



Our Shared Journey

Sustainable Development Report 2010

About this Report

Welcome to our second Sustainable Development Report, which covers our sustainability performance – both achievements and challenges in 2010. Our reporting has evolved since 1996, which was the first year we launched our Environmental Report, but our commitment to transparency and accountability remains unchanged.

In this Report, we highlight a list of key stakeholder issues in each section, as well as providing a detailed response on the Report website. The *Progress Against Actions and Agenda* boxes that were previously at the end of each section are now integrated into one table on the Report website.

In order to ensure that we report accurately, we have engaged independent accountants, PricewaterhouseCoopers to provide an assurance report on selected data in this Report.

Report Scope

We report annually to our stakeholders on the key sustainability issues of the Cathay Pacific Group. This Report covers the 2010 calendar year. In addition to Cathay Pacific Airways and our five 100% owned subsidiaries, this year we have started reporting on one of our associate companies, Air Hong Kong, with a view to increasing disclosure in future reports. New data covered in this Report includes energy consumption and GHG data from four outports (Auckland, Taipei, Manila and San Francisco) and non-GHG data from five outports (Frankfurt, Paris, Karachi, Kuala Lumpur and Sydney).

How we Report

The content of this Report has been defined by a process of:

- stakeholder engagement;
- identification of priority areas set out by aviation industry associations and use of a materiality matrix;
- reference to the Global Reporting Initiative (GRI) 2006 reporting framework (G3) and the AA1000 Accountability standard; and
- benchmarking against other airlines.

Measuring our Performance

On measuring our performance, we include commitments across most areas of this Report in a table on our Report website. It is essential for us to monitor our performance so that we can enhance initiatives throughout our operations to better manage our key sustainability impacts.

Views on our Report

We invited a multi-stakeholder committee to review and assess the balance, completeness and responsiveness of this Report. Page 55 shows the key comments from our external Stakeholder Review Committee.

Global Reporting Initiative

The content and quality of the information in our report is guided by the Global Reporting Initiative (GRI) G3 reporting guidelines. The Report Application Level is A+, as checked by GRI.

Additional information, including data assumptions and calculation processes, as well as the English and Chinese versions of this Report are downloadable from the corporate website at www.cathaypacific.com/sdreport

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Chairman's Message

Cathay Pacific's vision is simple – to be the world's best airline. To be the best, we endeavour to operate in a sustainable manner, embedding sustainable development principles and practices into all aspects of our business.

We began our sustainable development journey in the 1990s by starting to manage social and environmental issues – which, at that time, were separate from the commercial side of our operations. It soon became clear we could not address these issues as a matter of detached philanthropy: indeed, integrating them into our overall commercial strategy was vital to the long-term viability of our business.

In 2010, we launched a Sustainable Development Strategy, formally enshrining our long-held belief that if we are to continue to generate healthy returns for our shareholders, then we must find new ways to reduce our environmental footprint and to care for our staff, customers and the wider community.

We believe 2010 saw a number of achievements and initiatives that moved us closer to a sustainable future. These include:

- A record attributable profit of HK\$14 billion
- An order for 32 new Airbus A350-900s and six Boeing 777-300ERs, two highly fuel-efficient aircraft types
- The introduction of four new routes and a number of additional frequencies across the Cathay Pacific and Dragonair networks
- Effective management of safety issues
- Gradual progress on managing labour relations with the recognition that this remains a key challenge
- Achieving fuel efficiency improvement of 8.7% per available tonne kilometre (ATK) and 23.4% per revenue tonne kilometre (RTK) respectively since 1998

One of the most challenging sustainability issues we face today is mitigating the impact of climate change. We recognise that carbon emissions growth cannot be left unchecked. Thus, a significant part of our strategy is focused on reducing fuel consumption and emissions through modern technology, enhanced operational procedures, appropriate

economic measures and improved infrastructure. We have been doing most of these things for the past three decades, but now the challenge is to go further and faster than before.

We work in an operating environment where our stakeholders expect more and more from us in different ways. We have always been committed to engaging with our stakeholders and responding to their opinions and needs has been an integral part of how we run our business. However, we are increasingly seeing inappropriate and onerous regulations aimed at the aviation industry. Aviation is a very significant contributor to the world economy – as the disruptions to air travel caused by last year's eruption of the Icelandic volcano clearly demonstrated. While we fully recognise that we must continue to seek solutions to mitigate our environmental impact, we must also ensure these solutions are effective and appropriate to the aviation industry. We will continue to work with our industry partners in this respect.

