledge of this critically endangered sub-population. Additional environmental mitigation precautions with respect to noise emission, vessel speeds, sudden changes of course and keeping minimum safe distances from observed endangered species (and all marine wildlife) are strictly observed. The IUCN has issued a brochure "Saving Western Gray Whales" (see <http://tiny.cc/L5RyU>) that details the issues surrounding the Western Gray Whale and which states: "Business has joined forces with the IUCN... to do everything possible to ensure the survival ... of this population".



WATER

EN8 WATER CONSUMPTION

Data for water consumption by onshore offices are unreliable to draw conclusions from, as some include communal washing and / or refreshment and / or toilet areas, and the rest do not.

Data for water consumed by vessels are unreliable as some is used by the vessels themselves, for both domestic / hotel uses and for occasionally washing down the vessel accommodation and / or for ballast and / or for engine cooling, by far the majority is cargo, supplied by and delivered to client units, and then some vessels make their own potable water from seawater using “waste” engine heat and some by reverse osmosis across a partially permeable membrane.

SPO is not itself a consumer of significant quantities of water for any industrial or manufacturing processes, or emitter of waste water from any such processes. Given the above it is not intended to report water consumption with effect from this report.

EN10 VOLUME OF WATER RECYCLED

Whilst the majority of water consumed in the SPO Head Office in Singapore delivered by the local utility company is produced by recycling sewage water through microfiltration and reverse osmosis, SPO itself does not recycle any of its relatively low consumption either onshore or on its vessels.

EN21 TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

Rainwater runoff occurs at all of our offices, and is managed by the local sewerage system. None of our vessels discharge water as an effluent or by-product of any industrial production process. Sewage treatment is controlled by the IMO MARPOL Convention 1973/78 Annex IV. All SPO ships are in compliance with this Annex which, with effect from September 2008 prohibits the discharge of sewage into the sea, except when the ship has in operation an approved sewage treatment plant or is discharging comminuted and

My soul is full of longing
For the secret of the Sea,
And the heart of the great ocean
Sends a thrilling pulse through me.

Henry Wadsworth Longfellow (1807-1882)
The Secret of the Sea

disinfected sewage using an approved system at a distance of more than three nautical miles from the nearest land; or is discharging sewage which is not comminuted or disinfected at a distance of more than 12 nautical miles from the nearest land.

Our vessels may on occasions take water ballast in one area, prior to a relocation voyage to another area worldwide where the ballast weight is discharged. Our vessels strictly abide by the IMO International Convention for the Control and Management of Ships' Ballast Water and Sediments which includes technical standards and requirements in the regulations for the control and management of ships' ballast water and sediments in order to prevent, minimize and ultimately eliminate the transfer of harmful aquatic organisms and pathogens through the control and management of ships' ballast water and sediments. The vessels maintain a Ballast Water Log, which is subject to unannounced Port State Inspection at any time.



POLLUTION AND IMPACT ON BIODIVERSITY

EN23 NUMBER OF SIGNIFICANT SPILLS

In 2008 SPO had ZERO oil/ chemical spills of significance that emanated from any of its vessels or operations. As in 2007 there were a small number of on-board incidents that required cleanup, but procedures and equipment onboard all of our vessels ensured that the oil from our operations is captured onboard and all areas were correctly decontaminated. (See: <http://tiny.cc/5BbbX>)

SPO's ability to provide oil spill recovery as part of one of its service offerings is detailed below.



LAMOR SWIRE ENVIRONMENTAL SOLUTIONS

The Joint Venture Lamor Swire Environmental Solutions (Pte) Ltd (see: <http://tiny.cc/ZmXyv>) was established on March 1st 2008 to counter the threat of oil spills faced by hydrocarbon operators working in the marine environment. On October 15th, 2008 Lamor Swire Environmental Solutions (LSES) officially opened the largest oil spill combat base in the Middle East at a brand new facility owned and operated by Inchcape Shipping Services in Jebel Ali, Dubai. The inventory includes equipment suitable to manage containment and cleanup of all marine spill and shoreline contact scenarios. The customer is presented with complete packaged solutions to remedy the risks included in the scope of their Oil Spill Contingency Plans. The packages are arranged by: (i) Offshore; (ii) Near-shore; (iii) Shoreline Protection; (iv) Ports; and (v) Marinas.

Petroleum Industry Environmental Conservation Association (IPIECA)'s Tiered Response Model sorts spill threats by Tier 1 (local significance), Tier 2 (national significance) and Tier 3 (international significance), for planning and response purposes. Tier 1 spills are the responsibility of the hydrocarbon operators and must counter operational process spills.

Tier 2 and 3 spills require the invocation of national and international plans and arrangements to counter larger accidental spills. Since opening, LSES has offered its services to explain to Governments and the oil industry the benefits to both clients and the environment of maintaining the ability to provide a seamless Tier 1, 2, 3 oil spill response on ready standby.

In support of a seamless Tier 1, 2, 3 response LSES provides clients with a full turn-key service covering:

- 1) Plans; IPIECA standard oil spill contingency plans comprising Strategy, Action and Data sections.
- 2) New and well maintained equipment for hire or sale, to resource all mainstream oil spill strategies which include monitor & evaluate, containment & recovery, chemical dispersants, shoreline protection, and shoreline clean-up.
- 3) Responders drawn from within the Lamor and Swire Groups along with Response Partners (mutual aid organisations) and Associate Responders (independent experts in their field).
- 4) Training; IMO OPRC Model training courses through IMO L0 (awareness), L1 (operator), L2 (on-scene commander) and L3 (senior politicians & administrators).

- LSES has established the IMO L0 (awareness) course as a standard module on the Swire Pacific Offshore Advanced Safety Management Course run at SMTC. Following a train the trainer programme, LSES has now established a SPO in-house capability to continue the training. SPO intends to train all their senior seafarers to IMO L0 as minimum.

- 5) Exercises; IPIECA standard notification, equipment deployment, table top and full incident management exercises.

Within 12 months of being founded, LSES has delivered oil spill preparedness and response services from as far West as Takoradi, Ghana, and as far East as Brisbane, Australia. Service delivery has already included all the seamless tiered response elements mentioned. For example on the combat side, LSES was selected as the only international oil spill response organisation to attend a spill off Queensland, Australia near a nationally significant maritime reserve. The State Incident Commander commended LSES for their technical support services.

EN28 MONETARY VALUE OF SIGNIFICANT FINES FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

In 2008 SPO had ZERO fines of any sort for non-compliance with environmental laws and regulations due to any of its vessels' operations. The biodiversity of the marine environments in which we operate is protected through legislation on dumping and chemical use. SPO adheres fully to the maritime legislation as is required by its flag state. This is monitored and confirmed by use of our detailed internal and external audit matrix. No penalties were reported in 2008 for any environmental infringements.

