



Continuity and Change

Corporate Social Responsibility Report 2008



Our Reporting Approach

Cathay Pacific has been reporting on our environmental activities since 1997 and on our corporate social responsibility (CSR) activities annually since 2006 as part of our commitment to transparency and accountability to our stakeholders. We believe that reporting enables us to communicate our past performance and future commitments. In order to ensure that we report accurately, we have engaged an independent third party auditor, ERM, to verify this report.

Scope of the Report

The Cathay Pacific Corporate Social Responsibility Report 2008 covers all significant environmental, economic and social impacts arising from the activities of Cathay Pacific Airways Limited (CX) and Hong Kong Dragon Airlines Limited (Dragonair or KA) in the 2008 calendar year. We report on our other subsidiaries throughout the report, but they are not included in the environmental and social performance tables. This is a significant change in the scope and boundary of this report.

We amended the 2007 safety numbers in this report, thus, making one restatement from the previous report.

What and How We Report

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;
- identification of priority areas set out by aviation industry associations;
- benchmarking against other airlines; and
- reference to the Global Reporting Initiative (GRI) 2006 reporting framework and the AA1000 Accountability standard.

We are pleased to announce our achievement of an A+ GRI grade in this report.



Chairman's Message

2008 was a very challenging year for the Cathay Pacific Group and the airline industry as a whole. A spike in fuel prices in the first half followed by the onset of the global financial crisis in the latter part of the year had a significant impact on our business.

Despite the challenges facing us however, we strengthened our environmental affairs team at Cathay Pacific to further embed the concept of sustainable development into our business strategy. We enhanced our community activities, introduced an extensive list of safety indicators as targets and further encouraged our suppliers to adopt their own corporate social responsibility practices.

Climate change has become an issue of serious concern to the entire aviation industry. Airlines are perceived as a major contributor to greenhouse gases (GHGs) and this is a significant business risk to be addressed. At Cathay Pacific, we have taken a lead to positively engage in policy debates and to demonstrate through our own activities that it is possible to build a sustainable aviation industry.

We believe that our work on reducing emissions, stimulating debate on a global aviation agreement for managing emissions from international aviation and formulating a sustainable business strategy are key

opportunities for us. Whatever the economic situation in 2009 and beyond, our global environmental responsibilities remain a priority.

Our work clearly underscores our commitment to ensuring that the Cathay Pacific Group returns to profitability while at the same time addressing the environmental and social challenges facing us all. Much of our long-term strategy is about anticipating and managing change. Future environmental challenges and tougher environmental regulations mean we will have to do many things differently, while our stakeholders demand that we address specific social issues.

This report lays out the work we carried out in various areas of corporate social responsibility in 2008. It demonstrates our ongoing efforts to not only manage our own practices in a responsible way, but also to provide leadership within our industry.

We have been through tough times before and we remain optimistic about our future.

We know that our strengths lie in having a dedicated team and operating from a superb hub in one of the world's great cities. Our international network, bolstered by synergies with our sister carrier Dragonair and a continued strong relationship with Air China, puts us in a strong position to recover from the current crisis. We will continue to strive for growth but at the same time remain fully committed to operating as an environmentally and socially responsible organisation.



A handwritten signature in black ink, appearing to be 'C. Pratt', written over a horizontal line.

Christopher Pratt
Chairman

Our Business

Cathay Pacific was founded in Hong Kong in 1946 and we remain deeply committed to our home base, making substantial investments to develop Hong Kong as one of the world's leading global transportation hubs. In addition to our aircraft fleet, these investments include catering services, aircraft maintenance facilities, ground handling companies and the corporate headquarters at Hong Kong International Airport (HKIA).

The Cathay Pacific Group is part of the Swire Group of Companies, with Swire Pacific as the largest single shareholder. We have our own listing on the Hong Kong Stock Exchange. There were no significant changes in 2008 regarding size, structure or ownership of the Cathay Pacific Group.

Overview of 2008

2008 was a difficult year for us; despite a 15% rise in turnover, we reported a loss of HK\$8.6 billion, of which HK\$7.6 billion was our mark to market unrealised losses on our 2009-2011 fuel hedging contracts. Business during the first half of the year was generally

strong. However, the global financial crisis impacted the second half adversely, reducing demand and further affecting our financial results, despite the drop in fuel price. Further details of our financial performance can be found in our 2008 Annual Report available at www.cathaypacific.com.

Despite the difficulties, there were nevertheless many positive developments for Cathay Pacific. These included the arrival of new fuel-efficient aircraft, addition of new destinations, enhancements of our passenger services and the continued rollout of new innovative three-class cabins on our medium and long-haul aircraft.

Major subsidiaries and associates in 2008

	%
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 (HAECO)	27
Air China Limited	18

Selected Awards in 2008**Cathay Pacific:**

Best First Class Airline (Skytrax World Airline Awards)
 Best Airline Business Class (Travel Trade Gazette Travel Awards)
 Best Airline Economy Class (Business Traveller China Travel Awards)
 Best Frequent Flyer Programme (Business Traveller Asia Pacific)
 Counter Service Gold Award (Hong Kong Association for Customer Service Excellence)
 Bronze Award, Transport & Logistics (Hong Kong Awards for Environmental Excellence)

Dragonair:

Best Regional Airline: Southeast Asia (Skytrax World Airline Awards)
 Best Asian Airline (Hurun Report Best of the Best Awards)



Economic Value Added For the year ended 31st December 2008	2008 HK\$M	2007 HK\$M	% Change
Direct Economic Value generated			
Turnover	86,585	75,364	14.9%
Finance income	1,416	1,664	-14.9%
Share of (losses)/profits of associated companies	(730)	1,057	-169.1%
	87,271	78,085	11.8%
Economic Value distributed			
Purchases of goods and services	76,889	50,633	51.9%
Employee wages and benefits	12,428	12,142	2.4%
Payments to providers of capital	2,770	5,948	-53.4%
Payments (from)/to government	(1,337)	799	-267.3%
Community investments including charitable donation			
– Direct payment	21	13	61.5%
– In the form of discounts on airline travel	7	6	16.7%
	90,778	69,541	30.5%
Economic Value retained			
– Depreciation	5,169	4,831	7.0%
– (Loss)/profit after dividends	(8,676)	3,713	-333.7%
Retained for re-investment and future growth	(3,507)	8,544	-141.0%

Note:

The above table summarises the distribution of the economic value generated from the Group which includes Cathay Pacific and all its subsidiary companies including Dragonair and Air Hong Kong. Share of losses/profits of associated companies include our share of losses/profits of Air China and HAECO. Please refer to our 2008 Annual Report for details of our principal subsidiaries and associates.

Cathay Pacific Fleet profile as of 31 December 2008

Aircraft Type	BOEING								AIRBUS		TOTAL
	747-200F	747-400	747-400F	747-400ER	777-300ER	777-200	777-300	330-300	340-300	340-600	
Passenger	•	23	•	•	9	5	12	32	15	•	96
Freighter	5	•	13	2	•	•	•	•	•	•	20
Average age <i>(years)</i>	23.28	16.77	13.49	0.38	0.91	11.66	7.72	8.02	11.60	•	10.92
Total	5	23	13	2	9	5	12	32	15	0	116

Dragonair Fleet profile as of 31 December 2008

Aircraft Type	BOEING				AIRBUS		TOTAL
	747-200	747-300	747-400BCF	330-300	321-200	320-200	
Passenger	•	•	2	16	6	10	34
Freighter	1	•	•	•	•	•	1
Average age <i>(years)</i>	19.45	•	17.19	7.06	8.15	8.14	8.49
Total	1	0	2	16	6	10	35

Our Business – Looking Forward

In 2008, the Cathay Pacific Group's turnover rose by almost 15% and passenger numbers by more than 7%, and yet the airline reported a record loss for the year. This clearly illustrated the depth of the crisis experienced by the company and the industry as a whole.

We expect 2009 to be an extremely challenging year and have implemented a number of measures to help preserve cash during the downturn. We have pared back some of our planned growth, reduced capacity in line with demand, introduced unpaid leave for staff, parked aircraft and deferred capital expenditure on major projects such as our new cargo terminal at HKIA.

Times may be tough for all of us but we will continue to honour our corporate social responsibility commitments. Fulfilling these responsibilities is one of the reasons for our business success, and we remain committed to embedding CSR into our business strategy. We recognise that CSR brings value to our company - not only is it aligned with our core values, it also helps us become more competitive, efficient and innovative in responding to the challenges of a changing

economy. We understand that we must focus not only on our short-term needs, but also on our long-term viability.

In 2008 we reviewed the whole strategy of the airline, focusing on what we need to do to win in the long term. We have started to undertake a number of initiatives that will serve to make Cathay Pacific and Dragonair even better airlines in the eyes of our customers, our staff and all major stakeholders. We already mention some of these initiatives in this report and expect to provide further updates next year.

As we look forward, we remain confident about the long-term future of the Cathay Pacific Group because we have so much working in our favour – our network, our superb team, our location, our brand and reputation for excellence.



Tony Tyler
Chief Executive
Cathay Pacific



John Slosar
Chief Operating Officer
Cathay Pacific



Kenny Tang
Chief Executive Officer
Dragonair

The Cathay Pacific Group in Numbers

116 destinations	25 million passengers	27,100 employees worldwide
35 destinations	1,666,785 million tonnes of cargo	20,300 employees in Hong Kong

Corporate Social Responsibility

Cathay Pacific is always a part of the communities we serve. We play different roles as an employer, as a user of natural resources and as a link between Hong Kong and the world. We therefore have a contribution to make as a responsible corporate citizen in protecting the environment and contributing to society.

Our CSR Steering Committee composed of senior management representatives from 18 departments, including Dragonair, meets regularly to discuss our CSR performance. In this report, we discuss how we respond to issues such as stakeholder engagement, legal compliance, health & safety performance, environmental action and employee and supplier relations, and how these play a key role in our business strategy.

At the very minimum we require that our operations are in full compliance with all applicable laws and regulations. We have policies and programmes in place to ensure for example that we comply with regulations such as personal data handling and privacy, marketing communications, public policy,

anti-corruption and anti-competition. It is our aim to ensure that we not only comply with relevant regulations, but also that we go above and beyond them.

In our last report we made a commitment to review international guidelines and standards in the area of CSR and to consider the appropriateness of implementing them within the Cathay Pacific Group. In 2009 we started such an assessment and will report outcomes in 2010.

Corporate Governance and Risk Management

We maintain a high standard of corporate behaviour and our standards are outlined in the Cathay Pacific Code of Conduct on Corporate Governance. We devote considerable time to identifying risks and ensuring best practice.