The Asia Pacific region – and especially Greater China – will witness strong growth in aviation over the next 15 to 20 years. We look forward to the opportunities and challenges that the decades ahead will bring to the business and Hong Kong. I am confident that together with its subsidiaries, Cathay Pacific will work towards achieving its goals in a sustainable way. Sustainability not only aligns with our core values, it will also help Cathay Pacific become a more competitive, efficient and innovative airline.

Christopher Pratt
Chairman

Understanding Our Business

Cathay Pacific is an international airline registered and based in Hong Kong, offering scheduled passenger and cargo services to 141 destinations in 39 countries and territories. As Hong Kong's major airline, we provide vital links for trade and investment as well as leisure travel. Through our passenger and cargo services under both Cathay Pacific and Dragonair, we connect Hong Kong to the world.

Founded in Hong Kong in 1946, Cathay Pacific Group's history is intricately linked with Hong Kong's development into a world class city. The Group remains deeply committed to its home base, making substantial investments to develop Hong Kong as one of the world's leading global transportation hubs. Cathay Pacific and its subsidiaries employ over 27,500 people worldwide.

Our investments include aircraft fleet, airline services, catering services, ground handling, our corporate headquarters at Hong Kong International Airport (HKIA) and most recently, the new cargo terminal adjacent to HKIA. Cathay Pacific has its own listing on the Hong Kong Stock Exchange, with Swire Pacific and Air China as its two major shareholders, and whose shares increased in 2010 to 42.97% and 29.99% respectively. Driven by the strategic priorities of Cathay Pacific, we completed the sale of our 15% shareholding in the Hong Kong Aircraft Engineering Company Limited (HAECO) in June 2010. However our longstanding operational relationship with HAECO remains unchanged.

air Hongkong

Air Hong Kong is the only dedicated freighter airline based in Hong Kong. In October 2002, Cathay Pacific entered into a business partnership with DHL Express to develop an express freight network which currently serves 11 Asian destinations. DHL Express is the major customer and the bulk of the cargo is express parcels. The remaining cargo is general freight.

Air Hong Kong shares services with Cathay Pacific as part of the joint venture, such as engineering, flight operations, planning and building services. The company's offices are located within Cathay Pacific City. In the same way, most of its impacts are managed jointly with Cathay Pacific. Air Hong Kong, as part of the Cathay Pacific Group, also remains committed to minimising its sustainability impacts, at the same time maximising its benefits.

Major subsidiaries and associates in 2010

Cathay Pacific Catering Services (HK) Limited	100%
Cathay Pacific Holidays Limited	100%
Hong Kong Airport Services Limited	100%
Hong Kong Dragon Airlines Limited	100%
Vogue Laundry Service Limited	100%
Air Hong Kong Limited	60%
Air China Limited	19.27%



Aviation, society and the world economy

Aviation is vital to a globalised economy and facilitates a growing freedom of movement of goods, workers and tourists – stimulating international trade and providing efficient access to different cultures:

- Globally, 2.5 billion passengers and around 50 million tonnes of freight are flown each year;
- 5.5 million people are directly employed in the industry, with a turnover of more than US\$1 trillion;
- If aviation was a country, it would rank 21st in the world – between Spain and Italy – in terms of Gross Domestic Product (GDP);
- While air transport carries around 5% of the volume of world trade shipments, it is over 35% by value – meaning that goods shipped by air are very high value commodities, often perishable or time-sensitive; and
- Fuel efficiency has improved by 70% since the 1970s and noise reduced by 90%¹.

Despite industry growth at around 5%² a year, the industry is expected to contribute around 3% of global greenhouse gas (GHG) emissions by 2050³. At the same time, the industry is committed to reducing the environmental impacts brought about by air transport. Air transport also contributes to people's quality of life, supporting remote communities by promoting tourism and providing employment, facilitating humanitarian aid and cultural exchange and widening consumer choice of products and travel destinations.