SPO's Central Purchasing Department now buys our chemicals from a single supplier to simplify HSE compliance measures, which are monitored by our QA/QC systems in accordance with our ISO 9001 accreditation. This global single supplier contract is in place worldwide, except for one country where 4 – 5 boats have been working, and where the supplier is not represented, so the issue is managed more actively locally to also ensure HSE compliance in this location.



HUMAN RESOURCES

LA1 TOTAL WORKFORCE

TOTAL NUMBER OF EMPLOYEES	2006	2007	2008	Y-O-Y INCREASE
Permanent	622	674	Onshore (office): 131 Offshore (sea staff): 871 Total: 1,002	(Total figure) -1.35%
Fixed Term Contract	1,069	1,158	Onshore (office): 0 Offshore (sea staff): 807 Total: 807	
No. of Hours Worked (all staff; includes part-time workers and supervisors)	6,568,794	6,993,804	7,450,218	+6.52%

Table 2 Total number of employees within SPO's Organizational Boundaries

Note 1 As the number of sea staff members fluctuates depending on the number of vessels, we have shown figures based on the average fleet size over 2008.

Note 2 With effect from 2008 the staff numbers are shown split between onshore and offshore staff. This will enable growth to be monitored in relation to both the number of offices and fleet size. The increase y-o-y in # of hours worked is broadly in line with the increase in Operational Intensity of the fleet, as detailed on page 4.

Note 3 For a detailed breakdown of sea staff contracts, see Table 3 opposite.

Note 4 It is not possible to give a breakdown as to where all employees physically work (as opposed to by country of employment - see table opposite) as our vessels change location worldwide continually during every year.

We seek to have all sea staff on permanent contracts of employment. This gives the seafarer security of employment, enables our operations and service to benefit from familiarity with company equipment, and reduces the resources required by the company inculcating the company vision, mission and ethos to new employees.

However employment of seafarers in the Philippines is strictly controlled by the POEA, a government body regulating employment and minimum terms and conditions, and this demands single tour of duty contracts strictly following POEA format which we believe

are against the best interests of both our seafarers and the company and its business. Unfortunately, at the current time, it is illegal to employ Filipino seafarers under direct contract with overseas companies but we are actively engaging the relevant authorities in discussions to change this. The Australian and Russian waters are strictly governed by union and government protective regulations which restrict employment to citizens of those respective countries. In both cases Swire Pacific Offshore has manning companies established to employ the seafarers in compliance with local requirements. Our North Sea based, Australian and NZ seafarers are covered by Collective Bargaining Agreements.

MANNING COMPANIES*	BASED IN	PERMANENT	"FIXED TERM" CONTRACT
Swire Pacific Ship Management (Int'l crew)	HK SAR	380	
Swire Pacific Ship Management (ASEAN, non-Filipino crew)	Singapore		73
Anscor Swire Ship Management (ASSM)	Manila, Philippines		701
SPO North Sea	Aberdeen, UK	15	
SPO Australia	Fremantle, West Australia	309	
SPO Caspian	Baku, Azerbaijan	6	
SPO New Zealand	New Plymouth, NZ	50	
Meritoccean Crewing Company Ltd	Cyprus/ Russia	93	
SPO West Africa	Various		33
Cadets	Various localities	18	
Total		871	807

Table 3 Total number of Sea Staff employees by Manning Company

* These are not the names of the legal entities, but are used for clarity to identify the operating region concerned.

Swire Pacific Offshore employs a total of over 33 different nationalities covering more than 5 different religious faiths within its global marine operations involving 70 boats working in 29 different countries at time of writing. We are planning to report in greater depth on nationalities and diversity within SPO in the next annual Sustainable Development report.

The largest single nationality employed is Filipino and all the seafarers are employed on a contract – per trip basis through ASSM, a Swire JV manning agency.

Whilst as mentioned above there are some territories in which we work that restrict the nationality of seafarers working in their territorial waters, for the most part our vessels have mixed nationality crews where we seek to best match the skill sets available with the type of work, type of vessel and significantly, client contractual requirements.

SPO employed 18 cadets in 2008, from three different regions. They follow a structured training regime in accordance with their relevant national jurisdictions. SPO provides employment and the opportunity for them to gain the various professional experience and skills they require to progress through their designated training schemes to achieve professional qualification. They are employed by the most relevant manning company, but are not regarded as part of the legally required manning for the operation of any vessel.

LA2 (PARTIAL) TOTAL NUMBER AND RATE OF EMPLOYEES' TURNOVER

Net onshore staff turnover in our 10 outposts / divisions has run at 0-1 per outpost over the year 2008, with the exception of Singapore / Head Office, which had a turnover of 21.85%. During the year the initial level of 119 staff has to grown 131, through the addition of 38 and loss of 26 staff. By far the majority of those based in Singapore departing the company (as opposed to being reassigned internally to other offices / positions) were accounting and finance staff. This was a local anomaly caused by significant recruitment drives during the year for two major new casino complexes and a major accounting company expanding its office in Singapore.

Staff turnover for sea staff (exclusive of internal transfers between our manning companies) over the year 2008 was 6.05% for SPSM sea-staff on permanent contracts, and 5.99% (net) for “sea-staff on fixed term contracts whom we would have expected to return for another contract” (see our comments above with respect to seeking to offer long-term security of employment).

Table 4 The reasons stated by the 23 sea staff who voluntarily resigned from permanent service contracts in 2008 were:

	Class 1 CoC*	Class 2 CoC	Class 3 CoC	Crew
Perceived better pay, terms or position/ promotion	2	5	0	n/a
Family reasons	3	3	2	n/a
Transfer to non-offshore vessel sector of industry	4	0	1	n/a

CoC: Certificate of Competency

Table 5 The reasons stated by the net 42 sea staff who voluntarily resigned from fixed term contracts in 2008 were:

	Class 1 CoC	Class 2 CoC	Class 3 CoC	Crew
Perceived better pay, terms or position/ promotion	1	9 (10-1rtn)*	7	6
Transfer to non-offshore vessel sector of industry	1	7	5	1
Health, Other, No reason given	0	0	1	4

Note 1 The turnover and resignation data detailed above do not include performance-based terminations by the employer in accordance with the relevant employment contracts.

Note 2 The average length of service in company for resignees in Table 5 was 3.99 years, but within a wide range (14.31 to 0.12 years, with a standard deviation of 4.07 years).