The highest governance body is the Board of Directors led by the Chairman and comprised of the Chief Executive and four other Executive Directors. There are also 12 non-Executive Directors, four of whom are independent. As well as dealing with our economic performance, the Board oversees the environmental and social initiatives undertaken in the company. More information

can be found in our 2008 Annual Report, under the Corporate Governance Section (pages 41-44).

We recognise that risk management is integral to our business success. We implement our own risk management system according to the Australian/New Zealand ASNZS 4360:2004 standard. We regularly identify the significant risks we face as a company, produce a corporate risk register on an annual basis and form a strategy in response to these issues.

Progress against 2008 action

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	ongoing

Agenda for 2009

Launch an awareness programme with initiatives like video clips, posters and giveaways
Develop online refresher training modules on competition compliance

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.

In June 2008, Cathay Pacific announced it had entered into an agreement with the United States Department of Justice under which it pleaded guilty to a violation of the United States Sherman Act and paid a fine of US\$60 million (equivalent to HK\$468 million). A provision for this amount was made in the interim results, and this amount was paid in August.

It is our policy and intent to operate at all times in full compliance with relevant competition laws. Our Competition Compliance Office ensures 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 under our control. We have published clear guidelines and have organised workshops and training on competition compliance for staff since 2007.

Staff in sensitive departments are required to be certified on comprehension of our antitrust policy and guidelines. This is done through an online training certification module.

Stakeholder Engagement

As in previous years we continue to engage with a wide variety of stakeholders to understand their concerns. We are working on improving these engagement processes to ensure that we address the issues that they raise.

In 2008 we invited two major stakeholder groups to give us their views on our social and environmental performance: environmental groups and cabin crew.

Our dialogue with the environmental groups led to specific and useful feedback:

- We are viewed as one of the leading airlines in terms of environmental performance but there is a need to develop initiatives further on reducing carbon dioxide (CO₂) emissions,
- There is a positive response to our FLY greener programme but more transparency is required on our offsetting choices,

“We recognise the importance of engaging with our stakeholders and addressing their concerns. As we continue to develop our sustainable development strategy we will find ways of embedding stakeholder aspirations into our planning and decision-making processes.”

Quince Chong, Director Corporate Affairs

- There is an opportunity to increase environmental awareness and communication amongst our customers, and
- We should discuss how environmental performance relates to business performance.

Our cabin crew provided us with these points to consider:

- There is general praise for our community investment activities but strong interest in understanding more about them,
- There is support for our environmental initiatives such as Cathay Pacific's inflight recycling programme. However, cabin crew stressed the need for enhanced customer involvement in such initiatives, and
- They have concerns relating on injuries caused in the cabin through overweight baggage and heavy cabin service trolleys.

We respond to their concerns in this report and have sent a detailed response to each stakeholder group outlining our action plans.

Our 5-year Strategy

As part of expanding our stakeholder engagement strategy, from 2009, we will begin a five-year cycle which will involve regularly scheduled engagements and will cover each stakeholder group at least once every two years. We will meet with some key stakeholder groups, such as our frequent flyers on an annual basis.

As well as offering stakeholders a regular opportunity to voice their concerns, this will allow us to track any changes in their attitudes towards our performance and to respond quickly to them.

Stakeholder Group	Our Engagement Pathway
Customers	Focus group meetings and customer satisfaction surveys
Employees	Consultative groups and focus group meetings
Suppliers	Code of Conduct questionnaires and compliance checklists
Business Partners	Meetings with subsidiaries and joint venture partners on a regular basis
Non-governmental organisations (NGOs)	Focus group meetings and dialogue through industry associations
Investors and their advisors	Focus group meetings and shareholder committee meetings
Government and their regulators	Ongoing dialogue and business associations



Customer Relations

At Cathay Pacific, responding to our customers' needs is at the heart of our business. We are proud of the service we offer to our customers in a variety of circumstances, including passengers travelling with infants, unaccompanied minors, the physically challenged and the elderly.

Customer Satisfaction

We measure our customer satisfaction through our ongoing Reflex Passenger Survey, where we sample all our flights daily across all classes, enabling us to collect around 30,000 responses for both Cathay Pacific and Dragonair per month. Our 2008 results show a significant increase in most areas of customer satisfaction. This reflects concerted cross-departmental efforts in improving the overall passenger experience.

Our philosophy is to offer a unique service, built around personal recognition to make our customers feel comfortable, secure and special.

Emergency Response

At Cathay Pacific, we have a robust emergency response system that is designed to support and manage our handling of service disruptions or major incidents that could occur during our operations. Whilst all our operational staff are trained in emergency procedures as a matter of course, we also train and organise a group of volunteer non-operational staff who are called in during emergency situations to assist affected passengers and their families.

Progress against 2008 action

We will continue with our stakeholder dialogue and in 2008 engage with stakeholders outside of Hong Kong



Agenda for 2009

Develop a five-year stakeholder engagement strategy

Climate Change

We recognise ours and the aviation industry's relatively small but growing contribution to climate change. We are committed to doing everything feasible to reduce the impacts of our operations, both on the ground and in the air. Our work involves moving towards a responsible business model that puts low carbon intensity at its core.

"Cathay Pacific has shown leadership on climate change issues and I am personally committed to continue to build a sustainable business within an efficient industry."

Tony Tyler, Chief Executive

Operating in a region which will witness strong growth in aviation in the next 15 to 20 years, we also realise the responsibility that comes with this new economic opportunity. However, emerging government policies and the public perception of the impacts of aviation remain two of our biggest risks. For example, the International Air Transport Association (IATA) estimates that the EU Emissions Trading Scheme will cost the aviation industry €3.5 billion.

Our **Climate Change Position** (www.cathaypacific.com/environment) outlines our commitments and is the basis for our work on this issue.

Our Engagement

We acknowledge the need for aviation to take account of its climate impacts through economic instruments such as emissions trading. We believe that the nature of the industry means that a global sectoral framework is the right approach, which should:

- be underpinned by the latest scientific thinking,
- avoid competitive distortion,
- promote low carbon technologies,
- be simple to administer, and
- respect the need to support developing countries in mitigating and adapting to climate change.

Throughout 2008 we have been actively participating in shaping the policy agenda and see the upcoming climate negotiations in Copenhagen in December 2009 as an opportunity to secure a global agreement.

Cathay Pacific was among the 140 major companies that signed the Poznan Communiqué on Climate Change (www.poznancommuniqué.org) on the occasion of the UN Climate Change Conference in Poland, in December 2008. The Communiqué sets out what business leaders believe should be the key elements of an international agreement on climate change.

In 2008, Cathay Pacific became a founding member of the Aviation Global Deal Group (AGD), which aims to contribute to the debate to include emissions from international aviation in a global climate change treaty. The AGD Group seeks to support the efforts of both the International Civil Aviation Organisation (ICAO) and IATA.

Our Chief Executive has also been a champion for business engagement in climate change issues and in 2008 became the Chairman of the Executive Committee of the Climate Change Business Forum (CCBF) in Hong Kong. This is a business partnership set up to tackle climate change through research, communications and the sharing of best practice.



The Science of Greenhouse Gases

Although the impact of CO₂ on atmospheric warming is well understood, the scientific uncertainty around the impact of GHGs in the upper atmosphere and the impact of so-called 'non-CO₂' aviation emissions remains. These other GHGs are formed from fuel combustion in aircraft engines such as oxides of nitrogen (NO_x), soot, sulphate aerosols and water vapour. A substantial proportion of emissions from medium and long-haul flights occur at cruise altitudes. These impacts are summarised below.

Non CO ₂ Emission	Nature of Impact
NO _x	<ul style="list-style-type: none"> – increases ozone: warming effect – destruction of methane: cooling effect
Water vapour in exhaust air	<ul style="list-style-type: none"> – forms condensation trails: warming effects dependent on altitude, location and atmospheric conditions
Sulphate Aerosols	<ul style="list-style-type: none"> – reflect incoming solar radiation: small cooling effect
Soot	<ul style="list-style-type: none"> – small warming effect

Source: IPCC

In order to develop a better scientific understanding of aviation's non-CO₂ impacts, we continue to monitor developments in these areas of atmospheric science, including studies from the UK's OMEGA aviation and environment project and the Institute of Atmospheric Physics at the German Aerospace Centre (DLR). Until there is greater consensus among the scientific community on these gases, our primary focus remains on the reduction of our CO₂ emissions.

Reducing CO₂ Emissions

In 2008 Cathay Pacific succeeded in further reducing flight emissions through modernising its fleet, enhancing operational procedures, optimising routes, and reducing aircraft mass.

With every year it becomes challenging for us to find opportunities to reduce emissions above and beyond the fuel efficiency gains achieved in previous years. In the future, significant reductions will depend on technological changes. We are working with a number of technology providers to make these a reality through our Long Term Action Group, composed of heads of key departments which seek to support and influence the design of future technologies and maximise environmental benefits.

We fully support IATA's Four Pillar Strategy to reduce GHG emissions from the aviation industry by investing in technology, improving operations and infrastructure and through appropriate economic measures.

Our Emissions

Our emissions are reported based on fuel efficiency in relation to payload or per revenue tonne kilometre (RTK) and in relation to capacity or per available tonne kilometre (ATK). We monitor this in all aspects of our operations because fuel burn is the source of the vast majority of our emissions.

In 2008, we were responsible for a total of 14.4 million tonnes of CO₂ (tCO₂) emissions, bringing a total efficiency improvement of 22.5% since 1998. We achieved an efficiency gain of 6% over 2005, well on our way to the IATA goal of 25% fuel efficiency improvement by 2020, based on 2005 levels.

Our GHG emissions inventory procedures are in line with the Greenhouse Gas Protocol by the World Business Council for Sustainable Development and the World Resources Institute.