¹ Data from Boeing

² WBCSD, 2002

³ IPCC, 2007 and IPCC-AIE, 2005

1911



First powered flight in HK

1925

Kai Tak Airport inaugurated

1932

Far East Flying Training School set up

1936

First scheduled domestic flight into HK – with one passenger on board

1937

Kai Tak handles 3,685 passengers

Hong Kong Aviation

1946

Civil Aviation Department (CAD) established

1950

HAECO begins operations

1962

Completion of passenger terminal at Kai Tak

1965

Kai Tak handles more than 1 million passengers

1970

First scheduled Boeing 747 service into Kai Tak

Hong Kong and global events of significance

1940s-50s

Acceleration of industrialisation

1941

Japanese occupation of Hong Kong begins

1941-45

World War II

1967

Widespread social unrest in Hong Kong

Cathay Pacific Milestones

1946

CX founded

1949

First four-engine aircraft, a Douglas DC4, introduced into fleet

1962

Cathay Pacific enters jet age with first Convair 880 aircraft

1964

Our millionth passenger carried

1970

Boeing 707s enter fleet



c1950s



c1970s



1976

HACTL opens its first cargo terminal

1985

Dragonair founded

1995

Hong Kong Airport Authority established

1998

New Airport at Chek Lap Kok opens

2010

HK airport registers record passenger and cargo volume

1973

Worldwide oil crisis

1978

China introduces Open Door Policy

1990

Basic Law accepted as constitutional document for the HK SAR

1997

Hong Kong's sovereignty transferred to China

1998

Global economic crisis

2000

Bird flu pandemic (H5N1)

2001

Sept. 11 attacks in New York, USA, followed by global travel slump

2003

SARS outbreak devastates Hong Kong travel and tourism

2008

Global economic downturn triggered by banking crisis

2009

Swine influenza (H1N1) outbreak in Hong Kong



1975

First wide-body aircraft, the Lockheed 1011 Tri-Star, joins fleet

1979

First Boeing 747-200 "Jumbo" for Cathay Pacific

1980

London service launched

1981

First dedicated freighter aircraft acquired

1982

First computer reservation system launched

1986

Airline listed on the Hong Kong Stock Exchange

1994

New "brushwing" livery introduced

1998

First full-year loss in 35 years. Move to new HQ at Chek Lap Lok

2001

"World's Biggest Welcome" lucky draw boosts travel in wake of 9/11 attacks

2003

"We Love Hong Kong" campaign launched to revive demand after SARs

2004

First non-stop flight to New York

2006

Dragonair becomes wholly owned subsidiary of Cathay Pacific

2007

Delivery of CX's first B777-300ER

2010

Cathay Pacific announces best-ever profit and biggest aircraft order

Becoming a sustainable airline – Our Sustainable Development Strategy

We acknowledge the importance of sustaining economic growth without harming the planet or exhausting its resources, while improving the quality of life of current and future generations. We will manage our businesses in a sustainable manner, as this is a fundamental element of our continued success.

We are committed to our Sustainable Development Policy because:

- Practising sustainable development is the right thing to do for our planet, our people and our communities;
- We aim to excel as corporate citizens; and
- Long-term value creation for our shareholders depends on the sustainable development of our businesses and the communities in which we operate.

Building on work that began in 2009 to develop a new Sustainable Development (SD) Strategy, in 2010, we began its implementation in order to drive improvement across the business as well as to embed SD principles and practices into our core business strategy. Implementation of the SD Strategy is based on our business' key SD impacts, risks and opportunities. The SD Strategy is the mechanism by which we drive our Vision and Missions.

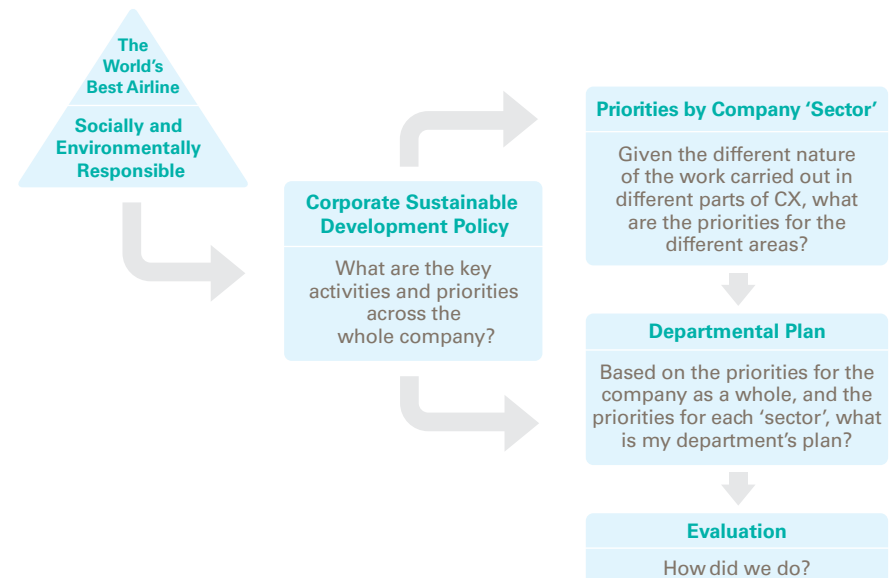
Key stakeholder issues on Sustainability