Note 3 Where a resignee stated directly that the resignation was for “family reasons” this is shown above. However it may well be this was also the actual driver behind decisions made for other stated reasons to leave the company and transfer to jobs in other, non-offshore, sectors, such as onshore positions or deep sea positions where the seafarer can take his spouse with him. Likewise it may be that the generally higher pay in the deep sea sector is viewed as more important than any required longer tour length away from home in any individual’s decision to transfer to the deep-sea. This potential overlap and / or multiple reason trade-off should be borne in mind when interpreting the above figures.

Note 4 1 resignee returned after 2 months when his vessel in his new company was laid up.

Note 5 We do not currently record turnover of shore or sea staff by gender, age and region.

Note 6 The different terms and conditions between all the different employment packages worldwide would not give a statistical valuable overview.

LA3 BENEFITS PROVIDED TO FULL TIME EMPLOYEES

SPO has established a number of benefit schemes to meet or exceed relevant national legislation and needs of its employees. These schemes have evolved over the years, but primarily relate to health, medical, disability, death in service and retirement benefits.

Over the course of 2008 we have put a lot of resources into raising the terms and conditions of our Filipino workforce (at 42% of our total seafarers) above the existing nationally regulated regime and to offer term security of employment and a higher level of social support benefits. We support the ASSM Dependents Association (ASDA) which is mainly composed of wives and relatives of ASSM seafarers and whose members provide an onshore support network to each other. Our age profile is sustainable and we are sponsoring and training 18 cadets directly. In 2008 we extended the medical insurance cover hitherto provided to each seaman after 5 years service to all crew after a tour of at least 3 months and these benefits are now extended to family beneficiaries after

5 years service. Life insurance now covers Filipino seamen even while on leave under an ASSM corporate policy.

LA4 PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

Only the permanently contracted seastaff employed by our manning companies in UK, Australia and New Zealand are currently covered by collective bargaining agreements (CBA).

Manning Company No. of Employees % of all sea staff

SPO North Sea	15 employees	1.7%
SPO Australia	309 employees	35.5%
SPO New Zealand	50 employees	5.7%
Total	374 employees	42.9%

The ILO has agreed a new Maritime Labour Convention (2006) which is expected to be ratified in 2009 and come into force in 2010. This will require that all seafarers on convention country registered vessels are covered by CBA. In the interim all seafarers continue to be able to pursue any grievances using the DPA mechanism laid down in the ISM code.



Both training and providing a structured career development of employees is considered a top priority of the company. The company has a long history of providing training for both statutory and non-statutory courses for its employees, particularly for seafarers' certificates of competency, allowing employees to progress in the company within the quickest possible time. We prefer where possible to take new staff at a level one notch junior, particularly for the top Master and Chief Engineer positions, to ensure that both sides are comfortable with the acceptance and understanding of the company's core Philosophy and Values before the staff take command and responsibility for our capital assets and the lives of those on board. Despite our current significant expansion we aim to continue to "Know Our Staff".

The company strives to be an "Employer of Choice". Staff turnover has traditionally been very low but we admit that the ongoing surge in demand for resource sector employees has placed considerable pressure on the attraction and then retention of quality employees. The company

believes in treating all its employees as it does its clients, with fairness and integrity. A greater focus on employee development will be the cornerstone of both attraction and retention going forward during 2009 and beyond. In the medium term the introduction of significant additional vessel supply and an industry shortage of skilled sea staff could hamper growth and we are expecting this to be exacerbated within the industry as we approach 2012.

In 2008 the company formally opened its Marine Training Centre in Singapore. During the year the Training Centre Simulator was configured to offer Nautical Institute accredited DP Induction and DP Simulator courses, plus DP maintainer courses for engineers, using the state-of-the-art Full (360°) + Reduced (180°) Mission Bridges which are fully integrated to the Engine Room simulator.

To enhance the awareness of the importance of behavioural safety issues within a designed, physically safe environment, to ensure that our staff are kept up to date with SPO's plans for its future direction and to facilitate face-time

interaction with all members of Senior management, SPO has planned that all seastaff will attend a Standard or Advanced Safety Management course at SMTC every three years.

With the expected delivery of the Anchor Handling Software package at the very beginning of 2009, SMTC will then be in a position to take both Deck and Engineer officers through integrated anchor handling simulation exercises involving the various systems in use today, plus towing simulations, in small groups. This will ensure maximum hands-on simulation time for all attendees, to enhance their knowledge and experience of the anchor handling and towing operations to be expected on simulated vessels whose dynamic handling characteristics are specifically designed to fully replicate those in our current fleet and those on order.

Using a simulator is also of course a way of providing realistic training in a much less hazardous environment and permitting lessons to be clearly demonstrated using after action review which is not possible in real life, but also saves significant quantities of fuel and thus GHG emissions against employing a vessel real time, even if this were possible, to demonstrate and practice the same operations.

SMTC Training throughput (non statutory courses)

COURSE	2008 PARTICIPANTS	SCHEDULED 2009 PARTICIPANTS
Standard Safety Management	80	170
Advanced Safety Management	11	166
NI accredited DP Induction + Maintainer	30	96
NI accredited DP Simulator	47	66
Anchor Handling and Towing	not available	72
Total	168	570 Y--O-Y increase 339%
% of Offices Corps	10%	32.8%

LA7 HSE

Swire Pacific Offshore (SPO) is committed to providing the highest levels of quality safety and environmental management. Our objective is to create a positive culture where safety and environmental concerns are addressed proactively. SPO is committed to improving the quality of life both on board our vessels and within the communities we operate.

We believe that a proactive approach to managing our HSE is better than being reactive and we have a strong safety culture, characterised by management commitment to HSE. This ensures that our dedicated Safety Management System (SMS) continues to improve and remains a relevant and practical tool whose results are reported through ORBIS.

The Marine Industry is highly regulated by international legislation from IMO (the UN body with responsibility for maritime matters globally) and other national governmental agencies. In order to meet these requirements, SPO has developed a

robust Safety Management System. This, and the fact that SPO is a service provider in the safety conscious upstream oil and gas exploration and production industry, has led to sustained improvement in HSE performance over the period that the company has operated and especially so over the last few years.

2008 was a very busy year for SPO, man hours increased to a record of over seven million through increased activity in the industry and from our fleet expansion. After several years of sustained improvement in HSE performance, the Oil and Gas Industry has seen an increase in the rate of injuries and incidents especially in certain geographical areas. SPO has also seen an increase in the incident rates this year mainly in the Australasian sector.