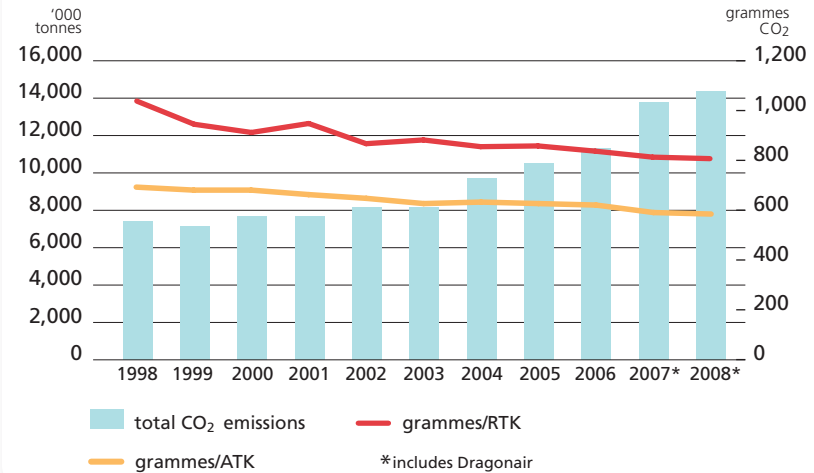
We account for different GHG emissions scopes and report this not only in this CSR Report, but also to external entities such as the Carbon Disclosure Project.

Sample of actual fuel savings (in tonnes fuel) of Boeing 777-300ERs*

HKG to Los Angeles International Airport (LAX)	39 tonnes
LAX to HKG	40 tonnes
Total saving on a single round trip	79 tonnes
Total CO₂ saved	249 tCO₂

*same day, same payload

Global CO₂ Emissions – Cathay Pacific and Dragonair Fleet



Progress against 2008 action

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

Agenda for 2009

Work on a global sectoral scheme for addressing aviation's emissions
Undertake a study of climate change impacts to our business

Fleet Modernisation

We continued our fleet modernisation programme and introduced four more Boeing 777-300 ERs (Extended Range aircraft) and three more Airbus 330-300s.

We began the phase-out of our Boeing 747-200 Classic freighters and started the phase-in of more fuel-efficient ultra long-haul Boeing 747-400 ERFs (Extended Range Freighters) into our fleet. As a result of our ambitious freighter renewal process, Cathay Pacific now operates two Boeing 747-400 ERFs, while four more will enter the fleet in 2009. The last 747 -200 'Classic' leaves both the Cathay Pacific and Dragonair fleet in the middle of 2009. We have placed orders for 10 Boeing 747-8Fs, the next generation freighter, to be delivered commencing in 2010. This will bring significant efficiency gains through reduced fuel consumption and fleet maintenance costs.

Air Traffic Management

Air traffic inefficiencies continue to provide significant opportunities for emissions reductions for the aviation industry. IATA estimates that 73 million tCO₂ can be saved if these inefficiencies are addressed. We

continue to work with industry partners and regulatory authorities to realise these opportunities such as in the Pearl River Delta and in HKIA.

In 2008, we were able to use two new shortened routes. The MORIT route, taken on Hong Kong to Europe flights, was reduced by 18 nautical miles and routes via the Russian Far East by up to 12 nautical miles. These equated to a savings of between 0.6-0.9 tCO₂ per flight on these routes.

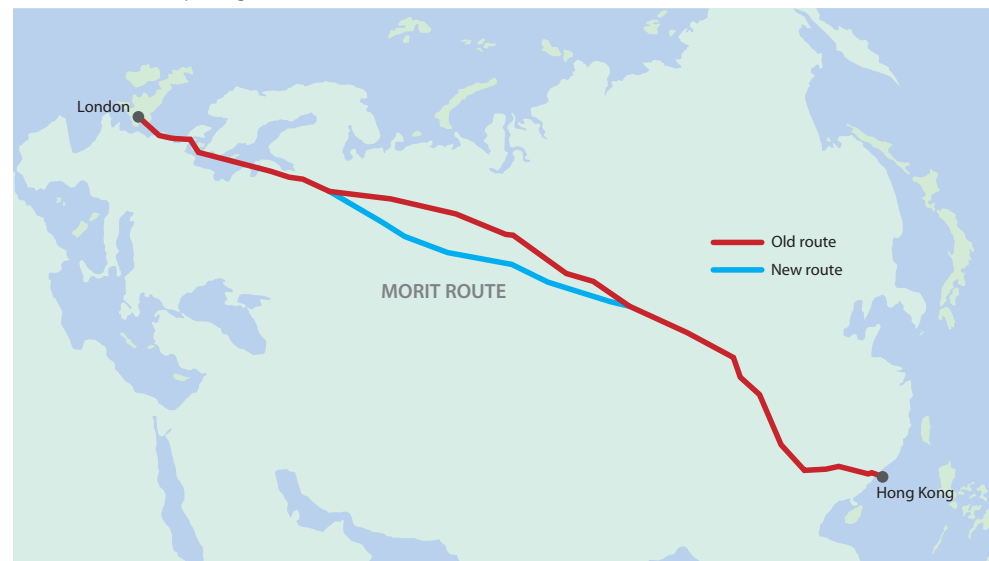
Also in 2008, we utilised real time wind data to generate flexible flight tracks for dynamic flight planning. These tracks are evaluated with the relevant authorities before route changes are implemented. In December 2008, we began monitoring the amount of fuel burn and time saved using these optimised routes, and in total saved 24,956 kg of fuel or 78 tCO₂.

Aircraft Maintenance

We are continuously aiming to improve the efficiency of aircraft maintenance operations. In 2008 we trialled an alternative base coat exterior paint that reduced 23 kg on an A340 aircraft, as well as reduced water consumption. Alternative engine wash

systems have also been trialled to enable more efficient fuel flow recovery, leading to fuel savings and emission reductions. While these systems have shown good results during aircraft specific trials, their broad application has yet to be fully evaluated. We aim to report on progress in the next report.

Saved 0.6-0.9 tCO₂ per flight



Ongoing commitments for 2009	
Continue fleet modernisation with introduction into the passenger fleet of five more 777-300ERs and three new A330-300s	✓
Begin the phase-out of our Boeing 747-200 freighters and commence the phase-in of more fuel-efficient Boeing 747-400ERFs	ongoing
Continue to support and lobby for airspace improvements in the Pearl River Delta	ongoing
Continue to support industry efforts for further route improvements across the North Pacific	✓

Sustainable Biofuels

2008 saw an unparalleled level of activity within the aviation industry towards the development of a sustainable biofuel. Our Long Term Action Group is committed to work with all major aviation fuel suppliers to understand their level of commitment to new technologies, and to evaluate the viability and sustainability of the alternative fuel sources currently being explored.

We continue to work with relevant players in this area to identify alternatives which meet or exceed the energy characteristics of kerosene and offer substantial improvements to emissions performance. However, for an alternative fuel to be viable it must be deployed safely, able to intermix with existing fuel, available in sufficient quantities and produced in a sustainable way. We view working towards sustainable fuels as a significant opportunity to address the environmental impact of our operations, as well as driving down our emissions. We aim to join an international biofuels development group in 2009 and will update on our progress in our next report.

FLY greener

Our carbon offset programme, **FLY greener**, which offers passengers the option of using cash or frequent flyer miles to pay for their offsets has been promoted through e-newsletters, advertisements and with our corporate clients. In 2008, this resulted in our passengers, including several companies in Hong Kong, China and Taiwan, offsetting 3,457 tCO₂.

We used the International Civil Aviation Organisation (ICAO) offset methodology as guidance in the calculation of offsets. However, in order to enhance accuracy we used our own operational data instead of averages from the aviation industry.

In 2008, Cathay Pacific and Dragonair offset staff travel amounting to 11,814 tCO₂ at an approximate cost of HK\$900,000.

In 2009, we will diversify our portfolio of offset projects to provide additional offsets certified under the Voluntary Carbon Standard or VER Plus from projects in China. As part of our commitment to provide credible offsets, we have carefully evaluated the environmental and social impacts of all these



Join hands with Cathay Pacific and Dragonair to FLY greener.

projects and details will be available on the **FLY greener** website. We strive to benefit local communities when deciding on offset projects and prefer those located in places where we have major operations.

In order to increase passenger uptake, we are implementing a number of initiatives that will enable offsets to be bought through a variety of channels.

Progress against 2008 action

Further promote the carbon offset programme and encourage action among partners and corporate customers	ongoing
Seek to identify new regional projects to source offsets	✓

Agenda for 2009

Implementing initiatives that will enable offsets to be bought in different channels
Develop a sustainable fuel strategy

Environmental Performance

Being an environmentally responsible business involves examining where our environmental impacts lie and identifying areas where we need to make significant improvements.

Our Environmental Policy outlines our commitments which include regulatory compliance, effective environmental management throughout our operations, staff education, development of improvement goals and stakeholder engagement.

In 2008, we re-structured the Environmental Office into the Environmental Affairs Department, headed by a General Manager, with the addition of two new managers with significant international sustainability experience. The Department reports directly to our Director Corporate Affairs. The Environmental Affairs Department ensures the implementation of our environmental commitments and works closely with other departments through the CSR Steering Committee, the Long Term Action Group, the

Dragonair Environmental Committee and the Swire Group Environmental Committee.

We track environmental data on a regular basis using the Swire Group’s Environmental, Health and Safety Database and through our ISO 14001 Environmental Management System. Our ISO 14001 environmental management system for Cathay Pacific City, our headquarters in Hong Kong, was re-accredited in 2008.

Clean Air

Cathay Pacific seeks an integrated approach to reduce GHG emissions and air pollutants such as NOx. We aim to reduce our climate change impact while contributing to better air quality.

According to the Hong Kong SAR Government’s air emissions inventory, aviation contributed 5.5% of NOx, 3% of carbon monoxide (CO) and less than 1% of other air pollutants to local levels of air emissions. We expect our impacts to decrease in the coming years due to our continued fleet modernisation and retirement of older aircraft.

On the ground, we began an assessment of our vehicle fleet with the aim of establishing a replacement policy for phasing out inefficient vehicles and replacing them with lower emissions alternatives. The Cathay Pacific Group’s fleet includes electric vehicles, but mostly consist of petrol and diesel-powered vehicles. Part of our strategy is to upgrade these to more efficient standards or to other

less polluting alternatives such as electric vehicles. We continue to work with local businesses on commercialising electric vehicles through the Electric Vehicle Market Ignition Group organised by the Hong Kong Science and Technology Parks.

As part of the Hong Kong Clean Air Charter Certification Scheme, an emissions audit of our operations and facilities was carried out in November 2008 and we received the Clean Air Charter Certificate for our comprehensive air quality management programmes. We also conduct yearly indoor air quality monitoring and we received a ‘Good’ rating for 2008.

Ongoing commitments for 2009	
Participate in the Hong Kong Clean Air Charter Certification Scheme	✓
Develop a formal strategy for vehicle replacement across the Cathay Pacific Group	ongoing
Seek new opportunities for collaborating with local business on air quality improvement	ongoing

Noise Management

Noise remains an important issue for airlines, particularly as it affects communities living close to airports or under flight paths. Despite a 75% industry-wide reduction in noise over the past 30 years, we continue to work on ways to reduce noise in our aircraft.