Commitment to sustainability.
Communications on Sustainable
Development. Being a leader on this
issue. Benchmarking. Target-setting.

The five strategic areas in our SD Strategy



How the SD Strategy was developed

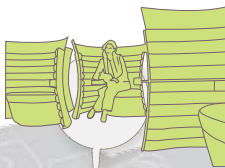


Overview of 2010

The Group reported a record attributable profit of HK\$14 billion in 2010, a result which reflects a continued and significant recovery in its core business following the extremely challenging conditions experienced for much of 2009 and a significantly increased contribution from Air China. It also includes gains from the disposal of shares in Hong Kong Air Cargo Terminals Limited (HACTL) and Hong Kong Aircraft Engineering Company Limited (HAECO), and on the deemed disposal of shares in Air China, partly offset by the fine imposed by the European Commission arising out of its cargo investigation.

Purchase agreements for 32 new Airbus A350-900 aircraft powered by Rolls Royce Trent XWB engines and six more Boeing 777-300ERs, increasing fuel efficiency in our future and current fleet (see p.18). The latest order will enable the airline to replace older, less fuel-efficient aircraft as they are progressively retired from the fleet and at the same time continue with the expansion of its passenger network.

Competent response to 2010 service disruptions and flight incidents (see p.38-39)



Launch of new products with sustainability considerations, e.g. new airport lounges (see p.22-23)

Offering carbon offset credits for our FLY greener programme from a Guangdong-based hydropower project for the first time (see p.20)

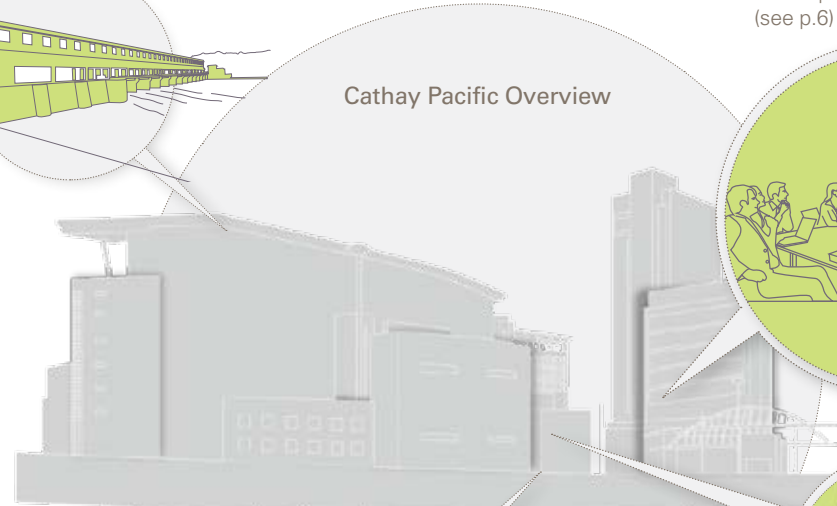


Record attributable profits for 2010 – HK\$14 billion

Roll out of Suppliers Code of Conduct to outports

Roll-out of our Sustainable Development Strategy (see p.6)

Cathay Pacific Overview

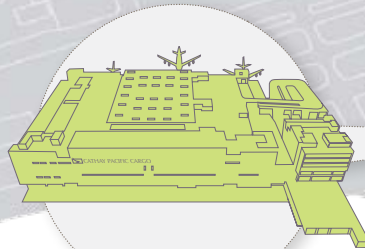


Engagement with cabin crew and pilot unions (see p.44)



Launch of new destinations – Milan, Moscow and Hongqiao, and added services to Haneda

Formation of the CARE team to offer humanitarian support to our passengers and their families during and after a crisis (see p.37)



