

# our future is in our hands

corporate social responsibility report 2007



# Scope of report

Cathay Pacific Airways Limited (Cathay Pacific) reports annually according to the calendar year on its corporate social responsibility (CSR). The previous CSR Report was published in May 2007. To ensure that the report reflects the company's significant environmental, economic and social impacts its content has been defined by a process of stakeholder engagement; through identification of priority areas set out by aviation industry associations; by benchmarking against other airlines; and with reference to the Global Reporting Initiative (GRI) reporting framework.

To allow all material impacts from our operations to be included, the boundary of the report has been extended to include the core CSR activities and commitments of our newly acquired subsidiary and sister airline, Hong Kong Dragon Airlines Limited (Dragonair). We continue to carry out annual reviews of the environmental reports published by associated companies and suppliers. This report will highlight several positive examples of the high standards among subsidiaries.

In continuing our commitment to improve the quality of our reporting, we have expanded our application of the GRI guidelines. Our reporting has been informed by this global standard and we will continue to use it as an important reference while acknowledging the need to focus on our core concerns and those of our stakeholders in ensuring a sustainable future for ourselves and the airline industry.

## Our management approach

The publication of this report is part of our commitment to transparency and accountability. Our management approach ensures the application of good governance practices and policies within the organisation. We are guided by a structured, ongoing stakeholder dialogue that influences our priorities and practices. We constantly monitor our impacts and implement measures to ensure continuous improvement in our economic, social and environmental performance, particularly in areas which are critical for Cathay Pacific: our stakeholders, local communities and the environment. In so doing we recognise both the risks and the opportunities associated with sustainable development.

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# Chairman's message

**In 2007 Cathay Pacific and Dragonair perhaps did more on social and environmental issues than in any year to date. On the environment we introduced an innovative carbon offsetting programme, extended our commitment to buying new fuel-efficient aircraft and, through our work with industry partners and regulatory authorities, improved inefficiencies in air traffic management along several key routes.**

2007 saw the launch of our third 'I Can Fly' programme with 1,000 young people embarking on a series of personal development and community involvement activities. We also launched important new community-based employee volunteering initiatives in the Tung Chung district neighbouring our head offices.

We strive to provide excellent service to our customers and Cathay Pacific was honoured as Asia's Leading Airline by the World Travel Awards and as Airline of the Year by the Travel Trade Gazette Travel Awards. But in order to ensure that we are a world class company we realise that there is a need continually to revisit our business processes. In 2007, for example, we strengthened a number of aspects of our governance to enhance the way we run our business both responsibly and ethically.

One other major initiative established in 2007 was the launch of a new Code of Conduct for our suppliers. Our aim is to ensure we have a responsible supply chain and ethical procurement policies.

At Dragonair we have seen our commitments continue. 2007 saw the Change for Conservation programme exceed HK\$6 million in donations which has allowed us to continue our work in China protecting and preserving nature in Yunnan Province. Dragonair was also named Best Airline – China for the sixth consecutive year in the Skytrax passenger survey and Best Airline (China) at the Travel Weekly China 2007 Industry Awards.

In line with having a fuel-efficient fleet we made a commitment in 2007 to begin the phase-out of our oldest freighters starting in 2008. We took delivery of five Boeing 777-300ER aircraft, recognised for their superior environmental performance, and will take delivery of 25 more by 2012. We are also proud to be an early launch customer of the Boeing 747-8 Freighter, with the first delivery in 2009. With a substantial financial outlay, our commitment to cleaner, quieter and more efficient aircraft is apparent.

There is a lot of good news to tell in this report, but we are not complacent and

realise that the airline industry faces huge challenges in securing sustainable growth. We recognise that the potential impacts of climate change will be serious and will require changes to be made now, if we are to avoid the worst impacts in future decades. We have a responsibility to run a profitable business, but that must not be at the expense of future generations. That is why we intend to demonstrate leadership in social and environmental issues in the years ahead. We need to work closely with our industry partners and other stakeholders, recognising that our future is in our hands.

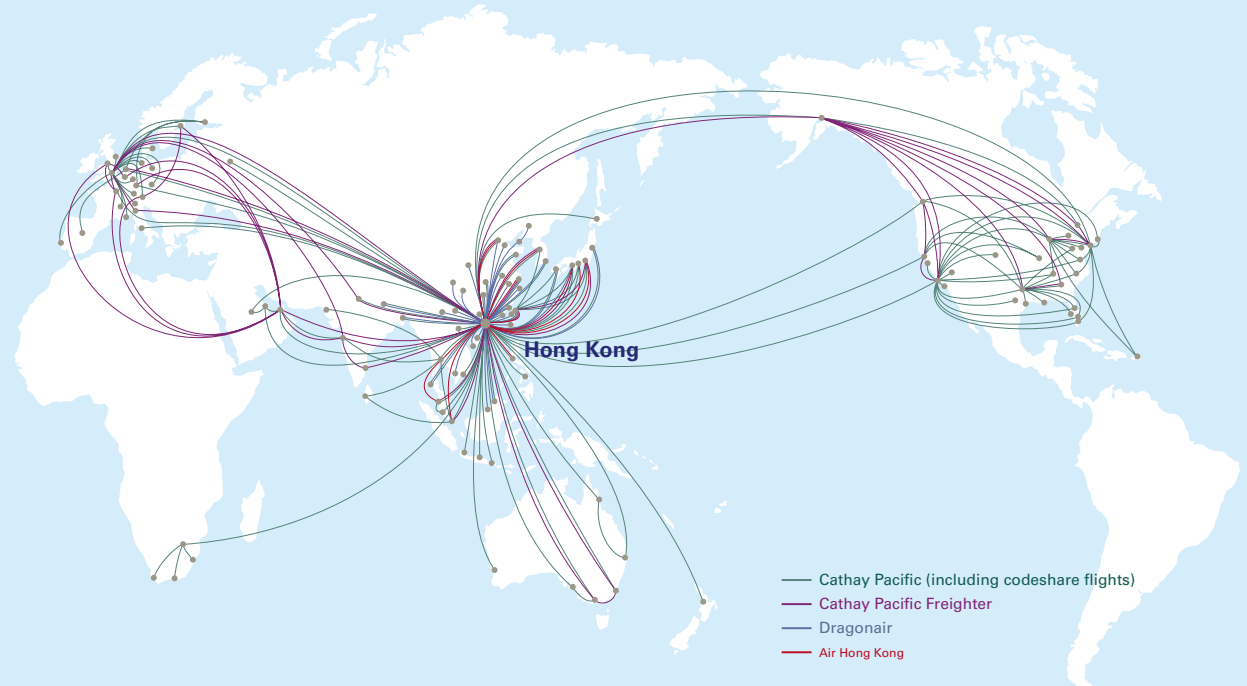


**Christopher Pratt**  
Chairman



# Overview of 2007

In 2007 Cathay Pacific Airways and Dragonair, both with their head offices in Hong Kong, flew to 129 destinations in 38 countries and territories around the world. Cathay Pacific and Dragonair offer scheduled passenger and cargo services and in 2007, transported 23.25 million passengers and carried 1.6 million tonnes of cargo.



Cathay Pacific Airways and its sister airline Dragonair are part of the Swire group of companies, with Swire Pacific as the largest single shareholder. Cathay Pacific has its own listing on the Hong Kong Stock Exchange. Neither Cathay Pacific nor Dragonair receives direct subsidies or similar financial assistance from government. There were no significant changes in 2007 regarding size, structure or ownership of Cathay Pacific. In 2007 we submitted a formal bid for a third cargo terminal at Hong Kong International Airport (HKIA), which we believe is crucial to Hong Kong's future competitiveness and economic prosperity.

The Cathay Pacific Group remains one of Hong Kong's largest employers. Together Cathay Pacific and Dragonair employ 20,800 people worldwide including 3,900 pilots and almost 9,100 cabin crew. The two airlines employ more than 15,400 staff in Hong Kong.

In 2007 Cathay Pacific received a number of prestigious awards including Asia's Leading Airline (World Travel Awards), Airline of the Year (Travel Trade Gazette Travel Awards), Best Airline (CAPITAL Best of the Best for Executives), the Award for Excellence (Air Cargo World's Air Cargo Excellence Awards) and Best Transpacific Airline (OAG 25th

Annual Awards). Dragonair was named Best Airline – China in the Skytrax passenger survey for the sixth consecutive year, received the Best Airline (China) honour at the Travel Weekly China award and has been voted Best Asian Airline at the annual Hurun Report Best of the Best Awards.

Safety and risk management are central to everything we do. We adopt a precautionary approach to planning and this covers new routes, new services and our new aircraft. We are also cognisant of emerging environmental challenges, in particular climate change, that will have an impact on

our business. We continue to track issues and their development through active risk management strategies.

## Major subsidiaries and associates in 2007

Cathay Pacific Catering Services (HK) Limited	100%
Cathay Holidays Limited	100%
Hong Kong Airport Services Limited	100%
Hong Kong Dragon Airlines Limited	100%
Hong Kong International Airport Services Limited	100%
Vogue Laundry Service Limited	100%
AHK Air Hong Kong Limited	60%
Hong Kong Aircraft Engineering Company Limited	27%
Air China Limited	18%

# Governance

Cathay Pacific adheres to rigorous ethical and professional standards, insisting on the highest levels of accountable and transparent decision-making. We are committed to maintaining a high standard of corporate governance and we devote considerable time to identifying and ensuring best practice.

The highest governance body is the Board of Directors led by the Chairman and comprising the Chief Executive and four other executive Directors. There are also 12 non-executive Directors, four of whom are independent. The independent non-executive Directors are high calibre executives with diversified industry experience and serve the important function of providing checks and balances for safeguarding the interests of shareholders, the company as a whole and its environmental and social performance.

To avoid conflicts of interest, all Directors disclose their interest in other companies and organisations annually. If the Board considers there to be any conflict of interest on any issue, the Director concerned is required to abstain from voting.

Members of the Board are selected on the basis of their expertise and ability to make a positive contribution to the company. As well as dealing with economic aspects of the company's performance the Board oversees the environmental and social performance and initiatives undertaken in the company.

The remuneration and bonuses of executives are based on a competitive package reviewed by the Remuneration Committee. The remuneration of executives is not entirely linked to the profits of the company and, given the volatility of the aviation business, this has contributed

considerably to the maintenance of a stable and motivated senior management team.

The Board has established the following committees: the Board Safety Review Committee, the Executive Committee, the Finance Committee, the Remuneration Committee and the Audit Committee, the latter two with the participation of independent non-executive Directors. Our CSR Steering Committee also reports directly to the Board.

Given the importance of safety in the industry, our Airline Safety Review Committee meets monthly to review the company's exposure to operational risk. It reviews the work of the Flight Operations Safety Review Committee, the Cabin Safety Review Committee, the Operational Ramp Safety Review Committee and the Engineering Safety Review Committee. It is chaired by the Head of Corporate Safety.