The noise heard when an aircraft flies overhead is a combined effect from a number of sources including engine noise and airframe noise. The relative contribution of these sources depends on the engine and airframe designs and the operating conditions.

The most effective and direct improvements to reduce noise are made through investing in quieter aircraft and ensuring that we follow noise-reducing operating procedures during landing and take-off. In 2008, we took delivery of a further four new Boeing 777-300ER aircraft. At maximum take-off weight the B777-300ER has a 16.0 EPNdB (effective perceived noise in decibels) margin to current Chapter 3 noise regulations and correspondingly a 6.0 EPNdB margin to the new Chapter 4 requirements.

Looking forward, as well as orders for a further 21 Boeing 777-300ERs, we have orders for 10 next generation Boeing 747-8 Freighter aircraft, which will employ the latest noise reducing technologies including the new GENx engine. This will help make these aircraft some 30% quieter at take-off than a Boeing 747-400, as well as meeting stringent airport noise requirements.

Despite our efforts, in 2008, we incurred five fines relating to noise standard infringements at New York's JFK airport totalling US\$1,250. We were also fined on 19 occasions at London Heathrow airport during the year, incurring total costs of GBP 12,000. In addition, we occasionally receive noise notifications from Frankfurt and Brussels airports.

At Heathrow, the fines were due to unavoidable operational factors such as a lower departure climb profile, additional fuel required to meet high passenger loads and a prolonged period of adverse weather, meaning that, on such occasions, aircraft leaving London were departing at their maximum take-off weight at night, thereby

increasing the likelihood of triggering ground noise monitoring sources during this period.

We continue to work with airport operators and regulators to seek practical solutions to the challenge of undertaking long haul operations, whilst reducing noise from our aircraft at ground level.



Our ongoing efforts for noise reductions

Communicate with airport authorities to more effectively address noise issues	ongoing
Work with manufacturers and other airline partners on noise-mitigation measures	ongoing
Liase with the HK Civil Aviation Department to reduce the noise impact of aircraft operations in Hong Kong	ongoing
Work with industry groups, including IATA and AAPA, in the promotion of the "Balanced Approach" to noise management	ongoing

Managing Inflight Waste

Recycling and reducing inflight waste is always a challenge for us in terms of space, time and cost. Despite these constraints, Cathay Pacific and Dragonair are fully committed to decreasing our waste as we recognise these actions contribute to environmental protection.

Since 2004, we no longer provide paper menus on ultra short haul flights in economy. We continue to look at ways to use sustainable alternatives to plastic and paper wherever possible. A major outcome of this assessment has been the successful trial of biodegradable plastic bags on-board. We are actively assessing alternatives to plastic packaging of our inflight magazines and headphones, food packaging and other related items.

A large amount of food waste is removed from our aircraft at the end of each flight. We have been examining ways to reduce left-over food and have developed protocols to load less food on late night flights. We will be conducting further research into food loading in 2009. The introduction of lighter weight meal carts and trays over the last few years has led to weight and fuel savings. This initiative has also eased cabin crew's routine operations.

In 2008, due to the efforts of our cabin crew, we were able to continue our inflight recycling programme on flights to Hong Kong. Dragonair will continue to explore the feasibility of a similar programme with its caterer in 2009.



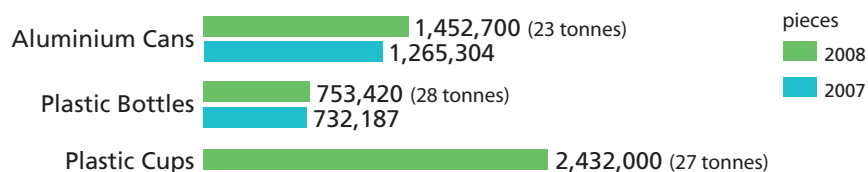
Cathay Pacific Catering Services (CPCS), a wholly owned subsidiary of Cathay Pacific, is one of the largest flight kitchens in the world. It serves a number of airlines in Hong Kong and other locations.

CPCS continues its work on reducing its environmental impacts in various ways:

- recycling used materials (see inflight waste chart),
- collecting waste cooking oil to produce biodiesel,
- re-using heat from exhaust steam to heat up cold water, and
- operating aerated water jets which saves 4,340 m³ water annually



Inflight Waste Recycling Statistics (CX)



Progress against 2008 action	
Trial the use of biodegradable plastic bags	✓
Consider the feasibility of inflight recyclable items recovery at Dragonair	ongoing

Agenda for 2009
Continue reducing meal wastage and packaging
Increase awareness of recycling among cabin crew and passengers
Assess alternative sources to non-renewable materials

On the Ground

Our headquarter buildings - Cathay Pacific City and Dragonair House (total floor area of 193,000 m²) are located on Lantau Island, a place considered to be of high biodiversity value. We recognise that we have a responsibility to protect this area by reducing our environmental impacts.

Recycling bins for paper, cans, plastic bottles, toner cartridges and batteries are located at strategic areas in both buildings. We have already investigated the opportunity for certain departments to reduce paper consumption by moving from filing to software solutions and believe that significant reductions can be achieved in 2009.

Cathay Pacific City is equipped with automatic lighting, air-conditioning control systems and motion sensors in conference rooms that enable savings in power consumption. We continued to invest in energy saving installations and recently installed a heat recovery system at Cathay Pacific City. Based on assessments of renewable energy

installations in 2008, we are pushing through with the installation of a solar heat system at Dragonair House, and are investigating the feasibility of hosting the installation of photovoltaic panels at Cathay Pacific City. We believe that these initiatives are part of a co-benefits approach to climate change, biodiversity and local air quality.

We arrange dedicated shuttle bus services for our staff serving all major residential areas from the New Territories, Kowloon and Hong Kong Island, which reduces travelling time for staff and minimises environmental impacts. Around 130 coaches bring staff to work from Monday to Friday, and 80 coaches are available for them on weekends.

We plan further environmental initiatives in 2009 such as reviewing the environmental performance of our IT equipment and data centres in Cathay Pacific City and Dragonair House, expanding our environmental reporting to include outports and investigate the expansion of ISO 14001 to other Cathay Pacific Group properties.



Progress against 2008 action

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	✓

Agenda for 2009

Continue green campaigns at Cathay Pacific City and Dragonair House including further paper recycling and energy saving improvements
Green review of all IT equipments in particular data centres at Cathay Pacific City and Dragonair House
Investigate expansion of ISO 14001 to other Cathay Pacific Group properties
Report on outport environmental data

Water Consumption and Conservation

The majority of the potable water used by Cathay Pacific and Dragonair is for offices, which consumed 29,175 m³ in 2008.

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 and we also make use of bleed-off from water-cooled air-conditioning systems for flushing. Both the wastewater and the waste cooling water are tested for compliance with the requirements of the Hong Kong Water Pollution Control Ordinance.

In 2008 we exceeded the local limits for oil and grease on three occasions. Corrective measures were immediately implemented and no warnings or fines were issued.



Fuel Spills and Fuel Jettisons

Fuel spills refer to the accidental spillage of fuel at airport sites, while fuel jettisons (or fuel dumps) refer to the release of fuel while airborne when there is an urgent need to reduce the weight of the aircraft to the maximum landing weight. Fuel jettisoning occurs rarely; it affects a small number of long-haul flights only when unscheduled landings are required shortly after take-off. In 2008, we had two cases of reported spills to regulators at New York's JFK and the Toronto airports which were regarded as minimal risks. There were 22 cases of fuel jettisons from Cathay Pacific which led to an approximate of 1,333 tonnes of fuel being dumped. There were no cases from Dragonair.



HAS



HAS was established in 1995 as a wholly owned subsidiary of Cathay Pacific, and is the largest ground handling operator at HKIA, providing professional passenger, ramp and cargo services to airlines.

In 2008 it was the 1st runner-up in the Terminal Tenants (Others) Category for the Airport Environmental Best Practice Competition 2007/2008 hosted by the Hong Kong Airport Authority.

Among its best practice initiatives, the "Electric Tractor Task Assignment System" optimises the utilisation of electric tractors and minimises the travelling distance and number of trips between aircraft and the airport baggage handling system. This allowed HAS to reduce 8% of trips per air traffic movement (ATM) and energy consumption by 5% per ATM.

In 2008, 5% of motorised ground service vehicles were replaced and achieved a higher emissions standard. Following this, hybrid tractors, fuel saver and Fast Charging System trials will begin in 2009 to further reduce the environmental impacts of the fleet.

Conservation and Biodiversity

Change for Conservation

Since 2004, Dragonair has partnered with The Nature Conservancy (TNC) on its inflight charity campaign *Change for Conservation*. Since 2004, this campaign has raised HK\$7 million. Over the years, generous donations from our passengers have supported a number of conservation initiatives in Mainland China, including the protection of vital watershed areas and developing sustainable fuel alternatives for local residents in Yunnan.

For the first time in 2008, a group of staff accompanied by members of the media went on a trip to the project sites in Lijiang, China and witnessed how contributions benefit nature conservation.

Asia Miles Eco-Activities

The second annual Asia Miles Eco-Action Asia Family Walk and the associated Eco-Adventure Race saw participation from a range of our staff and their families. Such activities promote awareness of our environment and the importance of biodiversity and conservation, and helped to collect over HK\$100,000. Funds were

distributed between three major eco-institutions in Hong Kong: The Ocean Park Conservation Fund, the Hong Kong Conservation Dolphin Society and the Action Asia Foundation.

International Wilderness Experience

Cathay Pacific's wilderness adventure programme to Africa gives young students the opportunity to participate in a unique ecological experience increasing their awareness of a different culture and its local environment. In 2008, 38 students aged between 16 and 18 from nine cities participated in a seven-day experience themed "Amanzi World of South Africa". The programme highlights the importance of conservation and brings with it an understanding of the natural environment. So far, about 593 students have benefited from the programme since its launch in 1994.

Sustainable Sourcing of Inflight Food

Cathay Pacific recognises the importance of sourcing our inflight food from sustainable sources. In the past year we reviewed standards such as the Marine Stewardship

Council (MSC)'s Certification on Sustainable Seafood and began a process of assessing the sourcing of our seafood. We commit to work with our suppliers and relevant organisations to formalise our approach to sustainable sourcing.