This is reflected in the accident and incident statistics showing a slight increase in Lost Time Incidents (LTIs) and Total Recordable Cases (TRCs) which also includes Restricted Work Cases (RWCs) and Medical Treatment Cases (MTCs). The reasons for this increase are varied and may be attributed

to the significant increase in activity in the industry as a whole and human factors. Whilst we do not accept the trend shown, and seek to attain a record of zero accidents of all types, the figures and statistics do represent a safety performance superior to the industry average. SPO believes it has long since a) provided a safe workplace, and b) ensured work practices and procedures that are as safe as reasonably practical. How both of these are used is seen as the next biggest challenge, and enhancing behavioural safety on board vessels is where we have the most potential for improvement. This is the driver for the increased emphasis at our new Training Centre, and by way of campaigns to raise awareness of our HSE issues in direct discussions with crews on board our vessels. In 2009, two "Safety Captains" will be traveling round the fleet to facilitate their discussions.

The graph on page 35 indicates our performance over the last 11 years. We recorded 10 LTIs in 2008 onboard our own vessels. All of them were reported and correctly managed with accident reports

and then investigations to determine both the direct or immediate causes plus the underlying or "latent" causes. These investigations were then followed up with reviews from the Master and the Outport General Manager concerned, through to our Fleet Safety Manager and Managing Director to enable a "whole fleet" overview to be taken. Relevant and recommended remedial actions were then taken to rectify direct causes and mitigate recurrences due to similar latent causes.

A common problem which is recognised throughout the marine and oil exploration industries is an increase in HSE incidents attributed to increasing numbers of less experienced and trained personnel joining the industry. An increasing number of training programmes at the Swire Marine Training Centre in Singapore reduce the risk of incidents occurring and give hands-on experience to recent recruits in a controlled environment. In addition, in 2009 we plan to have experienced Masters conducting further detailed and directed safety training and compliance auditing on the vessels throughout the year.

The vessels continue to carry out the many safety and environmental protection drills required by our extensive management system; this gives further opportunity for training and encouraging proactive behaviour in order to prevent further incidents.



DETAILED HEALTH AND SAFETY MANAGEMENT REVIEW FOR 2008

INTRODUCTION

As a large number of Swire Pacific Offshore managers attended the annual internal conference in November 2008, the agenda included an open discussion on the effectiveness and progress achieved with the Company's ISM, ISPS codes and ISO Standards. The objectives were to ensure Swire Pacific Offshore complied with the requirement for an annual Management Review of these codes and standards as per the table below.

	ABS HSQE Guide, 2005	ISM Code	ISO 9001:2000	ISO 14001:2004	SPO SMS
6	Management review	12.2	5.1 5.6 5.6.1 5.6.2 5.6.3 8.5.1	4.6	SMM Section 12 QMM Section 6 EMM Section 6

The Fleet Safety Manager made a detailed presentation on ISM issues, and a review of the forthcoming ISO 9001 changes, and this was followed by a question and answer session and general discussion.

ISM - INTERNATIONAL SAFETY MANAGEMENT

Documents Of Compliance (DOC) are held for 9 Flag States:

Singapore	62	Malaysia	1	U.A.E	1
Russia	3	Barbados	2	Azerbaijan	1
Panama	3 (managed vessels)	Cyprus	1	Australia	1

(see also page 15)

The Singapore Document of Compliance was renewed in December 2008, meaning that the external audits will need to be done earlier in 2009 than previously. SPO now has DOC

for Cyprus and Barbados which was issued as full term after the external ABS audit in December 2008.

SMS REVIEW

- Masters and Managers Reviews in 2008 indicate that the SMS meets the requirements of ISM
- 2008 SMS changes included:
 - Offshore Arrival and Departure Check List added
 - Clarification of Navigational Status added
 - Diving Policy and Procedures added
 - Drug and Alcohol Policy and Procedures added
 - Accidental Incident Reporting process in ORBIS revised/improved

MAN HOURS

2008 has been another year of increasing vessel numbers and activity in the industry. Man hours have risen accordingly and as the expansion continues so too will increase exposure to hazards and incidents. Recognising this, more resources have been budgeted to be applied to this in 2009 to ensure we maintain our long-term positive downward trend.

YEAR	(VESSELS)	MAN HOUR EXPOSURE	Y-O-Y CHANGE
2003	46	6,164,206	
2004	48	6,179,529	+0.024%
2005	52	6,360,034	+2.92%
2006	61	6,568,694	+3.28%
2007	63	6,993,804	+6.47%
2008	69	7,450,218	+6.52%

SAFETY PERFORMANCE

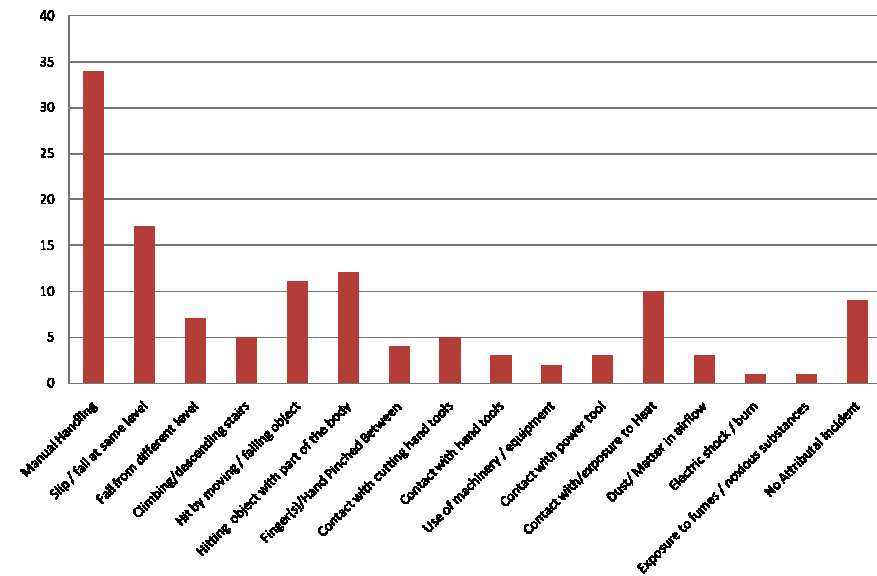
There have unfortunately been negative aspects of our safety performance for 2008. In particular there has been an increase in the number of Lost Time Incidents reported.