Recommencement of work on the HK\$5.5 billion Cathay Pacific Cargo Terminal (see p.19), including a number of sustainable design elements



Joining the London Benchmarking Group roundtable to share best practice in measuring and evaluating the impacts of our community investment projects (see p.48)

Selected Awards in Cathay Pacific for 2010

Cathay Pacific

First in Asia's Most Admired Companies

*Wall Street Journal Asia's annual poll
(for the 5th consecutive year)*

Best New Lounge Award

Travel + Leisure Magazine, US edition

Cargo Airline of the Year

Centre for Asia Pacific Aviation Awards

Carrier of the Year

Canadian International Freight Forwarder Association

Favourite Business Airline

Condé Nast Traveller Magazine Readers Travel Awards

Best Frequent Flyer Programme – Asia Miles

Business Traveller Asia-Pacific Travel Awards

Total Caring Award

Hong Kong Council of Social Services

Dragonair

World's Best Regional Airline

Skytrax World Airline Awards

Best Regional Airline

TTG Asia Travel Awards

Best Airline Economy Class

Business Traveller China reader survey

Economic Value Added

For the year ended 31st December 2010

	2010 HK\$M	2009 HK\$M	% Change
Economic value generated			
Turnover	89,524	66,978	33.7%
Finance income	677	588	15.1%
Surplus on sales of investments	2,165	1,254	72.6%
Gain on deemed disposal of an associate	868	–	NA
Share of profits of associated companies	2,587	261	891.2%
	95,821	69,081	38.7%
Economic value distributed			
Purchases of goods and services	58,294	44,219	31.8%
Employee wages and benefits	13,850	12,618	9.8%
Payments to providers of capital	6,207	1,998	210.7%
Taxation charge	1,462	283	416.6%
Community investments including charitable donation			
– Direct payment	11	10	10%
– In the form of discounts on airline travel	5	4	25%
	79,829	59,132	35.0%
Economic value retained			
– Depreciation	6,316	5,652	11.7%
– Profit after dividends	9,681	4,301	125.1%
	15,997	9,953	60.7%

Note:

The above table summarises the distribution of the economic value generated from the Group which includes Cathay Pacific and all its subsidiaries including Dragonair and Air Hong Kong. Share of profits of associated companies include our share of profits of Air China and HAECO (up to the date of sale). Please refer to our 2010 Annual Report page 96-97 for details of our principal subsidiaries and associates.

Cathay Pacific Group Fleet profile as of 31 December 2010

Cathay Pacific Fleet profile

Aircraft Type	BOEING						AIRBUS		TOTAL	
	777-200	777-300	777-300ER	747-400	747-400F	747-400BCF	747-400ERF	330-300		340-300
Passenger	5	12	18	22	•	•	•	32	15	104
Freighter	•	•	•	•	6	12	6	•	•	24
Average age (years)	13.57	9.62	2.00	18.68	11.22	16.98	2.02	9.55	13.50	10.74
Total	5	12	18	22	6	12	6	32	15	128

Dragonair Fleet profile

Aircraft Type	AIRBUS				AIRBUS	
	A320-200	A321-200	A330-300	TOTAL	A300-600F	
Passenger	11	6	14	31	Freighter	8
Average age (years)	8.10	10.05	9.13	10.45	Average age (years)	5.72
Total	11	6	14	31	Total	8

Air Hong Kong Fleet profile

Engagement with our Stakeholders

We recognise that systematic engagement with all stakeholders is an essential prerequisite for any long-term sustainability plan. We continued our five-year Stakeholder Engagement Strategy programme to ensure regular contact with each stakeholder group at least once every two years. Although the frequency of contact is planned in line with the reporting process, it also aims to identify stakeholder issues as they emerge. Stakeholder opinions are important to us as this engagement process ensures the materiality of our reporting and helps drive improvements in our business and operational performance.

In addition to our ongoing engagement throughout the year, we employ an independent facilitator to carry out focus group meetings with the following stakeholder groups targeted for 2010: CX pilots, sustainability experts, environmental and social NGOs, local Hong Kong businesses, our Stakeholder Review

Committee, CX young employees and university/tertiary students in Hong Kong.