Progress against 2008 action

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 inflight meals	ongoing

Agenda for 2009

Develop biodiversity programmes as part of our staff green activities in Hong Kong and outports
Continue to raise the profile of <i>Change for Conservation</i> amongst staff and passengers
Formalise an approach to sustainable sourcing

Environmental Performance Tables

Aircraft Operations	Units	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*	2008*
ATK	million	10,544	10,379	11,121	11,452	12,493	12,976	15,244	16,634	18,173	23,140	24,483
RTK	million	6,974	7,431	8,275	7,947	9,256	9,114	11,182	12,047	13,362	16,713	17,547
RPK	million	40,594	41,247	47,042	44,466	49,661	44,006	57,167	65,018	71,099	82,206	91,499
All Flights												
Fuel Consumption	thousand tonnes	2,343	2,263	2,429	2,431	2,583	2,590	3,077	3,325	3,596	4,371	4,569
Fuel Efficiency	grammes/ATK	222	218	218	212	207	200	202	200	198	189	187
	improvement since 1998 %	0.0%	1.9%	1.7%	4.5%	7.0%	10.2%	9.2%	10.0%	11.0%	14.9%	15.9%
	grammes/RTK	336	305	294	306	279	284	275	276	269	262	260
	improvement since 1998 %	0.0%	9.4%	12.6%	8.9%	16.9%	15.4%	18.1%	17.8%	19.9%	22.2%	22.5%
Global CO ₂ emissions	thousand tonnes in CO ₂ e ⁽¹⁾	7,390	7,138	7,661	7,667	8,147	8,169	9,705	10,487	11,342	13,786	14,411
	grammes/ATK	701	688	689	670	652	630	637	630	624	596	589
	improvement since 1998 %	0.0%	1.9%	1.7%	4.4%	7.0%	10.1%	9.1%	10.1%	11.0%	15.0%	16.0%
	grammes/RTK	1,060	961	926	965	880	896	868	871	849	825	821
	improvement since 1998 %	0.0%	9.3%	12.6%	9.0%	17.0%	15.5%	18.1%	17.8%	19.9%	22.2%	22.5%
Global NOx emissions	tonnes	40,294	37,800	38,061	36,402	39,213	38,537	45,271	48,566	52,542	55,951	70,546
	grammes/ATK	4	4	3	3	3	3	3	3	3	3	3
	improvement since 1998 %	0.0%	5.3%	10.5%	15.8%	18.4%	21.1%	21.1%	23.7%	23.7%	31.6%	24.2%
	grammes/RTK	6	5	5	5	4	4	4	4	4	4	4
	improvement since 1998 %	0.0%	12.1%	20.7%	20.7%	27.6%	27.6%	31.0%	31.0%	32.8%	37.9%	30.7%
Global CO emissions	tonnes	13,982	9,827	8,751	8,062	8,268	8,873	10,056	10,190	10,959	13,077	13,436
Global HC emissions	tonnes	5,736	3,401	2,560	2,090	1,885	2,112	2,228	2,171	2,233	2,271	2,107
Passenger Flights Only												
Fuel Consumption	thousand tonnes	2,007	1,953	2,068	2,050	2,074	1,953	2,404	2,646	2,825	3,217	3,627
	share of total fuel consumption %	85.7%	86.3%	85.1%	84.3%	80.3%	75.4%	78.1%	79.6%	78.6%	73.6%	79.4%
Fuel Efficiency	grammes/RPK	49	47	44	46	42	44	42	41	40	39	40
	Improvement since 1998 %	0.0%	4.2%	11.1%	6.8%	15.5%	10.2%	14.9%	17.7%	19.6%	20.1%	19.1%

(*) incorporates KA

(1) GWP of CO₂ is 1; assumes that all other GHG gases are negligible as these impacts still uncertain.1 tonne of fuel = 3.154 tonne of CO₂

Indicators	Units	2008	Indicators	Units	2008	Indicators	Units	2008
Power/Fuel			Paper			Disposed Materials		
Electricity Consumption	mWh	42,267	Paper consumed in offices	tonnes	1,616	Office waste disposed of	tonnes	467
CO ₂ emissions from electricity	tonnes	22,824	% of paper recycled vs consumed	%	15%	Food waste disposed of	tonnes	194
Ground vehicle fuel consumption	litre	75,812	Printer Cartridges			This year, due to the change in the scope of reporting, the 2008 data is not directly comparable to the 1998-2007 results. Please note that this only includes Cathay Pacific and Dragonair head office operations in Hong Kong.		
CO ₂ emissions from ground vehicles	tonnes	183	Printer cartridges purchased	no.	2,654			
Purchased Towngas	unit	65,473	Printer cartridges refilled	no.	1,076			
CO ₂ emissions from Towngas	tonnes	39	Printer cartridges recycled	pcs	2,447			
Fuel dumped due to operational reqs	tonnes	1,333	Refrigerants containing HFCs	kg	17,653			
% of fuel dumped	%	0.03%	Recycled Materials					
Water			Aluminium cans recycled	kg	24,459			
Seawater consumption	m ³	7,440,400	Plastic recycled	kg	31,687			
Potable water consumption	m ³	29,175	Metal waste recycled	kg	234,924			
Maintenance water consumption	m ³	106,290	Waste lubrication oil recycled	L	2,203			

Putting Safety First

At the core of our organisational culture is a 'safety first' philosophy which forms the basis of all of our activities. Our primary goal is zero accidents and injuries. Cathay Pacific and Dragonair share the same goals and this is demonstrated by their adoption and implementation of similar safety policies and procedures.

"Every individual within Cathay Pacific is responsible for ensuring that safety comes first. You have my personal commitment and support to achieve this goal."

Tony Tyler, Chief Executive

Operational Safety

Our goal of zero accidents was achieved in 2008.

Our Safety Management System (SMS) has been accepted by the Hong Kong Civil Aviation Department (CAD). Hong Kong is one of the few places in the world that has mandated an airline SMS, placing Hong Kong and Cathay Pacific at the forefront of safety management. Our SMS defines how we intend to manage safety as an integral part of our overall business.

In 2008, as part of the revision of our Safety Policy, we also compiled integrated safety performance objectives, indicators and targets. We have always measured safety and tracked safety metrics, but this new development combines our existing measures, with security, occupational health and safety, quality and contingency planning. These safety performance metrics are documented and reviewed on a monthly basis. They are in line with ICAO best practice for safety management.

The Airline Safety Review Committee (ASRC) has met monthly for the past 40 years to guide the management of safety in Cathay Pacific. The ASRC is under direct governance of the Board Safety Review Committee which meets twice yearly and is supported by divisional Safety Action Groups, which meet monthly. The ASRC Chair reports to the Chief Executive after each meeting.



We capture inflight conformance data from every flight and encourage staff to report all incidents, hazards, threats and errors, and safety concerns. By analysing data from all of these sources we are able to manage safety on both a proactive and reactive basis.

Our Engineering Department has adopted the latest generation of safety training with the introduction of Threat and Error Management (TEM) training. The TEM concept has been applied to pilots and cabin crew for many years, helping them to manage operational risk more effectively.

Related to this are ongoing observational audit programmes in the cabin and cockpit to assist with the identification of safety issues.

In 2008, a new Corporate Quality Department was set up to support an overall improvement in quality assurance, and ultimately productivity and safety within Cathay Pacific. The department works closely with operational departments and is responsible for identifying and demonstrating conformance to the airline's quality and safety objectives in order to meet regulatory and industry requirements.



Cathay Pacific safety performance targets include:

- Zero accidents
- Zero high risk or severe incidents
- Regulatory report rates below 4 per 1000 flights
- 100% IATA Operational Safety Audit (IOSA) conformance
- Reduce lost time injury frequency rates (LTIFR) by 5% per year
- Conduct a Line Operational Safety Audit (LOSA) at least once every 4 years
- Produce a departmental and corporate risk register on an annual basis
- Simulate an aircraft accident in each port once every 24 months

Passenger Safety

In 2008 Cathay Pacific flew over 25 million passengers. In that time we had one single serious injury that involved a passenger being injured as a result of unexpected inflight turbulence. One serious injury is still too many, and our safety staff continue to review the procedures around safety in turbulence.

There were zero passenger fatalities in 2008.

When any cabin product is introduced into the aircraft we are required to obtain certification from relevant authorities to ensure compliance with the appropriate standards. We also perform regular maintenance to ensure continuous airworthiness as part of the industry regulations.

Food Safety

We continue to do our utmost to serve meals that meet the very highest levels of food safety and hygiene. We work with our caterers to create well-balanced meals, for instance minimising the use of trans fats. It is our policy not to use unrefined monosodium glutamate in our meals. We ensure that we work in accordance with our policies on food safety and hygiene which are based on recognised standards, such as that of the International Flight Catering Association,

International Flight Safety Association World Food Safety Guidelines, the Hong Kong Food and Environmental Health Department and regulatory agencies in other countries.

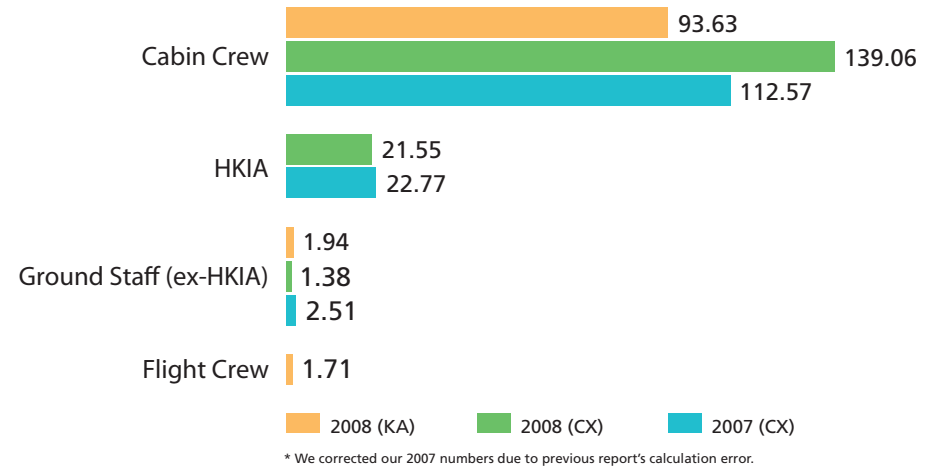
Our caterers must comply with our strict food safety requirements; this includes ensuring no contamination from materials such as melamine. Because of requirements like these, we did not experience any problems with melamine-contaminated milk and dairy products during 2008.

Staff Safety

There were zero staff fatalities in 2008. Unfortunately, two staff were seriously injured (requiring hospital stays of over 48 hours) when a flight encountered unexpected turbulence. We cooperated fully to the Hong Kong CAD in investigating this incident, and enhanced safety procedures have since been implemented.