Lost Time Incidents - 10

- Hand /Finger - Failure to follow documented procedures x 4
- Arm/Leg Strain - Lack of planning/teamwork x 5
- Burn - Unsafe condition x 1



Injury Mechanism Analysis 2008

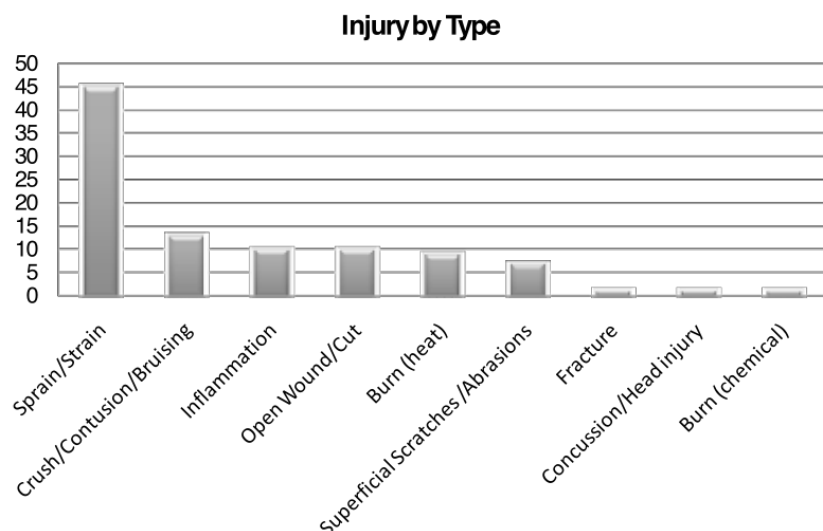


Manual Handling, Slips and Trips/Falls/Stairs and Finger / Hand Tool injuries were the most in common injuries in 2008.

Routine operations on deck closely followed by routine engine room operations are where most injuries occur. The NHR (Near Miss and Hazard Report Form) function in ORBIS is increasingly being used to report hazards, both hazardous conditions and hazardous occurrences.

Behavioural Based Safety training is taking place as part of the regular courses at Swire Marine Training Centre. These include raising the awareness of employees of the importance of performing routine tasks, with the personal protective equipment, and procedures provided, in a safe and non-injurious manner.

INCIDENT ANALYSIS - INJURY TYPE

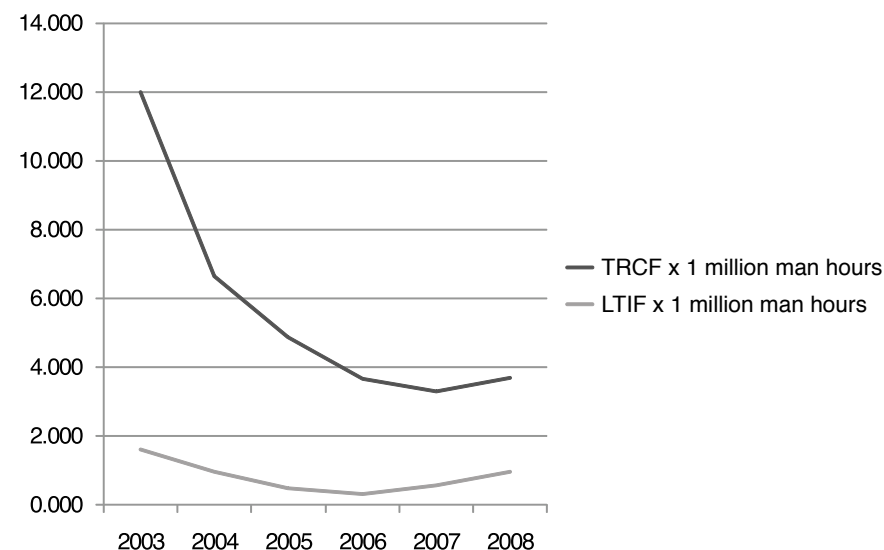


Strains (upper torso and lower torso) were the leading type of Injury; to address this SPO circulated back care and manual handling material for presentation at the routine scheduled vessel safety meetings.

There has been a fairly high number of Bruising /Inflammation, these were due to mainly minor bumps and slips. Also there was a fairly high proportion of finger injuries mostly as a result of using hand and power tools.

So Manual Handling and Back Care, Finger and Hand Care and Slips Trips and Falls have been targeted as the main areas for HSE focus in 2009.

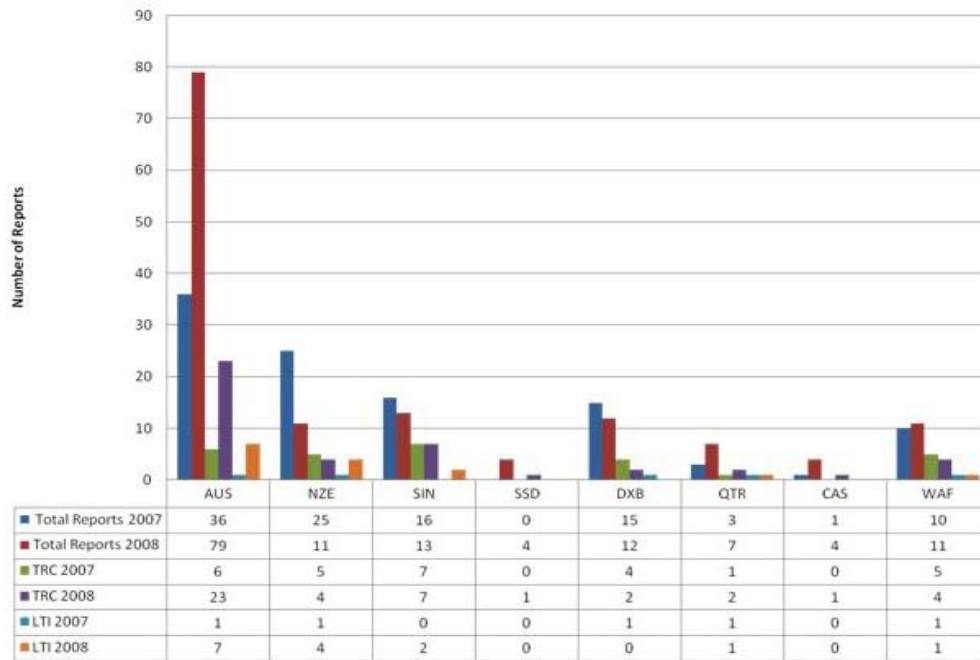
LTIF AND TRCF 2003-2008



This Graph shows the increase in LTI Frequency per million man hours from 0.3 to 0.9 over the last 2 years; it is still now slightly over target.

There is a small increase in Total Recordable Case (TRC) Frequency (TRCF) in the last 12 months but it is still on target. TRC includes Fatalities, Lost Time Incidents, Restricted Work Cases and Medical Treatments. The figures and statistics presented represent safety performance superior to the industry average. No fatalities occurred among SPO employees in 2008.