The company sees communications with investors as important and provides extensive information in the Annual Report and Interim Report sent to shareholders. Regular dialogue with institutional investors and analysts is in place and all enquiries are dealt with in a timely way. All shareholders are encouraged to attend the annual general meeting. Both shareholders and employees are able to provide recommendations to the Board of Directors through the Corporate Communication Department.

2007 annual results <sup>1</sup>	2007 HK\$'M	2006 HK\$'M	%Change
<b>Direct Economic Value generated</b>			
Turnover	75,364	60,793	24.0%
Finance income	1,664	1,353	23.0%
Share of profits of associated companies	1,057	301	251.2%
	<b>78,085</b>	62,447	25.0%
<b>Economic Value distributed</b>			
Purchases of goods and services	50,633	41,349	22.5%
Employee wages and benefits	12,142	9,950	22.0%
Payments to providers of capital	5,948	5,306	12.1%
Payments to government	799	782	2.2%
Community investments including charitable donations:			
- Direct payments	13	11	18.2%
- In the form of discounts on airline travel	6	10	-40.0%
	<b>69,541</b>	57,408	21.1%
<b>Economic Value retained</b>			
Depreciation	4,831	4,255	13.5%
Retained profit	3,713	784	373.6%
Retained for re-investment and future growth	<b>8,544</b>	5,039	69.6%

1. The above table summarises the distribution of the Group's economic value generated from the Group which includes Cathay Pacific and all its subsidiary companies including Dragonair and Air Hong Kong. Share of profits of associated companies include our share of profits of Air China and HAECO. Please refer our 2007 Annual Report (page 88-89) for details of our principal subsidiaries and associates.

## Cathay Pacific Fleet profile as of 31 December 2007

Aircraft Type	BOEING						AIRBUS			TOTAL
	747-200F	747-400	747-400F	777-300ER	777-200	777-300	330-300	340-300	340-600	
Passenger	•	24	•	5	5	12	29	15	3	93
Freighter	7	•	12	•	•	•	•	•	•	19
Average age (years)	24.2	15.7	12.1	0.1	10.6	6.6	7.7	10.5	4.9	10.9
Total	7	24	12	5	5	12	29	15	3	112

## Dragonair Fleet profile as of 31 December 2007

Aircraft Type	BOEING			AIRBUS			TOTAL
	747-200	747-300	747-400BCF	330-300	321-200	320-200	
Passenger	•	•	•	16	6	10	32
Freighter	1	3	3	•	•	•	7
Average age (years)	18.4	21.4	15.7	6	6.5	7	8.6
Total	1	3	3	16	6	10	39

## Governance Competition Compliance

**Cathay Pacific and Dragonair have made a strong commitment to comply with the letter and spirit of all applicable antitrust and competition rules.**

It is the policy and intent of the Company to operate at all times in full compliance with relevant competition laws.

In 2007 we created a new department, the Competition Compliance Office. This has been set up to ensure that the airline, and everyone who works for it, complies with the airline's antitrust policy and with all relevant competition laws. The Competition Compliance Steering Committee, headed by our Chief Operating Officer, oversees the design, implementation and maintenance of the competition compliance programme for Cathay Pacific, Dragonair and other subsidiaries and associates controlled by Cathay Pacific. We have published clear guidelines and have organised workshops and training for staff.

**“Our Antitrust Policy demonstrates a commitment to open and honest competition and a commitment to world class governance standards.”**

Robert Atkinson, Finance Director and  
Chief Competition Compliance Officer

### Cathay Pacific Antitrust Guidelines for staff

- 1. Do not agree to or discuss any arrangements that reduce competition.**
- 2. Do not seek or obtain commercially sensitive information from competitors.**
- 3. Do not provide competitively sensitive information to competitors.**
- 4. Do not attend meetings or communicate with competitors except for a specific lawful reason.**
- 5. Do not participate in collective boycotts, bid rigging, price fixing or market sharing arrangements.**
- 6. Clearly distance yourselves from attempts to discuss or conclude these arrangements.**
- 7. Do not use third parties as intermediaries to communicate with our competitors.**

#### Agenda for 2008

- Develop online training modules on competition compliance that will be mandatory for all relevant staff
- Develop more detailed antitrust compliance materials for specific activities and regions



# Engaging our stakeholders

**Cathay Pacific has an ongoing programme of stakeholder engagement. We recognise that listening to our stakeholders is important in ensuring the materiality of our reporting elements and driving change within our own organisation.**

In 2006 we engaged a wide range of stakeholders. In 2007 we decided to have a more specific focus on our customers and the investment community with whom we have previously had little engagement on social and environmental issues.

Members of our Marco Polo Club loyalty programme took part in a number of highly interactive focus groups exploring the environmental and social performance of Cathay Pacific and the industry as a whole. Investors, shareholders and fund managers were also asked about their views through interviews. Many of the issues raised by our stakeholders have helped us to shape the content of this year's report.

We continue to be perceived as a well respected company amongst our stakeholders and we are seen as honest, reliable and trustworthy. The company is seen as relatively profitable given the poorer performance of many other airlines, but many stakeholders raised questions about the increasing price of oil and implications for the operations of the Company.

**“Proactive engagement with our stakeholders has been extremely valuable in identifying issues that matter for our community.”**

Augustus Tang, Director Corporate Development and Chair, CSR Steering Group



Specific points raised during the dialogue which influenced the theme of this report:

- Praise for our 'I Can Fly' programme and our initiatives with the Tung Chung community. A number of our stakeholders asked about our activities outside of Hong Kong.
- Interest in Cathay Pacific's Change for Good Programme and Dragonair's Change for Conservation and a desire to know more about how the donations to these programmes are used.
- Many passengers recognised that Cathay Pacific was a safe airline but wanted to know if it was also a healthy one in terms of our in-flight catering. We pick up on this theme later in the report.
- Investors are interested in governance and we have provided more information this year in an expanded section that deals with some important governance initiatives. Some would like us to make commitments to international standards and conventions.
- Stakeholders thought that new supply chain initiatives announced in last year's report and rolled out in 2007 showed a good degree of leadership from Cathay Pacific. This initiative stemmed from the concerns of our stakeholders in 2006 and demonstrates how we respond to their concerns.
- Our engagement with environmental issues and the clear statements and strategies that we have for dealing with climate change. This, along with rising oil prices led some stakeholders to suggest a need for some longer term scenario planning. Indeed, some questioned whether the airline industry could continue its rapid expansion.
- The ongoing challenge of in-flight waste was raised by a number of stakeholders.

## Progress against 2007 actions

We are committed to continuing with our stakeholder dialogue processes. In 2007, a particular focus of these will be our customers



## Agenda for 2008

- We will continue with our stakeholder dialogue and in 2008 engage with stakeholders outside of Hong Kong
- We will review international guidelines and standards in the area of corporate social responsibility and consider the appropriateness of implementing them within the company



# Building on our environmental achievements

**Together Cathay Pacific and Dragonair are committed to mitigating their significant impacts on the environment. We believe that addressing key sustainability topics is paramount to the successful growth of our business and has to be an important part of our long-term business strategy.**

The Environmental Manager reports on progress in these areas at the CSR Steering Committee, which reviews performance and establishes the strategy and goals. The Director Corporate Development chairs the Committee and reports directly to the Board.

Cathay Pacific works closely with other airlines and trade associations, including representation on the Environmental Committee of the International Air Transport Association (IATA) and on the Environmental Working Group of the Association of Asia Pacific Airlines (AAPA). We see these partnerships as strategic, enabling us to effect change on a larger scale and prioritise our global challenges and opportunities.

It is clear that the most serious impacts from our industry relate to our use of non-renewable fossil fuels and the consequent emissions of greenhouse gases which impact on climate change. In addressing our commitment to operating in

a more sustainable way we have placed considerable emphasis on climate change over the last two years.

In this report we outline our innovative efforts to encourage passengers to offset the carbon emissions from their flights and in so doing to contribute to sustainable projects in our region. This recent initiative represents a new milestone in our history of environmental improvements.

We have also made great strides in fleet development, improvements in air traffic management and in instigating a cross-departmental review of ground transportation. These environmental programmes illustrate Cathay Pacific's long-standing dedication to minimising our environmental impact.

**“Cathay Pacific has achieved an improvement of 24% in fuel efficiency over the past 10 years, thanks in part to its solid portfolio of operational efficiency drivers, fleet renewal and environmental programmes.”**

Nick Rhodes, Director Flight Operations

# Climate change

**In 2007, climate change grew as an international concern, supported by new scientific findings, the most notable of which was the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report released in November.**

In helping to recognise climate change as a global priority, Al Gore and the IPCC were awarded the Nobel Peace Prize. The heightened response to the issue of climate change has ensured its place high on our business agenda.

In last year's report we provided a thorough overview of the aviation industry's contribution to climate change based on the findings of the IPCC. Over the last decade, while the percentage contribution towards climate change by the aviation industry has not changed, the industry continues to grow rapidly. According to the International Civil Aviation Organization (ICAO), total air passenger traffic worldwide is forecast to increase at an average annual rate of 4.6% for the period 2005–2025. In June, IATA issued strong messages to the industry to

## The Cathay Pacific Climate Change Position

**Substantial reductions in global carbon emissions are urgently required to mitigate the impacts of climate change. Cathay Pacific acknowledges that:**

- Aviation is estimated to contribute to approximately 2% of man-made carbon dioxide emissions
- Improved efficiency can be achieved through technological improvements, operations controls and improved air traffic management systems
- Absolute emissions will continue to rise as the industry grows.

We are already making a very positive contribution towards addressing climate change by:





focus on technology and infrastructure improvements, operational efficiency and economic measures to reduce carbon emissions and to move the industry towards carbon neutral growth. Meanwhile, the new IATA goal for improving fuel efficiency by 2020 has been set at 25% relative to 2005.

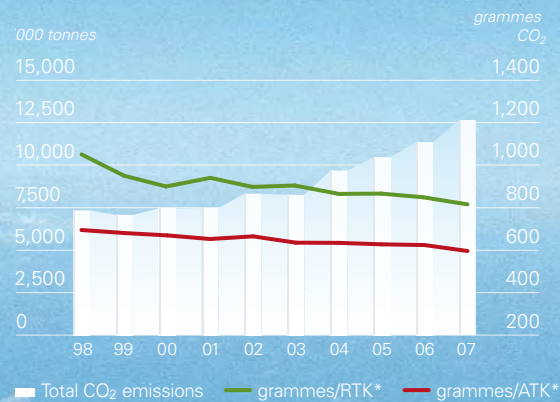
### Our emissions

The implications of climate change and the mounting cost of fuel, which accounted for 29% of our net operating costs in 2007, have made improving our fuel efficiency a priority. In 2007, Cathay Pacific and Dragonair consumed 5,604 million litres of fuel resulting in 13.8 million tonnes of CO<sub>2</sub> emissions. The total emissions from the Cathay Pacific fleet have increased in line with the growth of the airline, although actual fuel efficiency in relation to pay load carried has improved by 3% over the past year, bringing the efficiency improvement over the last 10 years to 24%.