Generally, we received an overall positive view of Cathay Pacific as a responsible corporate citizen. Our leadership within the aviation industry and on climate change issues was recognised, as well as the company's environmental, safety and community engagement initiatives. A number of stakeholders noted that there is room for improvement in our labour relations. The issues raised are in line with what we considered material to our business.

Key issues raised by the stakeholder groups are highlighted in the sections of this Report where they are addressed. Further details are provided on our Report website (www.cathaypacific.com/sdreport).

What is material to the sustainability of our business?

As part of our aim to report transparently, we began developing a materiality matrix on sustainability issues. This combines the

Swire Group approach on identifying stakeholder risk concerns and our own materiality scoring methodology which follows the principles outlined in international standards such as the Global Reporting Initiative (GRI) and the AA1000APS. The AA1000APS is a standard developed by UK-based AccountAbility that provides a framework for responsive and responsible business strategy on material sustainability issues as raised by stakeholders. Our materiality matrix incorporates stakeholder views we obtained since 2007 to ensure that we constantly review materiality to our business and monitor progress.

In summary, the most significant impacts from our industry to date relate to our use of non-renewable fossil fuels and the consequent emissions of greenhouse gases. Our impacts also extend to other environmental areas such as resource use, and our social responsibilities towards the people we employ, the suppliers we use and the communities in which we operate.

Key stakeholder issues on Stakeholder Engagement

The process of engagement. Building capacity of stakeholders. Engaging customers, especially on *FLY greener*. Communicating with stakeholders. Responsiveness.

Corporate Governance and Risk Management

We are committed to sound corporate governance and our systems and procedures are outlined in the Cathay Pacific Code of Conduct on Corporate Governance. We devote considerable time to identifying risks and ensuring that we put in place best practice to mitigate those risks.

Key issues raised by stakeholders on Governance

Role of the highest levels of management to take a leadership position on sustainability issues in the company and within the industry.

The highest governance body is the Board of Directors led by the Chairman and comprises the Chief Executive and five other Executive Directors. There are also 12 non-Executive Directors, four of whom are independent. As well as having responsibility for our economic performance, the Board oversees the environmental and social initiatives undertaken in the company. More information can be found in our 2010 Annual Report, under the Corporate Governance Section (p.42-46).

Governance of Sustainability

The Chief Executive is accountable for Cathay Pacific's Sustainable Development Strategy. This Strategy is in place to help create long-term value by embedding sustainable development principles and practices into the way we govern the company, manage risk and seize opportunity. Our Sustainable Development Steering Committee, chaired by the Director Corporate Affairs, comprises General Managers and Heads of Department representing safety and security, finance, corporate risk, sustainability management, purchasing, marketing, customer services, property and services, engineering, cargo, ground services and personnel, and reports directly to the Management Committee. Our governance structures are linked to the Swire Group's Environment and Risk Management Committees for internal audit purposes.

“At Cathay Pacific we have taken steps to lead on many sustainability challenges, our involvement in the Aviation Global Deal on environmental targets being a key example of this. Leading in this way will help to deliver success for our business and all its stakeholders. My Sustainable Development Steering Committee understands the important role it plays as it works carefully and seriously on the priority areas for action.”

John Slosar, Chief Executive

In 2010, the Committee convened to resolve actions on strengthening the Sustainable Development Strategy and cascading it through the company, revising the Supply Chain Code of Conduct, discussing our carbon offset programme, responsible food sourcing and working with Swire at a strategic level.

A Long Term Action Group on Climate Change, chaired by the Director Corporate Development, considers the long-term implications of climate change and the development of long-term action plans. This is linked to the Fleet Steering Group, which is also guided from the Director level. Each working group in Cathay Pacific must show how sustainable development relates to commercial value, how it contributes to our overall Vision and demonstrate ways to embed sustainability in each part of the business using short, medium and long-term targets, stakeholder engagement and risk assessment.

These arrangements push forward the tenets of our Sustainable Development Strategy and new, smaller and more agile sub-groups are being formed to work on particular issues.

The company has also put in place corporate governance practices to meet the recommended best practices in the Code on Corporate Governance Practices in the Listing Rules for the HK Stock Exchange.

We regularly review our remuneration policies in considering local legislation, industry practice, market conditions and the performance of individuals and the company. In 2010, external advisors confirmed that the remuneration of the company's Executive Directors was in line with its peer group companies.