A revised Occupational Health and Safety (OHS) Policy was also signed by our Chief Executive in 2008. The policy emphasises the need to conduct all operations in a manner that safeguards the health and safety of all our staff, passengers and the wider community. OHS performance indicators have been developed and are tracked on a monthly basis.

Lost Time Injury Frequency Rate



In 2008, we exceeded our target of 5% reduction in LTIFR for ground and HKIA airport staff. However, we were unable to meet this target for cabin crew. Whilst this is disappointing, we will continue to work towards this goal in the next year. The emphasis in 2009 will be on all cabin crew completing the online occupational health and safety education and training and attending a half-day training session on baggage handling skills.

Galley services and equipment as well as handling luggage accounted for the majority of the cabin crew injuries in 2008. Therefore, a great deal of attention has been focused on reinforcing sensible working practices and the redesign of galley supplies, equipment and service protocols to minimise crew injuries.

We have engaged a medical consultant with ergonomic expertise to review and make recommendations on crew service procedures to guard against musculo-skeletal injuries. We will launch a new Work Injury Rehabilitation Programme partnering with a well-known work rehabilitation and management company to facilitate early return to work for injured crew. This will also provide crew with expert and personal assistance in the area of rehabilitation.

In our offices, in 2008, we assessed display screen equipment across the company to identify individual staff and positions at risk from injury due to incorrect workstation set-up or usage. Conducting the risk assessment gave us the chance to educate staff in the correct set-up and use of workstations.

A Company Alcohol and Other Drugs Policy is due for release in 2009 which will communicate our commitment to a safe, secure and healthy workplace.

Public Health

We employ a number of precautionary measures to safeguard the health of our passengers and frontline employees against infectious diseases. Our frontline and cabin crew staff have been trained and provided guidelines on proper handling and have access to a global 24 hour medical advisory hotline.

Our aircraft are equipped with multiple first aid, medical and emergency doctor's kits, personal protective equipment as well as Automatic External Defibrillators (AEDs). Our cabin crew are trained in common first aid and cardio-pulmonary resuscitation.

In accordance with guidelines of various international health agencies as well as aircraft manufacturers, our aircraft are thoroughly cleaned and disinfected after every flight. Fresh air mixed with filtered air continuously circulates in the aircraft and the entire cabin air volume is replaced every few minutes.

We work closely with the airport authorities, Hong Kong Port Health, Centre for Health Protection (CHP) and other public health agencies to monitor emerging infectious diseases, review preparations for pandemics and discuss ways of improving communications on infectious disease cases such as tuberculosis, malaria and dengue fever.

We have established a multi-department task force to develop a new and comprehensive programme on assisting disabled passengers which will be completed by mid-2009.



Communicating Public Health Issues

We promote public health awareness amongst employees through our internal company website, newsletters and frontline staff publications. We continue to publish health-related information for our passengers and updates regarding deep vein thrombosis (DVT), passengers requiring special assistance, special meals, jet lag counter measures, staying healthy while travelling and other travel-related health issues in our inflight magazines, videos and on the company website.

Progress against 2008 action		Agenda for 2009	
Continue holding regular Safety Week Campaigns	ongoing	Cabin crew to complete the online OH&S training and attend a half-day training session on manual handling skills	
Enhance the work injury management system	✓	Release a Company Alcohol and Other Drugs Policy	
Ensure all cabin crew complete a new e-learning module related to OH&S	ongoing	Launch of new Work Injury Rehabilitation Programme	
5 % improvement in lost time injury rates for Cathay Pacific	partially met	Develop a comprehensive programme on assisting disabled passengers	

Investing in Our Communities

We aim to contribute to the quality of life of the communities in which we serve. We engage in a range of activities both in Hong Kong and the locations to which we fly. We encourage our staff to become involved with projects to enhance the positive impacts of our initiatives.

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

Quince Chong, Director Corporate Affairs

Tung Chung: Our Airport Community at Our Home Base

Many of our community service efforts have been focused in our nearest residential community, Tung Chung. In 2008, our service projects included:

- **Community Flight:**
In March, we organised a community flight for over 100 students from seven secondary schools, many of whom were experiencing flying for the first time. They were encouraged to interact in English with Cathay Pacific staff and pilots, and exchange students from the Chinese University of HK.
- **Charity Sale:**
We collected electrical appliances and toys and sold these to underprivileged families at low prices. Proceeds of this sale were then donated to the Neighbourhood Advice Action Council, a Tung Chung-based NGO.



- **Asian Youth Orchestra Family Fun Fest:**
Over 350 youngsters and their families from Tung Chung attended the Fun Fest – a programme designed for disadvantaged youth and children to experience and appreciate orchestra music.

English on Air

Cathay Pacific's educational programme highlights the importance of learning English. The "English on Air" programme is designed to provide students with a chance to practice their English with the multinational English-speaking pilots, cabin crew and staff while visiting Cathay Pacific City. Last year, about 120 students from three Tung Chung schools participated in this programme.

As a result of strong positive feedback, we aim to expand the programme into different formats in 2009 to help serve different student age groups.



The Cathay Pacific (CX) Volunteers Team set up in the end of 2007 has seen over 400 staff sign up. Our staff volunteers contribute significantly to our various community activities in Hong Kong, including the English on Air programmes and service projects in Tung Chung. The team also serves other communities such as Tin Shui Wai and Sham Shui Po: an English-speaking Aviation Activity Day was held in the summer for Tin Shui Wai students; and a Christmas party at the Cathay Pacific City for Sham Shui Po children.

Cathay Pacific City Visits

In 2008, over 250 groups visited Cathay Pacific City from schools, universities and community organisations.



'I Can Fly'

Cathay Pacific's flagship aviation and community engagement programme aims to nurture enthusiasm for aviation and at the same time develop a spirit of community involvement. Since its inception in 2003, a total of 3000 young people have participated in this programme.

The 3rd I Can Fly (ICF) programme concluded in April 2008 with 1000 members participating in ground school training, visits to aviation-related activities such as HAECO and the Government Flying Services, and self-designed social service programmes. The top 100 students had the opportunity to fly to Adelaide or Tokyo to experience flying and learning about international aviation facilities. Some of the ICF alumni have joined Cathay Pacific as pilots and cabin crew or opt for a career in one of the aviation industries.

"The 'I Can Fly' programme is surely one of the most remarkable programmes in Hong Kong providing teenagers a wholly new experience in their life. Like many participants before me, I now perceive the aviation industry in a completely different way. I have improved my skills, made new friends, and have the urge to be in the aviation industry."

Ho Kin Tung, Electra team, student participant

Sichuan Earthquake Relief Effort

Last year's devastating earthquake in Sichuan, China brought enormous grief and pain to many residents. Cathay Pacific and Dragonair combined their efforts to help raise more than HK\$20 million in relief funds for the stricken region. These efforts were made possible through the generous donations extended by staff, the company's matching of staff donations, as well as the auction of the Olympic Torch carried by Chief Operating Officer, John Slosar.

Asia Miles donated a total of 11 million miles to various charities operating in the region and the programme's members donated approximately a further 10 million miles. Dragonair provided over 200 free air tickets to support relief organisations and free transportation for more than 51 tonnes of relief supplies to the disaster area. In addition, both airlines' inflight fundraising programmes raised more than HK\$2.7 million.

The majority of the donations raised from our Sichuan earthquake relief effort went to the Hong Kong Red Cross for their humanitarian work in the affected area.



UNICEF: Change for Good

Cathay Pacific has donated more than HK\$91 million to UNICEF over the past 18 years through its inflight fundraising programme, *Change for Good*. The programme collects traveller's spare foreign currency to help underprivileged children in more than 150 countries. With the ongoing contributions from our passengers in 2008 we raised more than HK\$10 million. A select group of Cathay Pacific staff are regularly invited to see the work being done by UNICEF in various areas, ranging from support for victims of child abuse to successful health and education projects in remote, impoverished regions. An additional HK\$2.1 million was raised to assist UNICEF relief efforts in earthquake-affected areas in Sichuan. Locally, our *Change for Good* efforts also supports the Cathay Pacific Wheelchair Bank, helping children with neuromuscular diseases.



Activities Outside of Hong Kong

Being an international airline, our community investments also extend to communities outside of Hong Kong. Many of our outpost staff are involved in local initiatives where they are able to use their skills and knowledge to improve the lives of people and help raise our contribution to the global community.

Sri Lanka

Children's Convalescent Home

In 2008, staff at our Colombo office pooled efforts for a community project at the Children's Convalescent Home in Ragama, which provides refuge for abandoned children. Cathay Pacific staff donated much needed essentials for the children's home and they hosted a Christmas Party. Volunteers also spent time upgrading facilities and decorating the home.

Singapore

Habitat for Humanity

Our Singapore-based staff undertook various initiatives supporting Habitat for Humanity, a non-profit organisation

addressing poverty and housing needs. The activities included helping a local family build a house as well as donating funds towards construction materials. Other activities included a coastal cleanup of a nature reserve, regular cleaning assistance for the elderly living alone and travel support for Habitat staff to carry out a house-building project in Guangzhou, China.

New Zealand

High Flyers Community Awards

In 2008 Cathay Pacific provided sponsorship to six community groups in the Cathay Pacific High Flyers New Zealand (NZ) Community Awards in association with NZ's *The Herald on Sunday*. The awards aim to help registered charitable organisations achieve their goals by providing free international flights to undertake research and attend relevant seminars or conferences.

The six winners included the Auckland Regional Migrant Services, Mobility Assistance Dogs Trust, supporters of Tivitiri Matangi (a group working to Conserve New Zealand's natural

heritage), Cross Power Ministries Trust (an organization which runs projects for disadvantaged youth), United North Piha Lifeguard Service, and Diabetes New Zealand Auckland.

Germany

Apprenticeship Programme

In Germany we supported student interns from various institutions and backgrounds as part of our ongoing commitment to education and leadership development. This apprenticeship programme allows students to understand our business and even build a career within our organisation. One intern eventually went on to become a manager within Cathay Pacific with responsibility for our cargo business in Germany and Eastern Europe.

This internship programme is one of the best ways to learn about the aviation industry. The programme has helped me get to where I am in my career - by providing me with the skills and knowledge needed in this field.

Michael Spiegel, previous intern and currently Cargo Manager, Germany.