The acquisition of Dragonair has increased our overall portfolio, and we now report on the fuel use and associated emissions of their aircraft. A gap-analysis has

identified initiatives for fuel saving which can be shared by both airlines, ensuring a consistent approach to emissions management across the entire fleet within the Cathay Pacific Group.

### Global CO<sub>2</sub> Emissions 1998-2007 Cathay Pacific fleet



- Calculating and reporting openly on our emissions
- Working with industry partners and lobbying regulators to support route improvements and address inefficiencies in air traffic management
- Maximising efficiency through operational efficiency drives and fleet development
- Addressing climate change through the development of a carbon management plan and a carbon offset project

### We support the following:

- The important role that carbon trading schemes can play to help secure the required reduction in global carbon emissions at minimum cost

- The funding of carbon emission reduction strategies on the ground from any revenues raised through economic instruments
- The leadership by the International Civil Aviation Organization (ICAO) in establishing a carbon trading scheme for international aviation

Cathay Pacific will work through IATA and other industry partnerships to facilitate such action.

## Supporting External Initiatives

### Hong Kong's Climate Change Business Forum

The Climate Change Business Forum (CCBF) sets out to combine the efforts of companies in Hong Kong on climate change research, developing and communicating best practices and assisting in the development of sound policies for the region. As a founding patron, Cathay Pacific has agreed to invest HK\$500,000 in support of the CCBF. Our Chief Executive will chair the Executive Committee of the Forum in 2008.

### Carbon Disclosure Project (CDP)

Cathay Pacific responded to the investor-led CDP for the first time in 2007. Openly disclosing information on emissions and carbon dependency provides assurance to our investors that we recognise climate change as a business concern and have strategies in place to address these concerns.

### The Climate Group

This independent non-profit organisation works to facilitate the world moving to a less carbon intensive economy. Swire Pacific became a member in 2006 leading to Cathay Pacific working with it on carbon emissions.

#### \*RTK

Revenue Tonne Kilometres: Traffic volume uplifted, measured in load tonnes from the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance

#### \*ATK

Available Tonne Kilometres: Overall capacity, measured in tonnes available for the carriage of passengers, excess baggage, cargo and mail on each sector multiplied by the sector distance

## Climate change

### Our Progress

In 2007 we continued to address climate change in accordance with our official Climate Change Position. This includes commitments to continue improving year-on-year efficiency, to provide full support to industry efforts to address air traffic management efficiencies and to support appropriate market-based mechanisms for the aviation industry including a global emissions trading scheme.

In line with our commitments, in 2007 we made further advances in maximising fuel efficiency through technological improvements to the existing fleet, stringent weight management and the implementation of operational efficiency drives. We focused in particular on developing a carbon offset programme, modernising our fleet and continuing our significant role in supporting and lobbying for improvements to air traffic routes.

With regard to emissions trading, Cathay Pacific remains fully supportive of the cap and trade approach. However, such a scheme should not create competitive distortion within the industry which can be avoided by the

implementation of a global scheme. If airlines were to be forced fully to absorb additional costs, investments in newer and cleaner aircraft would be significantly reduced and this would prove ineffective in reducing carbon emissions.

The most likely near-term action to impact the industry will be new legislation from the European Union, such as the inclusion of aviation into the European Union Emissions Trading Scheme (EU ETS). Current discussions indicate that this may be implemented by 2012 for all air traffic into and out of EU member states. These proposals would clearly distort competition and strong concerns have already been publicly expressed by a number of non-EU states.

**“Cathay Pacific strongly supports the adoption of a global, open emissions trading scheme to address aviation emissions without distorting competition between airlines.”**

Angus Barclay, General Manager  
International Affairs

## Alternative fuels

The key challenge for airlines is that unlike other industries there is currently no viable alternative to kerosene and there is unlikely to be one in the next decade. We are seeing some positive steps towards alternatives, with airlines working with the fuel industry and aircraft and engine manufacturers. The challenges of ensuring ethically acceptable and technically viable alternative fuel is something we will monitor and provide our support to as appropriate.

## Other Greenhouse Gases

There continues to be much uncertainty about the impact of other greenhouse gases in the upper atmosphere, and the influence of these on climate change. In particular, uncertainty lies with the potential impacts of condensation trails, the potential formation of cirrus clouds and the methane-reducing capabilities of nitrogen oxides in the upper atmosphere. We will continue to monitor the scientific understanding of these potential influences.



### Climate change

#### Progress against 2007 actions

Continue to improve fuel efficiency against the 1998 baseline	✓	ongoing
Take fuel efficiency and emissions as a key consideration in the renewal process of ground vehicles	✓	
With partners, develop industry specific actions to reduce greenhouse gas emissions	✓	ongoing
Encourage energy efficiency through our supply chains	✓	

#### Agenda for 2008

- Consider the implications of possible carbon pricing on investment decisions
- A programme of events to heighten awareness of staff on the science of climate change and the potential business implications



Climate change

Our 'FLY greener' initiative

On 19 December 2007, Cathay Pacific and Dragonair became the first airlines in Asia to provide a carbon offset option for passengers with the launch of the 'FLY greener' programme. It is the first time for a programme directly managed by an airline itself to offer passengers the option of using cash or frequent flyer miles – in this case Asia Miles – to pay for their offsets. Cathay Pacific and Dragonair are highly committed to the new offset scheme and matched the contributions of their passengers dollar for dollar for the first three months of the programme.



'FLY greener' is an extension of our in-house programme that offsets the carbon dioxide emissions associated with staff travel on airline business. This programme has been running successfully since January 2007 and resulted in 11,400 tonnes of carbon dioxide being offset from Cathay Pacific and Dragonair staff business travel during 2007 at a cost of approximately HK\$850,000.

In 2008 we will work on a number of new initiatives to encourage the use of this programme by our passengers and our corporate customers. These include linking 'FLY greener' with our online booking engine to allow passengers to opt

into the scheme whilst booking their airline tickets. In addition to involving our staff and our passengers, we will encourage action amongst other key stakeholders.

The overall effectiveness of our offset programme is determined by the quality of the carbon reducing projects we invest in. Potential projects are rigorously scrutinised before being selected for offsetting to ensure that they meet acceptable standards and result in real quantifiable reductions in carbon dioxide emissions. We also strive to benefit local communities and to encourage sustainable development across Asia. We give preference to projects in countries where Cathay Pacific and Dragonair have major operations such as Mainland China.

Currently, our staff and passenger carbon offset contributions are invested in wind power generation projects in Chongming and Nanhui near Shanghai, which have been verified in accordance with the Voluntary Carbon Standard. The installation of the wind farm facilities provides economic opportunities for the local community and helps promote the application of state-of-the-art wind power technology in the country. Such investments will help Mainland China come closer to achieving its goals for developing renewable energy sources in order to replace its current over-reliance on polluting coal-fired power stations.

**"It is vital we show that we are a responsible airline that is committed to being part of the solution. Offsetting is an ideal opportunity to reinforce this."**

Linden Coppell, Environmental Manager



**Carbon offsetting  
Progress against 2007 actions**

Implement mechanisms for offsetting emissions associated with employee business travel	✓
Provide a similar "opt-in" carbon offset scheme for customers	✓

**Agenda for 2008**

- Further promote the carbon offset programme and encourage action among corporate partners and corporate customers
- Seek to identify new regional projects to source offsets for our carbon offset initiatives, which are in line with sustainable development



Climate change  
Fleet modernisation



Improving our fuel efficiency is significantly influenced by investment in the modernisation of our airline fleet. Cathay Pacific views this as a highly effective strategy and is committed to maintaining environmentally sensitive flight operations.

**The Boeing 777-300ER**

In September 2007 we took delivery of our first Boeing 777-300ER ('Extended Range'), which, following comprehensive comparative analysis, was found to be the most efficient long-range twin-engine aircraft for our operations. Cathay Pacific now has a firm commitment for 30 of this aircraft type for delivery by 2012. This is the largest such commitment of any airline in Asia.

The 777-300ER, powered by two extremely efficient GE90 engines, will enable Cathay Pacific to carry more passengers and freight over longer distances, with significant reductions in flying time and fuel burn. Its extended range and payload capabilities are combined with engine efficiency improvements and design changes that reduce drag and aircraft weight. This results in more efficient use of fuel and lower emissions per tonne of payload (RTK). Its extended range enables Cathay Pacific to utilise the 777-300ER for maximum benefit across its intercontinental routes.

**The Airbus 330-300**

In August 2007 we took delivery of our latest A330-300. We recently announced the purchase of eight more A330-300s for use by Cathay Pacific and Dragonair, to be delivered between 2010 and 2012. This will take the number of A330s in our regional fleet to 40 while another 16 are operated by Dragonair. The group will then operate the largest A330-300 fleet in the world.

**“The A330 remains the most efficient aircraft for our regional and medium-haul fleet and the new additions will be deployed by both Cathay Pacific and Dragonair as our regional and mainland networks continue to grow.”**

Tony Tyler, Chief Executive

Route	Aircraft Replacement		Estimated Efficiency Gain (1)
	From	To	
Hong Kong to New York	A340-600	777-300ER	26% per RTK
Hong Kong to Los Angeles	747-400	777-300ER	28% per RTK

(1) On a comparable 80% load factor

**Fleet modernisation  
Progress against 2007 actions**

Commence phase-in of more fuel-efficient Boeing 777-300ERs ✓ ongoing

**Agenda for 2008**

- Continue fleet modernisation with introduction into the passenger fleet of five more 777-300ERs and three new A330-300s

Climate change

Improvements in air cargo fleet

Air cargo transports over 35% of the total value of goods traded across international borders and is therefore critical to modern life. While generating a positive contribution to the economy and social sustainability, increased attention has been given to the environmental impacts of air freight in response to growing concerns over climate change. This has ignited strong debates among consumers, governments and industry about the impacts of air-freighted food, and whether to introduce controls related to the measurement of food miles.

Although air cargo contributes only a fraction of global emissions we do understand the concerns that are raised with respect to global transportation of goods and we are committed to work with the whole industry to seek improvements.

Cathay Pacific is in the process of an ambitious freighter renewal process and is phasing out the older, less fuel-efficient Boeing 747-200 "Classic" freighters to be replaced with newer and more energy efficient aircraft. The first Classic will be retired in March 2008 and the remainder will all leave the fleet by 2012.