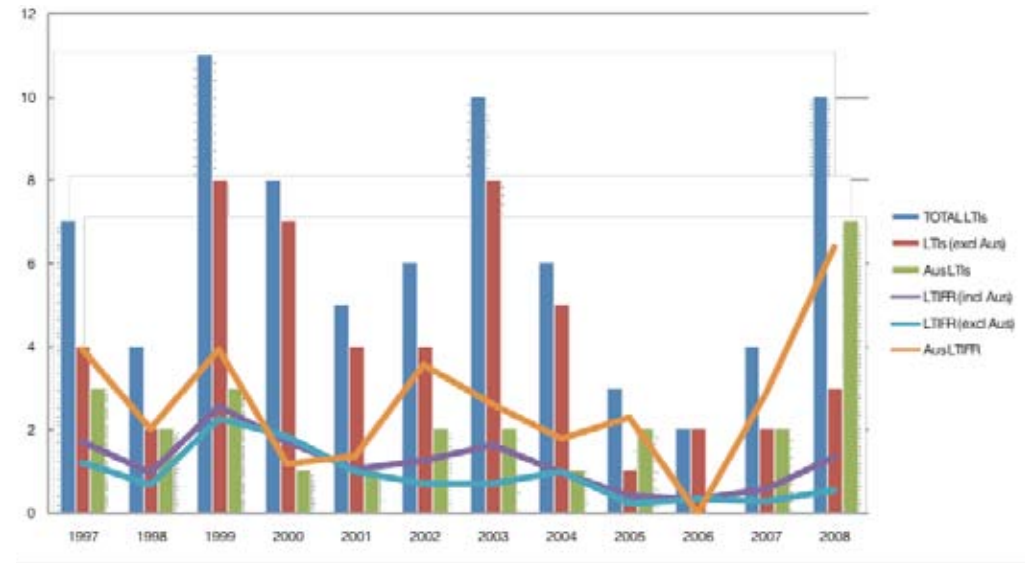
Our biggest challenge is to tackle behavioural safety, where there is the most potential for improvement. Training and leading by example is the way forward. Safety is a line management responsibility; we could not achieve above average safety performance results without the great efforts of crew and management throughout SPO.



Graph 1 Injury reports by outport, 2007/ 2008

Note 1 Manhours per region or division were not available for 2007/2008 but will be reported for 2009.

Note 2 Regions/divisions shown are - AUS: Australia, NZE: New Zealand, SIN: Singapore; SSD: Seismic Services Division, DXB: Dubai, QTR: Qatar, CAS: Caspian Sea, WAF: West Africa.



Graph 2 LTIs and LTIF, SPO for last 12 years to date

Much of difference between regions can be ascribed to the different prevailing environmental conditions in each area.

PRODUCT RESPONSIBILITY

Working safely is like breathing
- if you don't, you die.

Author Unknown

PR1 HEALTH AND SAFETY ASSESSMENT OF SERVICES PROVIDED

SPO has devoted significant dedicated resources to providing a safe work place on all our vessels (and in our offices) and to our business delivering a safe and professional service for well over 25 years. This starts at the design phase; currently 90% of our fleet was contracted from the outset to be built for us, and delivered to SPO from the shipyard. Whilst many of the vessels are certainly based on standard classes of design, we have an in-house team of superintendents who are involved in beginning to define the specification of each class some months before the contract is signed. The modifications required up to the issue of "approved for construction" drawings draw on the experience of the superintendents to produce the most operationally functional and safe configuration for our seafarers and clients as the conflicting working demands of the individual vessels reasonably permit.

Having taken delivery of every vessel, all the subsequent operations of the vessel and the services provided for our clients

for their entire lives in SPO are conducted under our externally audited Safety Management System, using assets that are also externally audited for integrity in accordance with international, flag state, port state and occasionally client regulations. Individual operations on board, whether routine or one-off are subject to a Job Safety Analysis conducted by all the parties that will be performing the task, or have prior experience of it. The purpose of this is first to engineer out any need to perform any hazardous task in the first place, secondly to put in place mitigation strategies to reduce risks to as low a level as reasonably practical and finally to ensure that last line safety barriers such as suitable personal protective equipment are available and used correctly.

Lastly, IMO is expected to bring in the "Green Passport" convention in 2009. This takes a holistic view of a vessel over the life of the asset, tracking all the hazardous substances introduced and removed from the vessel, so that when it finally goes to a shipbreaking facility, the ship's Green Passport can be handed to the Shipbreakers management to permit an

assessment to be done on the breakers' exposure, and permit the vessel to be broken up with the least environmental and adverse health impacts.

All new vessels currently under construction will be delivered with a "Green Passport". Existing vessels will be included in the scheme as the convention schedule demands.

Note: SPO has never yet disposed of any of its vessels directly to a shipbreaker. Indeed given its technical management of its vessels, most of which enter service directly from a SPO supervised building yard, all are sold on for further trading (where possible outside SPO's traditional markets).

PR2 INCIDENCE OF NON- COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING HEALTH AND SAFETY OF SERVICES PROVIDED

There have not been any incidents of regulatory non-compliance notices on health and safety grounds issued against SPO during 2008.

SO2 PERCENTAGE AND TOTAL NUMBER OF BUSINESS UNITS AUDITED FOR RISKS RELATED TO CORRUPTION

SPO carries out an annual enterprise-wide risk assessment with the involvement of the senior management team for all the business units, j/v companies and divisions included within our Organizational Boundary as shown in the diagram on page 3. The assessment establishes oversight, control and discipline to drive continuous improvement of the entity's risk management capabilities in a changing operating environment.

The Senior Management team will confirm compliance with the Company's Code of Conduct, which is posted on our web site at <http://tiny.cc/RWgk6> and includes strict requirements with respect to business ethics and the avoidance of all corrupt practices and the suggestion of corrupt practices. Compliance is reported to Swire Pacific Limited. Of the total number of business units (23), 91.3% were covered in the 2008 Enterprise Risk Management assessments.

SO3 PERCENTAGE OF EMPLOYEES TRAINED IN ORGANISATIONS ANTI-CORRUPTION POLICIES AND PROCEDURES

All seastaff attendees at SMTC for Standard and Advanced Safety Management Courses, and all new staff / managers in our offices in Singapore and at Prisco Swire in Sakhalin at their Induction are given a copy of, and the web link to, the Company Code of Ethics and explicitly told that adherence is non-negotiable and deemed a part of their terms and conditions of employment. In 2008 this would thus include 91 seastaff and ~ 30 office staff (6.68%). This will capture a further ~ 330 staff (18.24%) in 2009.

Existing staff have been directed to the Company Code of Ethics by their relevant General Managers.