Cathay Pacific/Swire committees related to the Environmental Affairs Department



Risk management and Sustainable Development

The Corporate Risk Management Department (comprising risk management, legal, insurance and compliance teams) manages corporate risk and provides advice for the entire Group. The Group Risk Register is reviewed annually, with a commitment to ensuring that our risk management system is consistently in line with the AS/NZS 4360: 2004 risk management standards. In 2010, over 30 corporate risk briefings were held to understand, assess and respond to risk. Any specific risks identified are assigned to a Director and undergo a process of endorsement by the Audit Committee. We then develop action plans to respond to the risk.

Action plans are developed via discussion with the relevant departments or subsidiaries and with endorsement from Directors. Each action plan is documented with target completion dates and responsible parties with

progress monitored regularly to reduce the risk exposure of the Cathay Pacific Group.

Our strategy towards specific types of risks such as audit, sustainable development and safety are reviewed by specific committees. The Audit Committee reviews the adequacy of the resources, qualifications and experience of the staff of the company's accounting and financial reporting function as well as their training programmes and budget. Sustainable development risks relating to commercial and operational delivery are assessed by the Audit and the Sustainable Development Steering Committees. Airline operational safety risk is reviewed monthly by the Airline Safety Review Committees, which is chaired by the Head of Corporate Safety and comprises Directors and senior management of all operational departments as well as our operational partners.

Potential economic measures related to climate change and carbon trading represent some of the risks to our business. A comprehensive study is being undertaken to understand the impacts these may have on our business, such that we can better manage these risks.

Competition Compliance

It is the policy and intent of Cathay Pacific, Dragonair and the Hong Kong-based 100% owned subsidiaries to operate at all times in full compliance with all applicable and relevant antitrust and competition laws. In November 2010, the European Commission imposed a fine equivalent to HK\$618 million on Cathay Pacific and a number of cargo carriers for infringing European competition law. We are appealing this decision, and further details are available in our Annual Report.

To support clear communication on our competition compliance policy and guidelines, we run an ongoing refresher online training course on antitrust issues, which has an annual attendance of more than 2,200 employees. We encourage employees to report any apparent or suspected violations of our antitrust policy, associated guidelines or applicable competition laws, with strict confidentiality ensured.

The Environment

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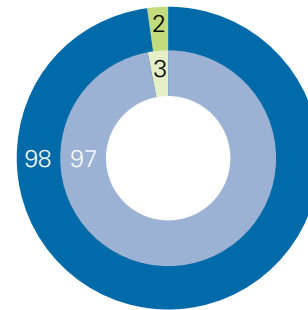


Climate Change

Mitigating the impacts of climate change remains one of our greatest environmental challenges as a business. We are dedicated to delivering on our commitments to carbon-neutral growth by continuously improving the sustainability of our flight operations, and continuing to call for a global industry agreement on climate change.

At the core of our Sustainable Development Strategy is our commitment to manage our carbon emissions and contribute to global efforts to reducing aviation’s overall impact on the environment and climate change. We acknowledge that projected increases in our emissions cannot be left unchecked and we are firmly committed to reducing these impacts. The industry is directing significant investment towards addressing these key challenges, including new technology, better operating procedures and sustainable biofuels.

Global man-made GHG emissions (%)

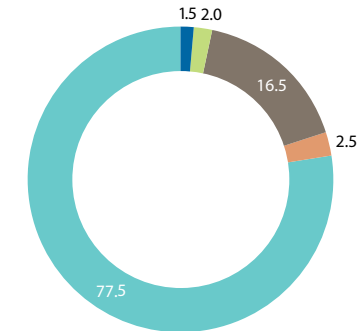


Now
 ■ Global emissions
 ■ Aviation emissions

In 2050
 ■ Global emissions
 ■ Aviation emissions

The air transport sector presently accounts for 2%¹ of global manmade greenhouse gas emissions. By 2050, aviation’s share will rise to 3%, according to the Intergovernmental Panel on Climate Change (IPCC).

Comparison of aviation CO₂ emissions vs other forms of transport (%)



■ International aviation
 ■ International marine
 ■ Road transport
 ■ Emissions from other sectors

Source of CO₂ data: IEA 2010

Emissions of CO₂ contribute to atmospheric warming, but uncertainty remains within the scientific community regarding the impact of other GHGs in the upper atmosphere. In 2007, the IPCC estimated these effects to be about two to four times greater than those of aviation’s CO₂ alone. In light of uncertainty about the cumulative or ‘multiplier’ impacts of other aviation-related GHGs such as NO_x, we continue to focus our efforts on reducing our CO₂ emissions while monitoring the

latest atmospheric science research findings from globally recognised climate organisations, including governments, NGOs, international academia, and specialist research institutes (e.g. the Goddard Institute of Space Studies (GISS) at the National Aeronautics and Space Administration (NASA) and Institute of Atmospheric Physics at the German Aerospace Centre (DLR)).