We are investing in newer and more efficient aircraft for our freighter fleet. Our two latest Boeing 747-400BCFs (Boeing

**"Cathay Pacific is wholly committed to the improvement of the environmental performance of its freighter fleet."**

Ron Mathison, Director Cargo Operations

Converted Freighters) will be delivered in 2008 and we will also introduce the first three of six enhanced Boeing 747-400ERFs (Extended Range Freighters) in 2008.

The transformation of our freighter fleet also includes the delivery of 10 high-capacity Boeing 747-8 Freighters, with the first deliveries in 2009. This new-generation freighter is highly fuel efficient and has the capability for the highest payload of any commercial freighter. It utilises the Boeing 787 'Dreamliner' GEnx engine technology. The results are an aircraft that is quieter, produces lower emissions, and achieves better fuel economy than any competing aircraft. New aircraft will be utilised as far as possible on routes where maximum fuel efficiency gains can be made.



Route	Aircraft Replacement		Estimated Efficiency Gain (1)
	From	To	
Hong Kong to Anchorage	747-200F	747-400ERF	16% per RTK

(1) On a comparable 80% load factor

**Agenda for 2008**

- Begin the phase-out of our Boeing 747-200 freighters and commence the phase-in of more fuel-efficient Boeing 747-400ERFs into our fleet

## Climate change

### Making improvements in air traffic management

The IPCC estimates there is a 12% inefficiency in air traffic management globally, which results in up to 73 million tonnes of unnecessary carbon dioxide emissions.

Cathay Pacific works with industry partners and regulatory authorities to optimise air traffic control systems and infrastructure. Our work is enabling better use of modern on-board computerised navigation systems, which ensure maximum fuel efficiency, as opposed to the reliance on inflexible and restrictive air traffic management systems. The computer modelling we used in 2006 to highlight the greatest improvements in flight routing efficiency that could be achieved on North Pacific routes was translated into actual flights in 2007.

#### The Pearl River Delta

We had been hoping to be able to report on significant progress in addressing the inefficiencies of airspace usage in the Pearl River Delta this year. But the rate of progress has been slower than we had hoped. We are advised that the authorities in Beijing and Hong Kong have reached agreement on a plan to address these inefficiencies but, so far, we are still awaiting significant operational improvement in the air traffic inefficiencies within the region. These future changes have substantial implications on both our and other airlines' fuel and carbon dioxide emissions savings.

**“The operational improvement to airspace and procedures in the Pearl River Delta offers an excellent opportunity to reduce unnecessary emissions and we look forward to its timely resolution.”**

Captain Russell Davie, General Manager Operations

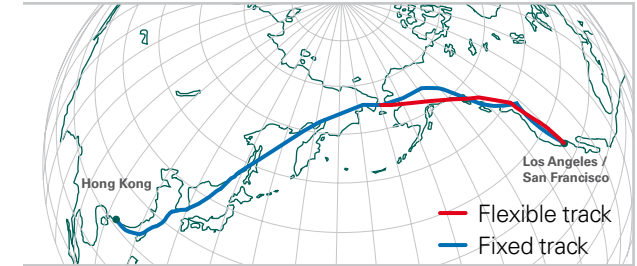
#### Improvements in North Pacific Routes

The United States Federal Aviation Administration together with NAV CANADA announced flexible tracks in American and Canadian airspace in 2007. This resulted in shortened routes for three daily flights for Cathay Pacific and we hope this number will be increased in 2008. Thanks in part to our lobbying efforts, other improvements on North Pacific routes were also made through the introduction of two new entry points into Russian airspace which were implemented in December 2007.

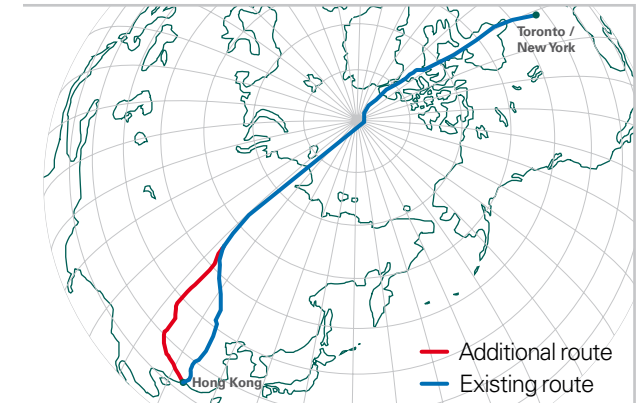
Optimisation of our polar routes, which connect Hong Kong to Toronto and New York, were achieved in mid-2007 through the opening of more entry points into Chinese airspace. The new entry points allowed Cathay Pacific to operate seven routes with greater efficiency in 2007.

#### North Pacific route improvements – Examples

Approximate annual carbon dioxide reduction 565 tonnes



Approximate annual carbon dioxide reduction 270 tonnes



## Climate change

### Progress against 2007 actions

Begin operational trial to introduce flexible routes across the North Pacific



### Agenda for 2008

- Continue to support and lobby for airspace improvements in the Pearl River Delta
- Continue to support industry efforts for further route improvements across the North Pacific



# Clean air

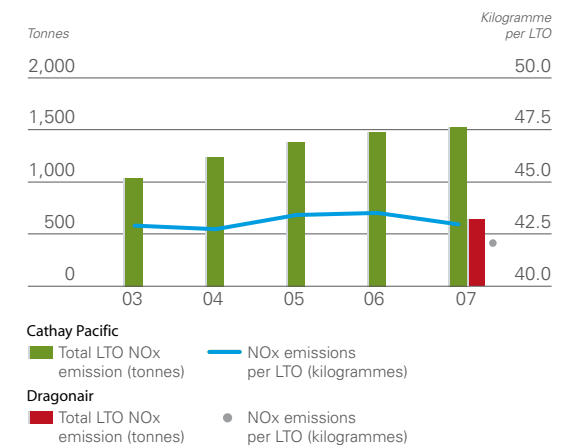
According to the Hong Kong SAR Government’s air emissions inventory for 2006, civil aviation contributed 2.7% of carbon monoxide (CO), 0.63% of volatile organic compounds (VOCs), 0.4% of sulphur dioxide (SO<sub>2</sub>) and 0.36% of respirable suspended particles (RSPs) to local levels of air emissions.

Aviation’s contribution to local levels of nitrogen oxides (NOx), measured in terms of emissions during the landing and take-off cycle (LTO) was 5.3%. About 40% is attributable to Cathay Pacific and Dragonair aircraft, consistent with our aircraft accounting for approximately 38% of aircraft movements to and from Hong Kong International Airport. In 2007, Cathay Pacific and Dragonair aircraft emitted 2,046 tonnes of NOx during the LTO cycle. Cathay Pacific aircraft have seen decreases in average NOx emissions LTO in recent years largely due to the modernisation of our fleet and driven by increasingly stringent NOx limits placed on newly certified engines by the International Civil Aviation Organization (ICAO). We expect this trend to continue in 2008 as new aircraft join our fleet and our older aircraft are taken out of service. The latest NOx standards from ICAO will apply to those engines manufactured from January 2008.

Although our contribution to local air quality is minor relative to more polluting industries, we are keen to be involved in efforts that will improve air quality in the region. Cathay Pacific was the Official Airline for the “Greener Skies 2007” conference held in Hong Kong in March 2007 and our Chief Executive gave the key note presentation. Key figures in the Asia Pacific aviation industry came together at the event to enhance awareness among the Asia Pacific aviation industry and ensure the region is a part of the global debate.

Cathay Pacific is also a signatory and continues to adhere to the standards set out in the Hong Kong Clean Air Charter. To add value to the charter a Certification Scheme was launched in 2007. This initiative aims to give recognition to the signatory companies for their achievements in mitigating air pollution in Hong Kong and the Pan Pearl River Delta region through independent certification. As a signatory company, Cathay Pacific is committed to the new certification scheme and will seek full compliance with the assessment criteria.

## LTO NOx emissions



At Bangkok Airport we have been trialling an electric car for use within the airport area. The small runabout is flexible, easy to manoeuvre and cheap to run. We will be extending the use of electric vehicles to other airports in 2008.

## Ground transportation

Local air pollution is a problem at many large airports, which is significantly influenced by the high volumes of ground transport. Overall, while the contribution of Cathay Pacific’s ground fleet to our carbon footprint is small, we recognise the need to consider the environment as part of our vehicle renewal. In 2007, we have set up a cross-functional group to look at ways to reduce the environmental impacts of our vehicles. This will include consideration of those vehicles used by Dragonair and our wholly owned subsidiaries, Cathay Pacific Catering Services, Vogue Laundry and Hong Kong Airport Services Limited (HAS). In total this will incorporate over 700 vehicles ranging from small passenger vehicles to large refrigerated trucks and the ‘highloaders’ used to load catering equipment onto the aircraft.

### Progress against 2007 actions

Continue to support the Hong Kong Clean Air Charter and encourage this through our local supply chains	✓	ongoing
Source local and regional carbon reduction projects for our carbon offset programme	✓	ongoing
Take fuel efficiency and emissions as a key consideration in the renewal process of ground vehicles	✓	ongoing

### Agenda for 2008

- Participate in the new Hong Kong Clean Air Charter Certification Scheme
- Develop a formal strategy for vehicle replacement across the Cathay Pacific Group
- Seek new opportunities for collaborating with local business on air quality improvement

## Keeping the noise down

For airlines, the most effective and direct improvements are made through investing in quieter aircraft and in ensuring that we rigorously follow noise-reducing operating procedures during landing and take-off.

Our new Boeing 777-300ER is as much as 16 decibels below the current ICAO Chapter 3 noise standards. Noise measurements at Hong Kong International Airport of this aircraft have indicated that assuming maximum take-off weight and over the course of 20 flights, there was an average 5 decibels reduction in noise levels compared to the Boeing 747-400.

Despite our efforts, we did breach the stringent noise standards at London Heathrow on a number of occasions. We paid fines for 20 flights at a total cost of £10,500. This continues to be due to the desire of the airport authorities to diffuse noise impacts on the ground, utilising even the most noise-sensitive landing and take-off routes. The situation is exacerbated by continued congestion problems which often delay our latest departure into the most noise restrictive night period.

We received three noise fines from New York's JFK International Airport. These amounted to US\$750. In addition, we continue to receive noise notifications at Brussels Airport, as do all airlines utilising the facility. This is due to an ongoing political dispute between local and national government concerning operations at this airport.

We occasionally receive noise notifications at Frankfurt Airport, if noise is above an aircraft average. This is due to the long-haul nature of our operations and hence heavy departure weight.