All General Managers and Purchasing Managers will be sent the new Supplier Corporate, Social and Environmental Responsibility Code of Conduct (see <http://tiny.cc/dO>) at the beginning of 2009, and this will be disseminated to all suppliers on

our Approved Vendor's List with the notification that this forms part of the Terms and Conditions of any agreed order from SPO for any and all goods or services with immediate effect. SPO will then meet, and/or audit its suppliers during 2009 to ensure continuing compliance with its code of conduct.

SO4 ACTION TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION

SO7 TOTAL NUMBER OF LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST AND MONOPOLY PRACTICES AND THEIR OUTCOMES

SO8 MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS

There were NO:

- employees within the Organizational Boundaries of SPO disciplined or dismissed directly for reasons of corruption. There was ONE incident

during 2008 of an employee taking inappropriate action with respect to a situation for which he was ultimately responsible. Due to this the employee in question, who was not directly involved in any corrupt practice, was disciplined and reminded of the Company Code of Ethics.

- incidents where contracts with business partners were not renewed due to violations related to corruption.
- legal cases regarding corrupt practices bought against SPO or any business units within the Organizational Boundaries of SPO, or its employees during the reporting period.
- legal actions for anti-competitive behaviour, anti-trust or monopoly practices bought against SPO or any business units within the Organizational Boundaries of SPO, or its employees during the reporting period.

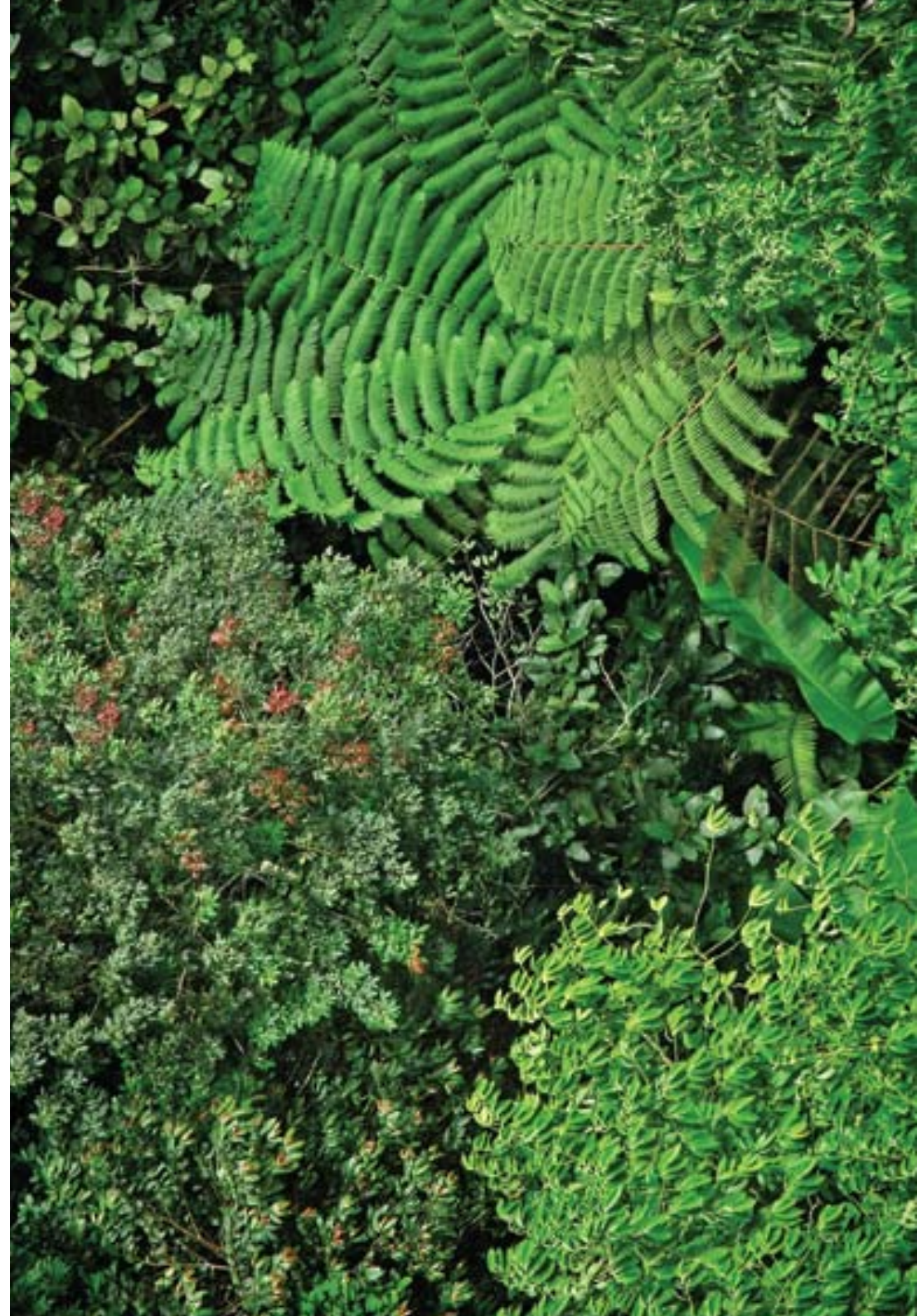
- administrative or judicial sanctions levied against SPO or any business units within the Organizational Boundaries of SPO, or its employees during the reporting period for failure to comply with laws or regulations including International declarations conventions/ treaties and national, sub-national, regional and local regulations, with the exception of one small administrative fine in each of three separate outposts, totalling USD 491.28, for tardy submission of relevant paperwork.
- cases brought against SPO or its business units through any dispute resolution or arbitration mechanisms.
- significant fines and non-monetary sanctions levied against SPO or its business units.

SO6 TOTAL VALUE OF FINANCIAL AND IN-KIND CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS AND RELATED INSTITUTIONS BY COUNTRY

SPO made NO financial and in-kind contributions to political parties, politicians and related institutions during 2008

“The end cannot justify the means for the simple and obvious reason that the means employed determine the nature of the ends produced.”