The Clinton Global Initiative Asia Meeting

In 2008 Cathay Pacific provided a number of tickets to enable delegates from developing countries in the region to attend the first Clinton Global Initiative meeting held outside the United States. The meeting, which took place in Hong Kong, brought together heads of state, senior ministers, leaders of corporations and charitable foundations and representatives from a wide range of non-profit and non-government organisations. The meeting focused on these main issues: education, public health, energy and climate change.



Courtesy of The William J. Clinton Foundation.

Dragonair's Community Investment

Dragonair Aviation Certificate Programme

This Dragonair programme was first launched in 2005 and is a joint initiative between Dragonair and the Hong Kong Air Cadet Corps. It aims to inspire a new generation of aviators in Hong Kong by providing first-hand knowledge of the operations of a modern airline to young cadets aged 18 to 23. At the same time it hopes to nurture young people who can excel in the local aviation industry. Fourteen cadets graduated from the certification programme in 2008.

The cadets participated in an eight-month mentorship programme working closely with Dragonair pilots. Training sessions, briefings and tours were also provided with the help of the Hong Kong CAD, HAECO, HAS, the Airport Meteorological Office of the Hong Kong Observatory, the Aviation Security Company and the Government Flying Service.

Charity Walk – Community Chest

Dragonair continues to support 'The Community Chest' charity walk which takes place annually in Hong Kong as part of the Hong Kong and Kowloon Walk for Millions. Over 80 staff participated in this activity raising funds which were donated towards services for the disabled, providing support for former drug abusers and helping previous offenders rebuild their lives and reintegrate themselves into the community.

Special Olympics Adopt-a-School Project

Dragonair fundraising included help towards the Special Olympics Adopt-a-School project in Western China. The Special Olympics is dedicated to empowering individuals with intellectual disabilities and to foster acceptance within society.

In 2008 Dragonair donated HK\$140,000, helping to organise activities for students and purchase sports equipment. Staff also engaged with participants in their sporting activities and visited their schools to demonstrate their support for the initiatives.



"The aim of the Dragonair Aviation Certificate Programme is to give our cadets first-hand knowledge of the operation of a modern airline and other areas of aviation."

Kenny Tang, Chief Executive Officer

Progress against 2008 action

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



Agenda for 2009

Implement a system to measure impacts and outcomes of our community investment initiatives

Expand on our reporting and coverage of activities outside of Hong Kong

Growing a Winning Team

Our team is one of our greatest strengths. We take pride in the quality of our staff and are committed to attracting and retaining the best people. Our aim is to provide rewarding career opportunities through a motivating work environment, personal development and training.

Our human resources policies at Cathay Pacific and Dragonair aim to ensure our employees are productive, competent, flexible and operate within a healthy environment. We believe our policies underpin our social responsibility to our staff who are an integral part of our business. Our policies, including our Code of Conduct, reflect these values and include:

- Recognition of human rights
- Non-acceptance of child/forced labour
- Non-discrimination
- Freedom of association
- Public policy position
- Anti-corruption and bribery
- Labour and management relations
- Training and education
- Performance management
- Diversity and equal opportunity
- Compensation management
- Grievance and fair disciplinary procedures

To ensure that staff are aware of these policies and their benefits, a link to follow on the intranet is provided in employee contracts, and is communicated via appropriate channels, for example during orientation and induction sessions.

Human resources issues are managed by the respective departments in Cathay Pacific and Dragonair. At Cathay Pacific, this is headed by our Director Personnel and at Dragonair, by the Head of Personnel.

Employee Engagement

Throughout 2008 we consulted with different members of our staff through consultative groups and trade unions. Issues discussed include changes to employee policies and benefit schemes, suggestions to a better working environment and outcomes of management decisions. We continue to ensure that there are adequate feedback mechanisms available and that we respond effectively to feedback.



Listening to Our Cabin Crew

At Cathay Pacific, the Cabin Crew Consultative Group comprises a diverse range of cabin crew, led by the Cabin Crew Communications Manager. In 2008, they helped identify and articulate the response of crew to issues such as alignment of retirement age, absence management, hourly paid crew issues and the new cabin product.

Cabin crew were also surveyed on the different aspects of their working environment, as well as on the performance of the Inflight Services Department's management. We are looking at how to prioritise the areas that need to be addressed and commit to inform the cabin crew community along the way. We plan to conduct this survey again in 2009 or early 2010.

At Dragonair, we hold monthly forums with cabin crew organized by Dragonair's Inflight Services Department (ISD). Those unable to attend are encouraged to send their feedback directly to the ISD office.

Our Flexible Benefits Scheme: RightChoice

Cathay Pacific's flexible RightChoice benefit scheme offers a variety of benefits (eg medical plans, insurance, pension funds) which can be tailored to meet the requirements of each employee. The scheme, launched in 1997, allows staff to choose the support they need to meet their own personal circumstances.

Voluntary Unpaid Leave Scheme

Responding to the recent economic challenges in the airline sector, in 2008, we introduced a new policy for all our staff in Hong Kong and overseas allowing them to take unpaid leave as part of our cost cutting measures. Whilst Cathay Pacific has always had facilities for career breaks, the new policy has had a surprisingly high take-up rate.

"...we have to manage our resources in a responsible and prudent manner in the interests of our shareholders and staff."

Tony Tyler, Chief Executive

Training and Career Development

All staff are expected to proactively equip themselves with the necessary skills to enhance their career development via online training and learning materials. Our online training platform, Learner's World allows staff to independently access training, in some cases without the constraint of time and place and it offers both personal development and work-related training. Aside from online modules, a whole range of learning materials are also available to staff in our Training and Development Centre. Most vacancies in Cathay Pacific and Dragonair are first circulated within both airlines. Thus, giving preference to existing staff.

Managers conduct performance reviews for all staff as part of our mentoring and follow-up strategy for career development. We also support ongoing vocational education and career breaks if our staff wishes to pursue external activities for further enhancement of their careers.

Employee Assistance Programme

We provide access to resources for staff work-life balance. For example, the employee assistance programme provides staff and dependents with free confidential, professional consultation and counselling. Some of these services include critical incident stress management for crew and other staff involved in traumatic work-related incidents, work rehabilitation and psychological support in dealing with work issues, a manager's helpline and training in mental health related topics. This extensive service is also available to our outport staff and staff dependents.



Local Hiring

The practice of undertaking local hiring in the communities where we operate has been in place for the past 20 years. Most of our outport staff, and ground staff based in Hong Kong are hired from the local community. All vacancies are first opened internally to the company, then to the local community, and then finally, overseas. Most of our overseas hiring are for positions that are not readily available in the local area – for example, experienced pilots and aviation engineers. Part of our response to this has been the implementation of our cadet and engineer trainee programmes, particularly in Hong Kong.

Progress against 2008 action

Engage staff through feedback and increased dialogue	✓
Promote cultural awareness and language skills	ongoing
Repeat staff survey in 2008 and evaluate its applicability for other employee gaps	✓

Agenda for 2009

Increase awareness of all policies relevant to employees, particularly the company's CSR-related policies

Procurement and Supply Chain

We work with our suppliers and staff to ensure that ethical procurement and supply chain practices are implemented throughout the procurement and supply chain management process.

Our Airline Purchasing Department, headed by the General Manager Purchasing and Aircraft Trading manages most of supplier procurement both at Cathay Pacific and Dragonair. We aim to ensure that all purchasing practices are governed by the highest professional and ethical standards. Our Purchasing Ethics Policy outlines our expectations from our purchasing staff, including compliance with anti-bribery regulations. In 2008, we did not have any bribery reports within the company.

Supplier Code of Conduct

While 2007 was focused on implementing a Code of Conduct for the supply chain and beginning a process of supplier assessments, 2008 saw emphasis placed on the analysis of supplier responses and identifying areas for improvement.

Suppliers were sent our Supplier Code of Conduct questionnaire in 2007 and 2008, the majority of questions were answered positively overall, indicating a high degree of compliance with our social and environmental requirements. However, the analysis also showed areas for improvement.

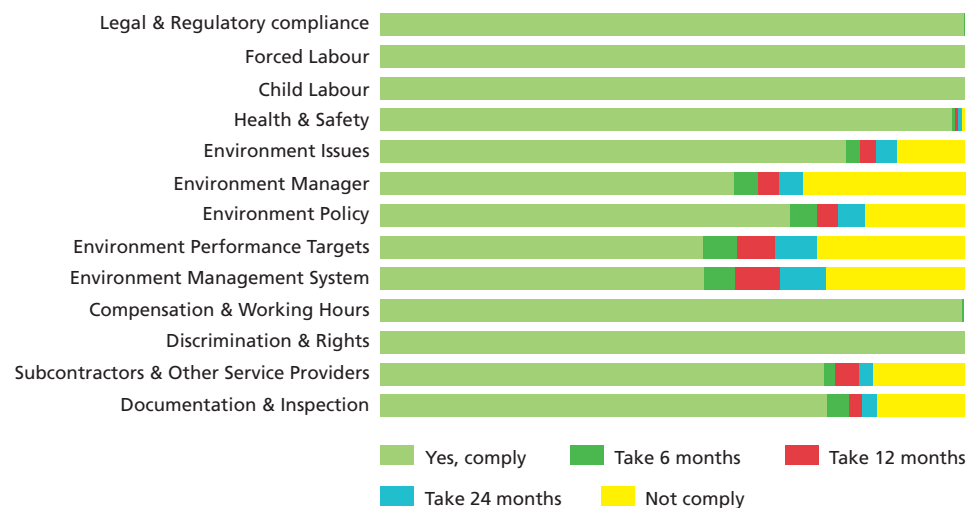
Some suppliers indicated non-compliance with certain criteria, but also made a commitment to follow up on those areas. The amount of time indicated that it would take them to achieve this ranged from 6 to 24 months. Our approach has been to encourage our suppliers to improve on their social and environmental practices and looking ahead we aim to help them in this respect by spending more time on capacity building and the sharing of knowledge and best practice.

Code of Conduct Compliance Checking

As a supplement to our Supplier Code of Conduct, our purchasing team was equipped with a compliance checking form that suggests typical questions to ask suppliers when discussing social and environmental issues. Such a system ensures that all relevant supplier practices are monitored and tracked over time and where there is a need for improvement we can provide constructive guidance. It also enables us to be aware of and engage with suppliers deemed to be high risk.

We examine risk by looking closely at each supplier's activities and considering the risk of any non-compliance as well as the impact that could have on Cathay Pacific. We will begin detailed discussions with high risk suppliers in 2009.