### Progress against 2007 actions and 2008 Agenda

Communicate with airport authorities to more effectively address noise issues	✓	ongoing
Work with manufacturers and other airline partners on noise-mitigation measures	✓	ongoing
Continue to liaise with the CAD to reduce the noise impact of aircraft operations in Hong Kong	✓	ongoing
Work with industry groups, including IATA and the AAPA, in the promotion of the 'Balanced Approach' to noise management	✓	ongoing

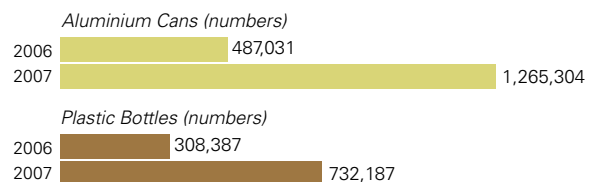
## Managing in-flight waste

Over the past year, Cathay Pacific has continued to collect and recycle aluminium cans and plastic bottles through its in-flight recycling programme. We estimate these efforts allowed us to recover 28% of plastic bottles and 39% of cans from inbound flights in 2007. This equated to just over 21 tonnes of aluminium (over 1.2 million cans) and over 26 tonnes of plastic (over 700,000 bottles). Our cabin crew who sort and segregate the waste in-flight greatly contributed to this success. The separate storage of recyclable wastes in the aircraft galleys continues to present challenges and we will continue devising new solutions to remove logistical constraints.

In November 2007 we expanded our in-flight recycling programme to include economy class plastic cups. The programme is off to a good start, and in the last four weeks of 2007 an encouraging 328,000 plastic cups were collected equating to approximately 21% of the total used on flights into Hong Kong.

In 2008 we will continue exploring new opportunities to expand our in-flight recycling efforts. There will be trial testing of new biodegradable plastic bags, which may be integrated into our in-flight programme in mid-2008. We also expect to see improvements in the recycling systems and facilities in destination countries that will allow us to expand our programme.

### In-flight Aluminium Cans and Plastic Bottles Collected



### Progress against 2007 actions

Consider the feasibility of further recovery of in-flight recyclable items	✓	ongoing
Begin a programme of in-flight customer education relating to waste management aboard the plane	✓	ongoing

### Agenda for 2008

- Trial the use of biodegradable plastic bags
- Consider the feasibility of in-flight recyclable items recovery at Dragonair

# On the ground

## Cathay Pacific City

We continue to manage Cathay Pacific's head office in accordance with the international environmental management system standard ISO 14001. The energy use is closely monitored and we continue to implement innovative improvements. In the past year, we improved the monitoring procedures of our ground waste and recyclables, which has resulted in more accurate statistics on our performance.

Approval was given in 2007 to install a heat recovery system in our Flight Training Centre, with a potential annual electricity saving of 71,831 kWh, equating to approximately 41 tonnes of carbon dioxide per year. The thermal wheel system will cool down the intake air prior to entry into the building. The total cost of our investment in the project is HK\$388,000.

In 2007 we completed the installation of a new Boeing 777-300ER flight simulator. Unlike our existing simulators, the new one does not require hydraulic power. This mechanism change translates into a savings of 85% of the energy used by the traditional hydraulic system, or 166,440 kWh, which equates to approximately 95 tonnes of carbon dioxide emissions per year. In 2008, we will be looking at the viability of similarly enhancing existing simulators.

In the past year, we have trialled a small wind turbine and are investigating other renewable energy sources. In 2008, we shall be investigating the opportunity of installing photovoltaic panels next to the wind turbine to enhance the electricity generated.

## Water consumption and conservation

The majority of the potable water used by Cathay Pacific and Dragonair is for its offices, with a consumption of 27,515 m<sup>3</sup> in 2007. The wastewater is directed to the Airport Authority's treatment plant prior to discharge.

Large volumes of seawater are used for the air-conditioning systems at Cathay Pacific City. Both the wastewater and the waste cooling water are tested for compliance with the requirements of the Hong Kong Water Pollution Control Ordinance. In 2007 we exceeded the limits for oil and grease on two occasions and for biological oxygen demand on one occasion. Corrective measures were immediately implemented and no warnings or fines were issued. There were four instances of excessive residual chlorine in the cooling water. The residual chlorine is the responsibility of the Airport Authority and measures were immediately taken to rectify this.

## Dragonair House

In 2007 Dragonair's environmental data was integrated into Cathay Pacific's environmental database. In an effort to further extend our environmental best practices to our sister airline, an Environmental Committee was established at Dragonair, which worked to improve the environmental data management and the development of a comprehensive waste management system to be launched in 2008. We will commence reporting of environmental data for Dragonair House in 2008.



## Aircraft Maintenance

The Hong Kong Aircraft Engineering Company Limited (HAECO) is Cathay Pacific's and Dragonair's main provider of aircraft maintenance and repairs. As a member of the Swire group, HAECO shares our commitment to the environment and produces an annual environmental report. It has received numerous environmental commendations including in 2007 the HKIA Environmental Best Practice Competition and a Certificate of Merit from the Hong Kong Awards for Industries – Environmental Performance Award.



### Progress against 2007 actions

Assist in implementing mechanisms for recycling at Dragonair House	✓
Assess the viability of further wind power generation	✓
Focus on paper reduction as part of the 2007 'Clean and Green Office' campaign	✓
Consider the feasibility of recovering heat in the fresh air supply unit at Cathay Pacific City	✓
Improve the accuracy of measuring ground waste and recyclables at Cathay Pacific City	✓

### Agenda for 2008

- Install heat recovery system in Flight Training Centre
- Investigate the feasibility of installing a photovoltaic panel at Cathay Pacific City
- Begin reporting on recycling efforts at Dragonair House
- Investigate the feasibility of solar heat installations for use in the canteen at Dragonair House



# Conservation and biodiversity



Protecting species and the natural environment continues to be important to Cathay Pacific. Our commitment to conservation has included staff and family members being involved in our ongoing tree planting efforts. In 2007 we sponsored the Tai Lam Tree Planting project, part of a three-year commitment to tree planting with the Hong Kong SAR Government's Agriculture, Fisheries and Conservation Department and Friends of the Earth. This initiative aims to restore vegetation in areas affected by hill fires in Tai Lam Country Park in the northwest New Territories. Staff volunteers and friends helped in the planting of 10,000 tree seedlings.

But our conservation efforts extend far beyond Hong Kong. For example, our Bangkok staff have been involved in

mangrove planting in Samutsongkram Province in Thailand and Dragonair's flagship conservation programme is based in Mainland China.

In 2007 discussions began with Cathay Pacific's in-flight catering team on supporting the Marine Stewardship Council (MSC) in its efforts to promote sustainable fishing. We shall report on the progress of this in the next report.

### Change for Conservation

Change for Conservation is Dragonair's major in-flight charity fundraising initiative. It began in January 2004 and by November 2007 the total sum collected passed the HK\$6 million mark. The money raised is used to benefit projects run by The Nature Conservancy in China's Yunnan province.

The programme has successfully supported the opening of the first national park in Shangri-La County in northwest Yunnan, including funding an inspection tour of New Zealand's national parks to gain useful insights and help speed up the establishment of the Yunnan park. Funding also assisted the monitoring efforts of the Yunnan Golden Monkey Conservation Association.

## Explore Wild Hong Kong!

Cathay Pacific provided funding to produce a DVD showing a side of Hong Kong far removed from the usual skyscraper and shopping opportunities of the city. Explore Wild Hong Kong! allows visitors and residents to see some of the other attractions of Hong Kong including country parks, wildlife and diverse shorelines. The DVD explores the rugged charm of Lantau island, highlights some of the great walks just minutes from dense urban areas and raises the profile of local nature tourism.



**"I think the photography is excellent... very informative... I found it very interesting."**

Phil Keoghan, host, *The Amazing Race*

### Progress against 2007 actions

- |  |   |
|--|---|
| Commitment to a new three-year programme of tree planting in collaboration with Friends of the Earth | ✓ |
| Continue to support and raise funds for the Asian Waterbird Conservation Fund                        | ✓ |

### Agenda for 2008

- Further explore biodiversity and conservation opportunities outside of Hong Kong
- Actively support the MSC and consider how we can use MSC certified products in our in-flight meals

# Summary of environmental statistics

Aircraft Operations	Units	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Operating Statistics</b>											
ATK	million	21,219	18,173	16,634	15,244	12,976	12,493	11,452	11,121	10,379	10,544
RTK	million	15,511	13,362	12,047	11,182	9,114	9,256	7,947	8,275	7,431	6,974
RPK	million	74,384	71,099	65,018	57,167	44,006	49,661	44,466	47,042	41,247	40,594
<b>All Flights</b>											
Fuel Consumption	thousand tonnes	3,954	3,596	3,325	3,077	2,590	2,583	2,431	2,429	2,263	2,343
	million litre	5,070	4,547	–	–	–	–	–	–	–	–
Fuel Efficiency – per ATK	grammes/ ATK	186	198	200	202	200	207	212	218	218	222
	litre/100 ATK	23.9	25.0	–	–	–	–	–	–	–	–
	improvement since 1998 %	16.1%	11.0%	10.0%	9.2%	10.2%	7.0%	4.5%	1.7%	1.9%	0.0%
Fuel Efficiency – per RTK	grammes/ RTK	255	269	276	275	284	279	306	294	305	336
	litre/100 RTK	32.7	34.0	–	–	–	–	–	–	–	–
	improvement since 1998 %	24.1%	19.9%	17.8%	18.1%	15.4%	16.9%	8.9%	12.6%	9.4%	0.0%
Global CO <sub>2</sub> emissions	thousand tonnes	12,472	11,342	10,487	9,705	8,169	8,147	7,667	7,661	7,138	7,390
	grammes/ATK	588	624	630	637	630	652	670	689	688	701
	grammes/RTK	804	849	871	868	896	880	965	926	961	1,060
Global CO emissions	tonnes	11,760	10,959	10,190	10,056	8,873	8,268	8,062	8,751	9,827	13,982
Global NO <sub>x</sub> emissions	tonnes	55,951	52,542	48,566	45,271	38,537	39,213	36,402	38,061	37,800	40,294
	grammes/ATK	2.6	2.9	2.9	3.0	3.0	3.1	3.2	3.4	3.6	3.8
	grammes/RTK	3.6	3.9	4.0	4.0	4.2	4.2	4.6	4.6	5.1	5.8
Global HC emissions	tonnes	2,271	2,233	2,171	2,228	2,112	1,885	2,090	2,560	3,401	5,736
NO <sub>x</sub> emissions during LTO <sup>(1)</sup> at HKIA	tonnes	1,531	1,483	1,382	1,238	1,040	–	–	–	–	–
<b>Passenger Flights Only</b>											
Fuel Consumption	thousand tonnes	2857	2825	2646	2404	1953	2074	2050	2068	1953	2007
	million litre	3663	3622	3392	3082	2504	2659	2628	2651	2504	2573
Fuel Efficiency	grammes/ RPK	38	40	41	42	44	42	46	44	47	49
	litre/100 RPK	4.92	5.09	–	–	–	–	–	–	–	–
	improvement since 1998	%	22.3%	19.6%	17.7%	14.9%	10.2%	15.5%	11.1%	4.2%	0.0%