Aldous Huxley
English writer b.1894, d.1963



AGENDA AND KPIs FOR 2009

GENERAL AND REPORTING ISSUES

SPO will:

- continue to produce our annual Sustainable Development Report, aiming to meet GRI's application level B+ in our report on our 2009 performance
- implement closer dialogue with our key identified stakeholders to enable us to focus our CSR output to better meet the expectations of both our internal and external stakeholders

ENVIRONMENTAL ISSUES

SPO will seek to:

- reduce our electricity usage per employee per m² in our offices by at least 5% on 2008 figures
- reduce our CFC/HCFC consumption on our vessels by at least 5% on 2008 figures
- reduce our off-hire (Scope 1) FO consumption per boat-day by at least 5% on 2008 figures
- continue to progress our Carbon Offset REDD scheme in Paraguay to enable us to unilaterally mitigate an increasing amount of our Scope 1 and 2 GHG footprint
- promote the adoption of Eco-office initiatives in our out-port offices worldwide
- trial, and if successful, begin to instigate our "Green Zone" Fuel Efficiency Management System throughout our fleet



SOCIETY ISSUES

SPO will seek to:

- internally audit by at least 90% of our business units for risks related to corruption

PRODUCT RESPONSIBILITY ISSUES

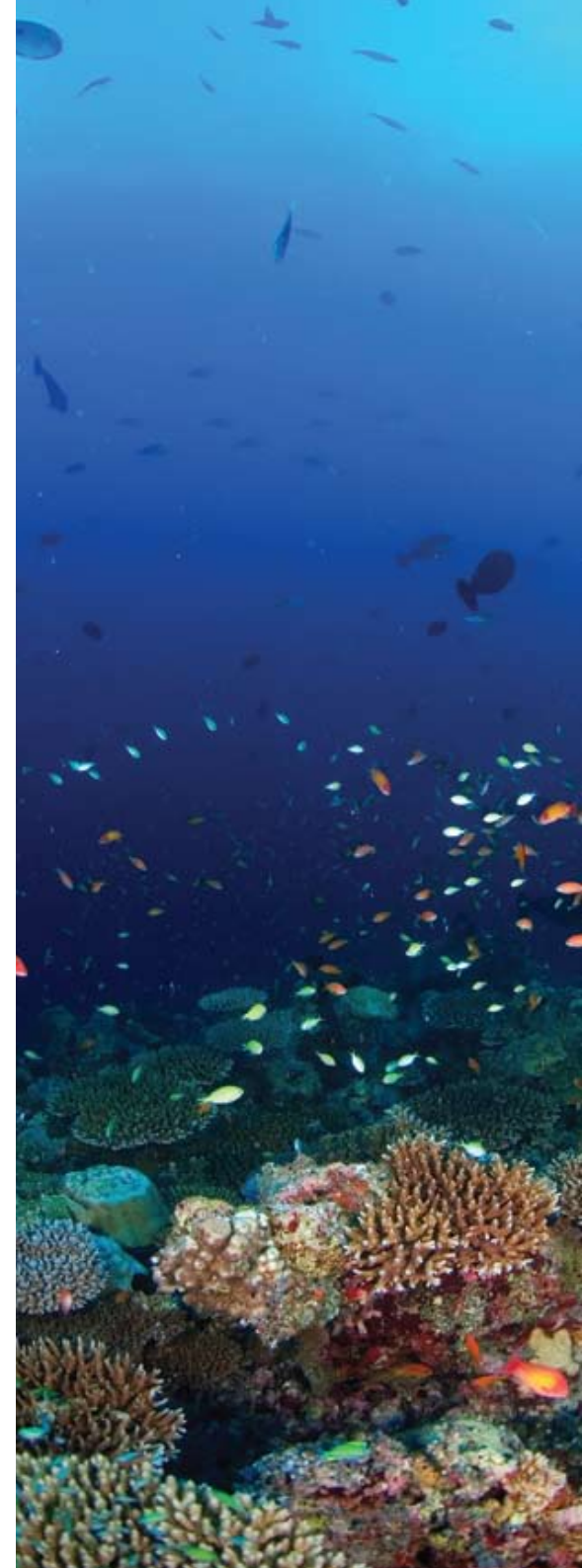
SPO will seek to:

- increase the response rate for service quality feedback from our clients from the existing 35%, to 60%, of the fleet
- increase the quality rating of the feedback obtained by at least 5% on 2008 figures

ECONOMIC ISSUES

SPO will seek to:

- increase the number of our employees covered by internal provident funds by at least 5% over 2008 figures
- continue to invest in areas related to improving our SD performance by setting aside funds based on a %age of the past three years average net attributable profit after tax, to be approved by the Board from time to time.



Verification and Assurance Statement

Copeland & Partners Limited was commissioned by Swire Pacific Offshore Operations Pte Ltd (SPO) to conduct an independent verification of its 2008 Sustainable Development (SD) Report.

OBJECTIVE AND SCOPE

The objective of the verification process was to verify a representative sampling of the information included in SPO's SD Report, including data and performance claims, and to determine conformance of the report contents with the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines requirements for Application Level C+. A review was also conducted of the company's SD initiatives as reported in its SD Report, against Swire Pacific Limited's expectations and to assess and provide recommendations on the company's overall performance.

METHODOLOGY

The verification process was conducted from April to June of 2009. A desktop review of SPO's SD Report was conducted to identify a representative sampling of data and information, as well as claims regarding management systems, performance and corporate strategy supporting SPO's sustainable development initiatives, for verification and confirmation. Initial information and clarifications were provided by e-mail and telephone and during an on-site verification. Meetings were held with relevant SPO managers to discuss the report contents and strategies for managing SPO's sustainable development issues and to identify gaps or areas for improvement. Based on this process, observations were made which resulted in SPO making minor amendments to the draft report.

FINDINGS

Based on the information reviewed and assessed, SPO's 2008 SD Report includes accurate and robust information to support the company's commitment to, and performance in, implementing its SD Policy and in meeting the requirements of GRI's Application Level C+ in terms of its coverage of the required profile disclosures and indicators. The report substantively covers SPO's material sustainability issues, with credible reporting on issues such as turnover, staff benefits, carbon offsetting and service responsibility.

RECOMMENDATIONS FOR FUTURE SD STRATEGY AND REPORTING

SPO is encouraged to build on the solid foundation that it has established in enhancing the sustainability of its operations and in reporting on its sustainability performance by:

- Systematically mapping its SD issues and risks, and linking them to its SD Policy, management systems, indicators and reporting;
- Cascading the message of SD throughout its organization;
- Continuing its initiatives on being an employer of choice, climate change, governance, lifecycle management, and engaging its business partners and suppliers on sustainability;
- Continuing its focus to improve its health and safety performance;
- Expanding its reporting on indicators, particularly market presence, air emissions, and diversity;
- Enhancing its engagement with the communities in which it operates and staff volunteering;
- Initiating its planned, structured engagement with key stakeholders; and
- Expanding its collaboration with industry to further sustainability within the marine sector.



Anne Copeland
Director & Sustainability Advisor, Copeland & Partners Limited
June 26th, 2009

THANK YOU FOR READING THIS REPORT

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Request for feedback

In order that we may improve our reporting, we would be grateful for your views and comments on any aspects of this report via e-mail to the above address or to info@swire.com.sg