Proportion of Surveyed Companies Responding to the Supplier Code of Conduct in 2007-08



Our analysis of the supplier responses in 2008 highlighted that in some cases there was misunderstanding about certain questions, particularly regarding environmental management, which may have led to some suppliers incorrectly claiming non-compliance. We will learn from this process and review the way in which the questions are asked to ensure complete clarity on future questionnaires.

Commitment to the Environment

We want to encourage our suppliers to take on positive approaches to managing environmental issues and in 2009 we will further develop the environmental requirements in our Code of Conduct questionnaire and compliance checking form. We will develop questions around waste and

the control of waste and we will ask suppliers to commit to environmental conservation initiatives through the sourcing of certified products.

Internal Engagement on Supply Chain Risks

During the supplier selection process, new suppliers must complete the Supplier Code of Conduct questionnaire. If they are successful then they will be contractually committed to meeting our social and environmental standards from that point onwards.

To ensure the success of our supply chain initiatives, internal engagement is as important as external engagement. To gain an understanding amongst all relevant staff, in 2009 we will implement a process of internal engagement.

“We will encourage and work closely with our suppliers to ensure that we minimise our supply chain environmental and social impacts.”

Michael Scantlebury, General Manager
Purchasing & Aircraft Trading



Supplier Code of Conduct

Cathay Pacific is committed to select and retain qualified suppliers that meet Cathay Pacific's Supplier Code of Conduct according to the following core issues:

- Legal and regulatory compliance
- Environmental protection
- No use of forced and child labour
- Appropriate compensation and working hours
- Health and safety policies and standards
- Non-discrimination
- Integrated social responsibility with subcontractors
- Maintenance of records to demonstrate compliance

Progress against 2008 action

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

Agenda for 2009

Refresh the Code of Conduct and associated questionnaire and compliance checking form to make it more understandable and incorporate a stronger environmental element
Resend the Code of Conduct questionnaire to suppliers and ask them to reconfirm the checklist
Assess high risk suppliers using the compliance checking form on a more regular basis
Implement a process of internal engagement at Cathay Pacific on supply chain risks including outports

Social Performance Table

Indicators	Units	2008	Indicators	Units	2008
Total workforce	no.	20,673	No of fatalities		
by Location			Staff	no.	0
Hong Kong	no.	14,542	Contractors working within Cathay Pacific/Dragonair premises	no.	0
China	no.	848	Passengers	no.	0
Outports	no.	5,283	Average hours of training per year		
by Employment Type			Flight Crew	hrs	79
Flight Crew	no.	2,974	Cabin Crew	hrs	25
Cabin Crew	no.	9,343	Airport Staff	hrs	62
Ground Staff	no.	8,356	Engineering Staff	hrs	535
by Gender*			Total online learning enrollments	no.	125,400
Female	%	60%	Employees receiving performance reviews	%	100
Male	%	40%	Human rights screening in investment and procurement practices	%	100
by Age Group*			Reported incidents of discrimination	no.	0
Under 30 years old	%	28%	Non-compliance cases on product responsibility issues ⁽³⁾	no.	0
30-50 years old	%	62%	Non-compliance cases on applicable laws and regulations ⁽⁴⁾	no.	1
over 50 years old	%	9%			
Employee Yearly Turnover Rate ⁽¹⁾					
Flight Crew	%	11			
Cabin Crew	%	1			
Ground Staff	%	6			
Lost time Injury Frequency Rate ⁽²⁾					
Cathay Pacific					
Ground Staff (excluding HKIA staff)	rate	1.38			
HKIA Staff	rate	21.55			
Cabin Crew	rate	139.06			
Dragonair					
Ground Staff (excluding HKIA staff)	rate	1.94			
Flight Crew Staff	rate	1.71			
Cabin Crew	rate	93.63			

* Cathay Pacific only, Dragonair to report next year

(1) Employee Turnover Rate computed as # of leavers/# of staff for each month and averaged on a yearly basis

(2) LTIFR is computed as (# of injuries resulting in lost time/total workforce hours) x 1,000,000

(3) Includes cabin product, marketing and customer privacy

(4) Includes anti-competition

Vision for the Future

In 2008 Cathay Pacific reorganised the team responsible for delivering our sustainable development strategy. This report ends by looking at their vision for the future.

The team is led by Quince Chong, Director Corporate Affairs who explains that the company has brought together the environmental, community investment, government affairs and social responsibility functions under one umbrella.

Quince points out that increasingly sophisticated stakeholders now expect companies like Cathay Pacific to think about corporate social responsibility wherever they operate and to contribute to local communities and the global economy. "We aspire to be a leader and we will help to share future policies that affect the aviation industry by working with government and industry partners," she says. "Being a premier airline requires us to act in an environmentally and socially responsible way and to demonstrate leadership, locally and globally."

Heading up the environmental initiatives is Dominic Purvis, General Manager Environmental Affairs. He says "it is increasingly important to communicate with customers and to listen to their views in order to ensure we really are the airline we think we are. We will be talking to them increasingly

about social and environmental issues in the future. We need to leverage our brand and demonstrate that we are a company that can be trusted."

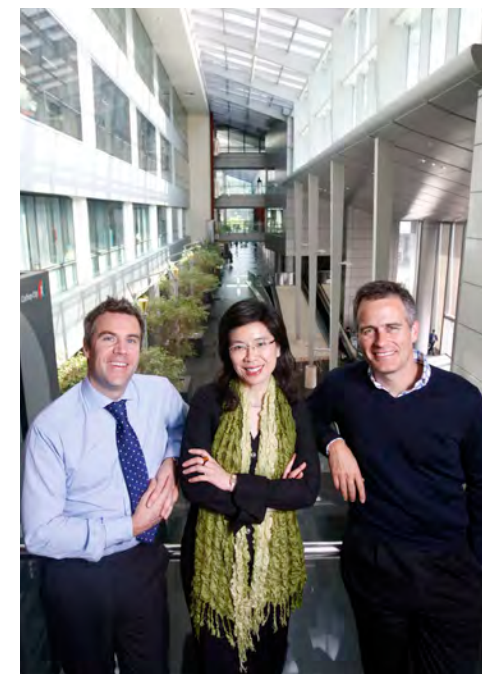
"Cathay Pacific has a history of social responsibility and the time is exactly right to expand our efforts to contribute to sustainable development. The airline industry is under great scrutiny at the moment and we need to respond to that in an open and honest way" says Mark Watson, Manager, Environmental Affairs. "Our work on climate change over the last year demonstrates that our team has a real role to play in embedding environmental issues into the core business of the company."

"And we have to recognise that business as usual will not get the job done," says Mark. "We have to embrace issues such as climate change as a business opportunity but it also challenges us to think about doing things differently. We are a global brand and have global stakeholders and we have responsibilities to stakeholders around the world."

"A key part of our strategy for the future is communication with our staff and getting them involved in our social and environmental strategies," says Dominic. "We have an excited and engaged workforce and they are perhaps our biggest asset in making the changes that are needed to deliver a more sustainable growth path. Our challenge is to get them to become part of the solution and create a positive impact."

"Cathay Pacific has a long-term vision and we recognise an opportunity to embark on something new. We will not wait for the next fuel spike to take action. We cannot rely on what we used to do. The future is going to be different and we are committed to playing our full part in that."

Quince Chong, Director Corporate Affairs



Independent Verification Statement

ERM-Hong Kong Limited (ERM) was commissioned by Cathay Pacific Airways Limited (Cathay Pacific) to verify the content of its Corporate Social Responsibility Report 2008 (the Report) and to check its application of the Global Reporting Initiative (GRI) Third Generation (G3) Sustainability Reporting Guidelines.

Scope

Our verification scope included all sections of the Report, with the exception of greenhouse gas data and claims originating from Cathay Pacific's parent company, Swire Pacific (including business size, changes, structure ownership, and financial performance).

Approach

We tested the quantitative data and qualitative claims in the Report through a desk-top review, investigating assumptions, reviewing data generation procedures and conducting interviews with data and issue owners. This testing enabled us to take a view on quality of the information in the Report.

Quality of Information

Based on the representative sample reviewed, it is concluded that the corporate social responsibility information and data presented in the Report is complete, accurate and robust taking into account the assumptions made. We have verified the majority of data claims in the Report and found sufficient evidence to support the claims made. Data trails selected were readily identifiable and traceable and the personnel responsible could satisfactorily demonstrate the origins and interpretation of the data. All errors noted by the assurance provider were satisfactorily addressed by Cathay Pacific prior to finalising the Report. Therefore, it is concluded that the corporate social responsibility data and claims in the Report provide a reliable reflection of Cathay Pacific's corporate social responsibility performance.

GRI Application Level

Among the application levels defined by the GRI, ERM confirm that the GRI A+ application level has been met. As not all of the GRI G3 standard disclosures are in the Report, ERM also checked references to Cathay Pacific's Annual Report 2008. Cathay Pacific improved its application of the GRI this year across both the Reporting Principles and Standard Disclosures.

Recommendations

The following opportunities for improvement were identified through the verification process:

1. Provide guidance to the appropriate departments on the documentation requirements necessary to provide evidence for independent verification so as to ensure that all of the desired information and data can be reported.
2. Improve transparency of the documentation to allow verification of the maximum amount of information and data that Cathay Pacific would like to report.
3. Improve the internal report QA/QC system to include checking for accuracy of data and claims made.
4. Conduct a materiality assessment and expand the stakeholder engagement scope to more diverse groups to ensure that the topics reported on are proportionate to their relative materiality.
5. Present data in time series to allow comparability and performance trend analysis in the report.



Dr Andrew Jackson
Managing Director



ERM-Hong Kong Limited
5 June 2009



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GRI Indicators

Report Application Levels

		C	C+	B	B+	A	A+
Mandatory	Self Declared						
	Third Party Checked						
Optional	GRI Checked						Report Ex

GRI Indicators	Comment
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
	Whilst most of our operations are based in Hong Kong, the majority of our spend are in equipment and materials that are not readily available locally such as aircraft and kerosene.
	We continue to contribute to the local economy, and as such we hire locally-based suppliers when this is feasible.
EC8	Development of infrastructure investments and services provided primarily for public benefit.
	In 2008, there were none.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.
	The majority of our revenue from our operations are based on our flying product and not a product per se.
LA4	Percentage of employees covered by collective bargaining agreements.
	We are unable to provide % of employees under collective bargaining agreements as this policy varies in each of the locations where we operate. We expect to provide an auditable number in the next report.
LA5	Minimum notice period(s) regarding operational changes.
	Same as LA4.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be a significant risk, and actions taken to support these rights.
	We respond to freedom of association in our report. We do not report on collective bargaining in this report – please see response to LA4.