Hong Kong Dragon Airlines Limited – fleet	Operating Statistics (million)			Fuel Consumption		Fuel Efficiency			Global CO <sub>2</sub> Emissions			NO <sub>x</sub> emissions during LTO at HKIA Tonnes
						All Flights		Passenger	Global CO <sub>2</sub> Emissions			
	ATK	RTK	RPK	'000 Tonnes	Million litre	litre/100 ATK	litre/100 RTK		litre/100 RPK	'000 Tonnes	g/ATK	g/RTK
2007	1921	1202	7822	417	535	27.9	44.5	5.9	1,317	685	1,095	515

Cathay Pacific City	Units	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Electricity consumption	mWh	32,542	32,008	30,892	29,948	29,885	32,325	31,318	33,045	29,107	–
CO <sub>2</sub> emissions from electricity	kg	18,549	16,964	–	–	–	–	–	–	–	–
Seawater consumption	km <sup>3</sup>	7,250	7,279	7,279	7,236	6,846	7,698	7,081	8,903	8,756	–
Potable water consumption	m <sup>3</sup>	15,381 <sup>(2)</sup>	9,644	9,644	11,113	11,482	11,460	14,571	17,942	12,277	2,956
Paper recycled	tonnes	195	283	260	236	233	279	276	171	187	154
Aluminum cans recycled	kg	853	329	775	734	721	701	488	479	202	–
Plastic recycled	kg	4,604	1,290	4,816	18,157	17,070	8,400	–	–	–	–
Printer cartridges recycled	pcs	1,488	2,027	1,685	1,447	1,888	1,295	855	1,363	1,103	905
Office waste disposed of	tonnes	370	421	382	388	381	388	–	–	–	–
Food waste disposed of	tonnes	169	195	163	169	172	171	–	–	–	–
Metal waste recycled	kg	1,049	445	222	–	–	–	–	–	–	–

(1) Landing and take-off cycle (2) Includes one area not previously measured

# Safety and health

**Safety continues to be our number one priority and in everything we do we are cognisant of the need to protect our passengers and staff. We are also working hard on a number of health initiatives including a continued emphasis on in-flight food safety.**

## Passenger safety


Our commitment to passenger safety starts with operating a fleet of well maintained, reliable aircraft with highly trained and experienced staff. Our modern aircraft are quiet and comfortable with good levels of ventilation. Fresh air is added to recycled air through very fine High Efficiency Particulate Arrestor (HEPA) filters to remove dust, viruses, fungi and bacteria. Air is delivered to the top of the cabin and extracted at floor level to carry any particles downwards away from the breathing zone.

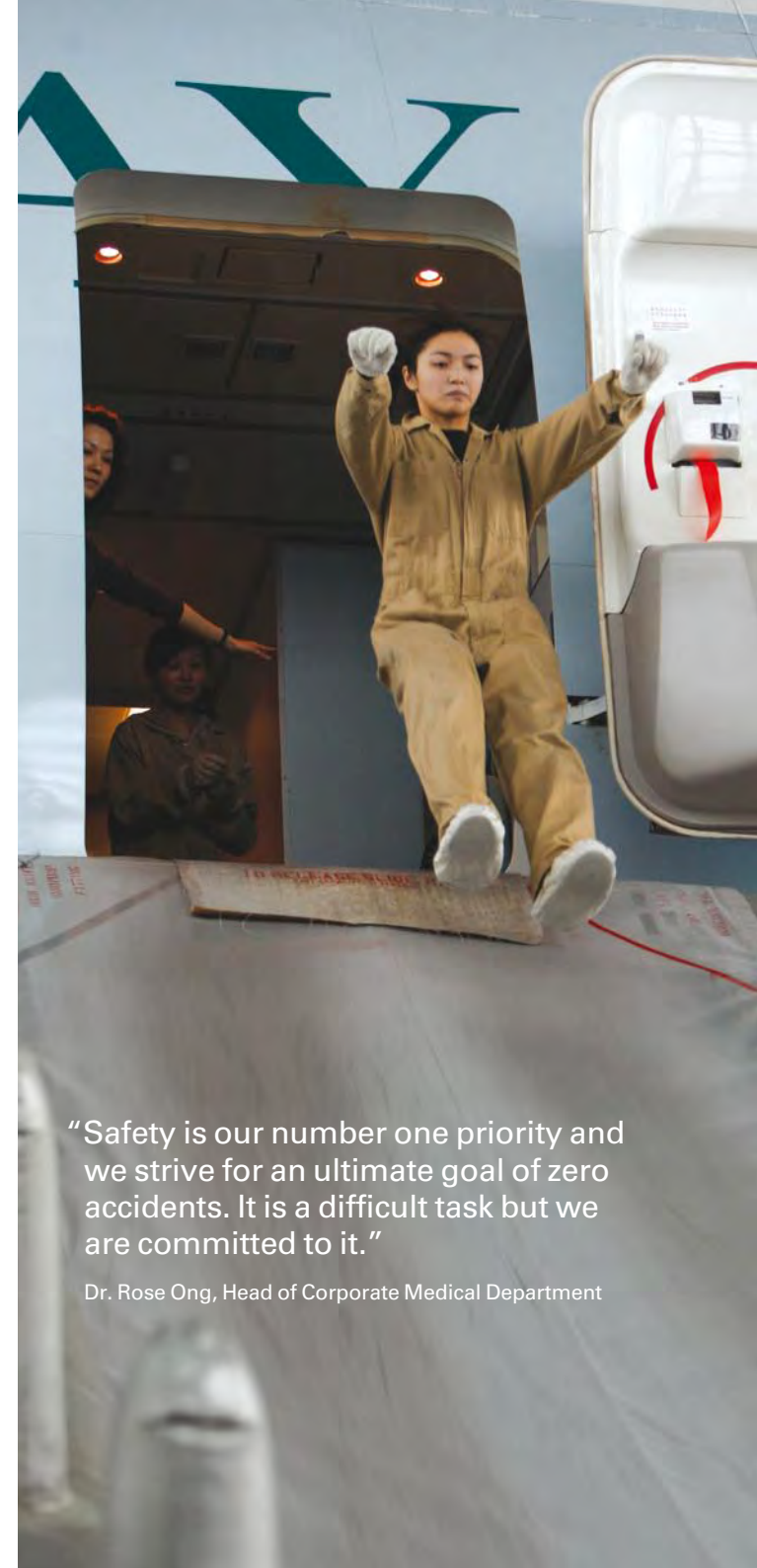
While air travel is the safest form of travel, its popularity means that a lot more passengers with medical problems travel by air each day, many of whom are unaware of the potential impact of their illness interacting with the aircraft environment. We provide comprehensive health advice on our website to passengers who may need to take extra precautions before they fly.

## Cabin safety

While we do everything we can to ensure safety in-flight, the cabin environment continues to be the number one focus for occupational injury prevention. We have implemented a risk-management programme that includes observation flights by management and external experts to help identify cabin safety and occupational health and safety hazards. This practice also allows risk assessments of new products or service proposals to be carried out.

Among the many improvements we have made in addressing safety and incident prevention, our most recent efforts include:

- A new web-based cabin safety reporting system allowing more timely submission of safety reports from around the globe and more effective data analysis.
- A new work injury management programme to ensure that immediate medical evaluation and support is provided to crew who suffer a work injury.
- The first edition of our new cabin safety magazine was published in 2007. The magazine ensures that safety messages and experiences from safety events can be passed on to all cabin crew.
-  The 'SAFE Life' campaign was launched in 2007 to improve the engagement and awareness of cabin crew and management in relation to cabin safety. Part of this saw the launch of the 'Safety Week Campaign'. These campaigns will be planned regularly in the future.
- A new safety booklet series was initiated in 2007, with a fatigue management handbook, to assist crew in managing the impacts and effects of fatigue.
- In an effort to increase cabin crew knowledge and understanding of occupational health and safety, an e-learning module is under development which all cabin crew must complete in 2008.



**“Safety is our number one priority and we strive for an ultimate goal of zero accidents. It is a difficult task but we are committed to it.”**

Dr. Rose Ong, Head of Corporate Medical Department





## Safety and health

### Safety on the ground

In 2007, our ground safety report was re-designed and a new injury report form was developed to better assist staff, wherever we operate, to report work-related injuries. The Occupational Health and Safety (OH&S) Review Committee conducted its first formal, company-wide assessment of safety risks to staff. Mitigation plans and strategies are being developed to manage these risks.

OH&S became further aligned with the overall airline safety management system at Cathay Pacific and all incidents were added to the company safety database for future analysis.

The airline's safety intranet site, including ground safety and OH&S, has been redesigned, ensuring that safety policies, procedures and guidelines are more easily available to all staff in all countries. The need for an online learning module for OH&S induction training has been recognised, and will be developed in 2008.

### Lost Time Injury Rates – Cathay Pacific <sup>(1)</sup>

Ground staff  
*(excluding at Hong Kong International Airport)*

2.9

Ground staff at Hong Kong International Airport

33.4

Cabin crew

112.6

Lost Time Injury Rates  
=  $\frac{\text{number of injuries resulting in lost time}}{\text{total work force hours}} \times 1,000,000$

Cathay Pacific has committed to a 5% improvement target between 2007 and 2008 for lost time injury rates.

(1) Dragonair will begin reporting on its Lost Time Injury Rates in 2008.

### Deep Vein Thrombosis (DVT)

DVT is the formation of blood clots within vessels that can have fatal consequences if they obstruct the flow of blood to a vital organ. In the context of air travel, the concern is thrombosis occurring in the deep veins of the lower legs. We provide educational information to passengers through our website and in-flight publications on this issue.

#### Progress against 2007 actions

Improved work injury management programme	✓
Completion of a new safety handbook for cabin crew which emphasises the importance of working safely	✓
Further refinement of the Occupational Health and Safety Management System in conjunction with a new awareness campaign	✓
Implement methodology and standards for data capture and monitoring systems for work-related injuries	✓

#### Agenda for 2008

- Continue holding regular Safety Week Campaigns
- Enhance the work injury management system
- Ensure all cabin crew complete a new e-learning module related to OH&S
- 5% improvement in lost time injury rates for Cathay Pacific

# Food safety

**Cathay Pacific is committed to ensuring that food and beverages consumed on its aircraft comply with the highest standards of safety. In both Hong Kong and in our outports we have staff dedicated to ensuring that the best practices are followed. We undertake regular and comprehensive inspections of all our food preparation facilities worldwide.**

## Aircraft food and water

Cathay Pacific Airways maintains comprehensive systems to ensure the safety of in-flight catering and drinking water supplies on aircraft. The Catering section arranges site hygiene inspections and audits of all in-flight caterers twice a year, and also conducts ad hoc checks. Caterers are expected to maintain comprehensive records so that food items can be investigated and tracked from the raw materials stage until delivery to the aircraft.

For aircraft water, all outlets on the entire Cathay Pacific fleet of aircraft are sampled on an annual rolling programme. Water is sourced only from airports known to have a safe municipal water supply. Water is re-treated with chlorine before uploading to our aircraft.

## Crew hotel hygiene

In an effort to minimise the risks of crew incapacitation due to food poisoning, Cathay Pacific operates a programme of inspection of crew hotels – particularly in those countries where concerns about food hygiene are common. Hotels are inspected at the contract tender stage and spot inspections are arranged if complaints arise. In addition to a full inspection of all hotel kitchens, the microbiological records of food sampling and of catering staff hand swabs are examined. Hotels operating a fully certified food safety system are preferred. In addition to the food safety inspection, swimming pool and spa hygiene inspections are also undertaken.

**“Our stringent and frequent checks provide us the assurance that the catering facilities we use are among the safest in the world.”**

**Karen Combes, Regional Catering Manager**



## Food safety at Cathay Pacific Catering Services

Cathay Pacific Catering Services (H.K.) Limited (CPCS) is a wholly owned subsidiary of Cathay Pacific Airways. The company is the principal flight kitchen in Hong Kong and its 50,400 square metre kitchen provides between 55,000 and 60,000 in-flight meals per day. The facility is certified to international quality standard ISO 9000 and the environmental management system standard ISO 14001.

CPCS caters for over 30 of the world's leading airlines and also 10,000 school meals per day. The most important tasks are to ensure consistency, continuity, quality, and clear food safety procedures.

Rigorous quality control systems are in place to ensure all stages of food preparation follow recognised international standards for hygiene. We have systems in place to educate and train employees regarding their responsibilities in relation to both food hygiene and personal hygiene.

CPCS also places an emphasis on healthy food, working with airlines to create menus which are lighter and healthier and incorporate more fresh vegetables and fruit. Vegetable oils are used in preference to margarines to minimise trans-fats and the risks associated with increasing cholesterol levels. Monosodium glutamate is not used in food preparation.

# Investment in our community

**At Cathay Pacific and Dragonair we believe that a responsible business has strong ties to the communities it serves. Even in our outposts, where our offices are often relatively small, we encourage our staff to get involved with local community initiatives where they can make a positive impact.**

In Hong Kong we stress our commitment to the community surrounding the airport and our two head offices, but we also recognise that we can do much to help the wider Hong Kong community. Many of our projects involve our staff volunteers and we place a strong emphasis on supporting children and young people. This year we report on just a few of our major projects from 2007.

## The Tung Chung community

The nearest residential community to our head offices and to Hong Kong International Airport is Tung Chung, with a population of around 82,000.

The innovative 'English on Air' programme was launched in November 2007 when more than 30 students from the Wong Cho Bau Secondary School in Tung Chung were invited to Cathay Pacific City to improve their spoken English. We believe that improving the English-language skills of young people will help open the doors to long-term opportunities.

Now, a team of more than over 300 staff volunteers are involved with various programmes in the Tung Chung community.

## The Tung Chung community flight

Around 170 Tung Chung residents ranging in age from 3 to 77 experienced their first flight when they were invited to join the inaugural flight of Cathay Pacific's first Boeing 777-300ER aircraft. We worked with local charity groups to identify 50 families from Tung Chung, most of whom had never been on an aircraft before, to take part in the 90-minute flight. Further flights are planned for 2008.

## 'I Can Fly'

2007 saw the third intake of young people into Cathay Pacific's flagship educational and community programme. A total of 1,000 participants aged 15 to 18 joined with over 100 Cathay Pacific staff to begin the four-month programme of aviation-related activities combined with social service programmes. The participants are mentored by Cathay Pacific pilots and embark on self-designed social service activities supervised by other Cathay Pacific volunteers.

## Dragonair's Aviation Certificate Programme

Like Cathay Pacific, Dragonair is committed to providing the necessary training to enable young Hong Kong men and women to become the airline's pilots of the future. Dragonair works with the Hong Kong Air Cadet Corps on an educational scheme, the Dragonair Aviation Certificate Programme, aimed at inspiring a new generation of local aviators.

Participating cadets undergo an intensive training session before being accepted into the mentorship scheme, where they are each partnered with a Dragonair pilot. In addition to pilot training, cadets are exposed to specialised work functions such as cabin crew operations, aircraft ground-handling and engineering.





## Investment in our community



“Hong Kong is our home and we are committed to making sure we make a real contribution to local communities through our charitable giving, initiatives with young people and our employee volunteering activities.”

Dane Cheng, General Manager Corporate Communication

### Literacy One

In collaboration with *Room to Read*, an international charity, the delivery flight of our fourth Boeing 777-300ER carried 30 tonnes of books from Seattle to Hong Kong and then on to Cambodia. The flight, named ‘Literacy One’, was one of our efforts to improve literacy and the educational prospects of young people.

Many of our projects have an educational element and we realise that a good education is a major factor in reducing poverty and increasing career opportunities.

### The International Wilderness Experience

The 2007 Cathay Pacific International Wilderness Experience saw 38 students aged 16 to 18 taking part in an eight-day educational safari in South Africa. The trip focused on learning about human impacts on the earth, our vitally important biodiversity, as well as cross-cultural understanding.

In 2007 students from Hong Kong, Mainland China, Taiwan, Malaysia, South Korea, Thailand, Vietnam, Pakistan and South Africa joined the programme, taking the total number of participants to 550 students from 17 countries over the past 13 years.

### Pedal Kart Grand Prix

An important part of our focus at Cathay Pacific involves strong team-building. Workplace teams often get involved in our community initiatives and also have a lot of fun together. Three teams of staff from Cathay Pacific, Dragonair and Asia Miles took part in the 24-hour pedal kart race around Victoria Park. In 2007 Cathay Pacific’s Jumbo team came first out of 44 teams. The winning team was made up of 65 staff pedallers from 15 departments. More than HK\$350,000 was raised for the charitable efforts of the Hong Kong Round Table.

### Progress against 2007 actions

Following the integration with Dragonair, a review of the community projects currently run by both companies will help identify cooperation opportunities and enhance the benefits of these initiatives



### Agenda for 2008

- Continue to expand our community initiatives in Tung Chung, Hong Kong and beyond

# UNICEF and 'Change for Good'



**“UNICEF has done a good job in giving communities a head start by providing the basics in education and healthcare in rural villages. I’m impressed by how they use all available resources to reach out to the less fortunate.”**

Shirlene Chieu, a member of the Cathay Pacific team visiting Cambodia.

Cathay Pacific and the United Nations Children's Fund (UNICEF) originally signed a corporate partnership in 1996 to celebrate the 50th anniversary of both organisations. Since then the two organisations have been working together to promote the health, protection and development of children across the world. The corporate partnership covers a series of joint initiatives, including the Change for Good in-flight fundraising programme.

Travellers on board Cathay Pacific are asked to donate any spare change they may have to UNICEF. The money collected is used to fund UNICEF projects in over 150 developing countries. By the end of 2007, the total amount raised was over HK\$81 million.

The UNICEF initiatives funded through Change for Good help to ensure children's survival and development, provide basic education, address the impacts of HIV/AIDS among children, promote protection from violence and abuse and promote gender equality and children's rights.

At a practical level, money donated through the Change for Good programme provides vaccines to support disease-eradication programmes, mosquito nets to keep children safe from the diseases borne by this predator, oral rehydration salts for children suffering from diarrhoea, anti-retrovirals and HIV/AIDS testing kits, and general education supplies to help children go to school.

In December 2007, 28 Cathay Pacific staff saw for themselves how the Change for Good programme is helping impoverished children and families in Cambodia. Visiting remote villages, the staff participants travelled deep into Cambodia, along the Mekong River. On the seven-day trip staff learnt about the issues affecting the survival of Cambodian children, including poor access to education and health services, the continued threat from landmines and the issue of child labour.



# Human resources

**Our staff are central to our business success. As a service-oriented company, we spend a lot of time training and supporting staff so that they can not only attain excellence in their jobs, but can also develop their own careers and personal aspirations.**

## Staff engagement

As part of our commitment to increase staff engagement and improve feedback mechanisms, Cathay Pacific conducted an Organisation Alignment Survey of all outport staff and Hong Kong ground staff in May and November 2007 respectively. This staff engagement aims to establish a working environment conducive to attaining our business goals. The online survey identified gaps in our business strategy and helped us to tackle organisational issues identified by our staff.

The survey measured 120 aspects of organisational operating culture based on three main dimensions:

**Clarity** – the extent to which employees are clear about the sense of direction of the company, their department and their team, and what is expected of them in terms of how their role contributes to valued outcomes.

**Consistency** – the extent to which employees feel a set of 24 components of organisational structure, systems and processes support the overall direction of the company, their department, their team and their role.

**Commitment** – the extent to which employees believe the company demonstrates its commitment to them through support mechanisms; through making expectations of employees clear; and as a result the level of commitment they are able to give back to the organisation.

The confidential survey tool was deployed to over 6,000 employees, of which in excess of 80% responded in outports and over 60% in Hong Kong. Commitments have already been made to share the findings and further engage employees and representative groups in understanding more fully the nature of employee concerns, frustrations or dissatisfaction, and providing solutions.

In addition to the survey, Cathay Pacific ensures that all of its employees receive performance and career reviews as part of appraisal processes.

## Communication and consultation

We recognise and value the importance of maintaining good industrial relations with the unions representing some of our staff. While we do not have formal collective bargaining agreements, we have regular engagement with staff through various consultation groups. We encourage staff to voice any worries or anxieties they have in a confidential and professional way.



## Destination China

In an attempt to raise our staff's awareness of Mainland China, we ran a four week informative programme, which included a variety of recreational activities. Aligned with our strategy to promote diversity and increase language skills, we also began an initiative to encourage staff to speak Putonghua.

An exhibition was held in Cathay City displaying various cultures, arts, foods, Chinese medicines and travel books. There were also performances of Chinese music and dance and a photography competition for Cathay Pacific and Dragonair staff. This was the first in a series of events to promote various aspects of diversity.





**“A good employer not only provides jobs. It respects its staff and provides them with opportunities for personal and professional development.”**

William Chau, Director Personnel

### Training

We are committed to providing our staff with high quality training when they are first recruited and regularly during their careers. Our main training emphasis is on safety, followed by the attainment of service excellence. We have 45 designated classrooms at Cathay City and 40 training rooms in our Flight Training Centre.

Individual departments take responsibility for technical and job-skills related training. Staff are regularly updated on new procedures and initiatives from the company. In every job role we place an emphasis on the health and safety of our customers and our staff.

We have an excellent training programme for management and leadership, and most of our managers go through this internal training programme. Here we take a strong development-oriented approach with an emphasis on both growing within the company and growing personally. Our primary focus is on high-potential employees. Our approach is tailor-made for individuals and combines workshop-based inputs with executive coaching and action learning. The approach emphasises organisation-culture development in order to promote the right conditions to sustain individual development.

We also provide our staff with extensive online learning opportunities.

## Commitment to sport

Cathay Pacific not only supports sporting activities such as the Hong Kong Sevens, it also encourages staff to be part of numerous sporting activities organised through our dedicated Sports and Recreation team. We see sport as a means to promote well-being among our staff and numerous tournaments and sports events are organised. These include badminton, basketball, bowling, dragon boat racing, football, golf, ice hockey, snooker, squash, tennis, table tennis, running, volleyball, darts, cricketing, hiking and tai chi.

### Progress against 2007 actions

Undertake comprehensive staff surveys worldwide	✓
Begin a series of events and initiatives to further promote and enhance diversity	✓

### Agenda for 2008

- Further engage staff through feedback and increased dialogue
- Promote cultural awareness and language skills
- Repeat staff survey in 2008 and evaluate its applicability for other employee groups.

# Procurement and supply chains

**In last year's Corporate Social Responsibility Report, Cathay Pacific set three major CSR objectives for procurement and supply chain practices in 2007.**

We made commitments to implement a code of conduct for the supply chain and to carry out supplier audits against this code. We also stated that we would develop a set of supplier CSR qualifications. These tasks were accomplished during the year.

To achieve this Cathay Pacific launched its supplier Code of Conduct in 2007 and has embarked on a communication programme advising its suppliers of the Code's standards. The initiative included an audit of more than 700 suppliers to measure their compliance with the Code.

The audit addressed nine issues: the environment, legal and regulatory compliance, child labour, forced labour, compensation, health and safety, discrimination, subcontractors and documentation.

We recognise that our supply chain is very much about our reputation and brand and we seek to ensure that suppliers have the systems and tools to comply with our Code of

Conduct. The audit collected responses from suppliers and Cathay Pacific will evaluate the data to determine the degree of compliance with our requirements.

**“We aim to create the airline industry's most effective supply chain and to ensure that everything we acquire comes from suppliers who share our own high standards for corporate social responsibility.”**

**Greg Hughes, General Manager Purchasing & Aircraft Trading**

## **Developing Cathay Pacific's Code of Conduct**

In developing the supplier Code of Conduct we took account of the International Labour Organization's core conventions and other applicable and recognised labour standards. We sought input from experts in the area and reviewed the

approaches of other organisations (particularly those regarded as leaders in various sectors).

We believe our Code is tough but appropriate and allows us to work with non-compliant suppliers to ensure eventual compliance. On the environment, we have a strong preference for suppliers who measure, publicly report, and seek to reduce their environmental impact. We also have a strong preference for suppliers who can provide the company with technological innovations that will help to reduce Cathay Pacific's environmental impact.

The Code includes stipulations on compensation and working hours, and seeks to ensure all suppliers are in compliance with the local legal minimum wage, including the Hong Kong Wage Protection Movement.

We expect our partners to adopt and publish health and safety standards that aim to reduce workplace injuries and enhance employee health.

We also stipulate that employment should be granted based on suitability for the job, not on the basis of personal beliefs, and that there should be no discrimination on the basis of race, colour, national origin, gender, sexual orientation, religion, disability or other similar factors.

### Communicating the Code of Conduct

Ensuring compliance with the new Code required communication with two main groups. First, we conducted training internally to ensure our own staff understood the Code of Conduct. Second, we embarked on a programme to make suppliers aware of the Code. To this end, our Chief Operating Officer communicated Cathay Pacific's expectations concerning the Code of Conduct to the senior management of over 700 suppliers. He outlined our commitment to full compliance with the company's own CSR values and invited suppliers to join us in achieving that goal. Follow-up communications were sent, inviting suppliers to respond to an online self assessment survey designed to provide us a snapshot of supply chain compliance.

The supplier self-audit questionnaire is an online tool and will be supplemented in 2008 with physical audits of suppliers judged to be high-risk. The online tool provides Cathay Pacific with the ability to make specific assessments.

For example, by the end of 2007 we had received an 80% response rate from 590 suppliers, which included all of our significant suppliers and contractors. This allows us to follow up on suppliers with no response, and start assessing how to proceed with companies that may not be compliant in certain aspects of the Code.

During 2008 we are committed to strengthening the self-audit tool and we will commence physical audits of selected suppliers.



### Progress against 2007 actions

Implement a code of conduct for the supply chain and begin a process of supplier audits against this code	✓
Develop a set of supplier CSR qualifications	✓

### Agenda for 2008

- Carry out site visits of suppliers deemed to be high risk
- Among suppliers further develop their understanding of and compliance with our supplier Code of Conduct



# Our Vision for the Future

**Having a vision for the future is central to developing a successful business strategy and this report ends with an interview with three people central to developing that strategy at Cathay Pacific and Dragonair.**

“We are well on our way to becoming, in conjunction with our partner airline Air China, the number one link between China and the rest of the world” says Tony Tyler, Chief Executive at Cathay Pacific. “But we must never forget that we are also a global airline with global responsibilities,” he says.

According to Cathay Pacific’s Chief Operating Officer John Slosar, “the partnership with Dragonair and strategic alliances with Air China and others allow us to develop a seamless service into Mainland China. We want to offer high quality services and good value for money.”

Cathay Pacific also wishes to be recognised as a leader on social and environmental issues. “Part of this involves us understanding the problems facing the industry and raising awareness in Mainland China and elsewhere” says Kenny Tang, Chief Executive Officer of Dragonair.

“There are huge challenges facing the airline industry,” says Tony. “This is not a hugely profitable industry and rising fuel prices are making margins ever tighter. Fuel efficiency is imperative for economic and environmental reasons. We are placing a lot of emphasis on creating an awareness of environmental issues and working with Governments to come up with workable solutions.”

But Tony also points to the need for a more rational and balanced debate over climate change. “Whilst we are part of the problem, the airline industry has had an undue share of attention from politicians and the media. There may well be other industries where carbon emissions can be addressed in a more effective way.”

Cathay Pacific nevertheless supports industry initiatives to work towards future carbon-neutral growth. “In achieving that we will need to be proactive”, asserts John. “For example, biofuels provide a potential step forward if they can be produced ethically.”

“But we will not wait for regulation, we will be a leader”, says Kenny. “We have already put an emphasis on fuel efficiency and we can expect some spectacular developments in this area in the future.”

Cathay Pacific supports emissions trading schemes that can reduce impacts on climate change. But, as Tony points out, “any successful scheme will have to be fair, equitable and have a global focus so that everyone takes part in it,” he says.

“And let us never forget that travel is an amazing, uplifting experience”, argues John. “Travel breaks down the barriers that distance creates. We must never lose that. It brings countries closer together, provides educational opportunities and economic development.”

“And our support for local communities is part of that commitment to economic development” says Kenny. “In the future, we are keen to increase local employment, develop pilots and other staff in the locations to which we fly and develop much-needed technical and engineering skills.”

According to Tony, “the future truly is in our hands. We have to work hard to make our business a success and play our part in tackling some of the world’s biggest challenges. We will make every effort to make our airline successful and sustainable.”



“There are huge challenges facing the airline industry.”

**Tony Tyler**, Chief Executive  
Cathay Pacific



“Let us never forget that travel is an amazing, uplifting experience.”

**John Slosar**, Chief Operating Officer  
Cathay Pacific



“We will not wait for regulation, we will be a leader.”

**Kenny Tang**, Chief Executive Officer  
Dragonair



# Assurance Statement

## Scope and criteria of the assurance

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by Cathay Pacific Airways Limited to independently assure its Corporate Social Responsibility (CSR) Report 2007.

Ultimately, the Report has been approved by, and remains the responsibility of Cathay Pacific Airways Limited<sup>1</sup>.

## LRQA's approach

In order to form our conclusions, the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewing Cathay Pacific Airways Limited stakeholder engagement processes and comparing this output against LRQA's own independent analysis of stakeholder issues to determine whether Cathay Pacific Airways Limited understands, responds and reports on its material issues.
- Reviewing supporting evidence made available only at Cathay Pacific City offices.
- Applying a limited, rather than absolute level of assurance to our sampling. The assurance undertaken by LRQA, therefore did not verify all data and information back to its original source(s).
- Interviewing a selection of key company representatives responsible for the collation of the data and information disclosed.
- Reviewing the internal data and information management systems.

## LRQA's conclusions and findings<sup>2</sup>

It is our opinion that there is nothing which would lead us to believe that:

- Cathay Pacific Airways Limited has excluded any material aspects concerning their CSR performance
- Data and information within the report is not correct. However, not all the data relating to the operations of Dragonair has been included in this report.

The Cathay Pacific Airways Limited CSR Report has been informed by the GRI<sup>3</sup>.

## LRQA's recommended improvements

Cathay Pacific Airways Limited should:

- Include complete data for Dragonair.
- Implement management system processes on the collection and internal verification of data and information.
- Ensure future reports address CSR issues resulting from the stakeholder engagement process and Cathay Pacific Airways Limited's business risk register. For example consider the inclusion of data relating specifically to customer complaints.
- Address the recommendations documented in LRQA's GHG Assurance Statement and then report all greenhouse gas emissions (taking into consideration internationally recognised standards such as the Greenhouse Gas Protocol<sup>4</sup>, ISO 14064 and/or the IPCC 2006 National Inventory Guidelines where they relate to Civil Aviation<sup>5</sup>).

For and on behalf of LRQA Ltd

June 2008<sup>6</sup>

### Third party liability

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<sup>1</sup> LRQA has not been involved in the preparation of any material included in our client's report.

<sup>2</sup> Conclusions given are based upon full disclosure by Cathay Pacific Airways Limited of all relevant data and information.

<sup>3</sup> GRI is the Global Reporting Initiative, version 3, issued in 2006.

<sup>4</sup> The Greenhouse Gas Protocol, A Corporate Accounting & Reporting Standard, Revised Edition, WBCSD & WRI

<sup>5</sup> 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2, Chapter 3 Mobile Combustion.

<sup>6</sup> This document is subject to the provisions about third party liability and is valid for one year.

## CONTACT US

If you have any comments or questions, please contact:

Corporate Communication Department  
ccdrsl@cathaypacific.com

or

environment@cathaypacific.com

Cathay Pacific Airways Limited  
Cathay Pacific City  
8 Scenic Road  
Hong Kong International Airport  
Lantau  
Hong Kong

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