Key issues raised by stakeholders on Climate Change

FLY greener. Engaging passengers on offsetting. Being a leader in the industry and in Hong Kong and in carbon reduction, offsetting, biofuels, reporting. Footprint of supply chain. Cathay Pacific’s overall strategy.

Aircraft contribute to climate change through the emission of oxides of nitrogen (NO_x), soot, sulphate aerosols and water vapour. These impacts are summarised below.

Non-CO ₂ Emissions	Nature of Impact
NO _x	Increases the GHG ozone: warming effect Destruction of methane: cooling effect
Water vapour	Forms condensation trails: in exhaust air, warming effects dependent on altitude, location and atmospheric conditions
Sulphate Aerosols	Reflect incoming solar radiation: cooling effects
Soot	Small warming effect

Source: IPCC

¹ IPCC, 2007 and IPCC-AIE, 2005



fuel efficiency improvement per available tonne kilometre (ATK) since 1998



fuel efficiency improvement per revenue tonne kilometre (RTK) since 1998

Engaging with industry partners

Engaging with regulators and groups involved in shaping climate change and aviation policy is part of our climate change strategy. We work with organisations not only in increasing awareness on climate change issues, but also in developing appropriate solutions for the aviation industry.

International Civil Aviation Organization (ICAO)

– The 37th ICAO Assembly took place in Montreal in October 2010 to discuss a number of strategic issues impacting on the global aviation industry, including climate change. The resolution of the assembly called for the need to achieve a global annual average fuel efficiency improvement of 2% until 2050; strive for a collective medium term aspirational goal of capping aviation's carbon emissions from 2020; a global CO₂ standard for aircraft engines by 2013; and the development of a global framework on economic measures by 2013. The assembly also reiterated ICAO's role in aviation and climate change issues.

International Air Transport Association (IATA)

– The IATA AGM in June 2009 agreed to commit to new and ambitious targets for emissions reduction (see page 16). Aviation is the only industry where collective targets have been endorsed by the whole industry at a global level. Specific analysis and actions continue to focus on an equitable global sectoral approach to emissions accounting,

carbon trading, a full range of balanced mitigation measures and investment support for new aircraft. Tony Tyler, who was our Chief Executive between July 2007 and March 2011, was Chairman of the IATA Board of Governors from June 2009 to June 2010; our Manager International Affairs, Owen Dell, is currently Chairman of the IATA Joint Task Force working on the implementation of the IATA climate change targets. We are also actively involved in the IATA Joint Task Force Working Groups and Environmental Committees through representation by our Head of Environmental Affairs, Mark Watson.

Aviation Global Deal (AGD)

– Cathay Pacific continues to be an active member of the AGD Group. The AGD Group recognises the need for a global solution to emissions that meets environmental and developmental needs whilst ensuring a level playing field in our industry, and fully supports IATA's work in this regard. AGD also underscores the need for our industry to continue to invest in the sector's key emissions reduction drivers, namely fleet replacement, air traffic and infrastructure improvements and sustainable biofuels.

Climate Change Business Forum (CCBF)

in Hong Kong – We continue to be an active patron member of CCBF, a forum for Hong Kong business leaders to collaborate on tackling climate change. CCBF serves as the Southeast Asia anchor on climate change issues for the World Business Council for Sustainable Development (WBCSD). It is also an international network partner of The

Prince of Wales's Corporate Leaders Group on Climate Change (CLG), and is often called upon by these and other groups seeking Asian business leadership on climate change and low-carbon issues. Tony Tyler, our Chief Executive between July 2007 and March 2011, was the Chairman of its Executive Council. In 2010, CCBF launched three pieces of research: *Every Building a Powerhouse* - identifying technologies to radically improve energy efficiency in Hong Kong's existing building stock; *Low Carbon Economy for Hong Kong, a Sector Approach Study* - recommending regulatory approaches to help Hong Kong transition to a low-carbon economy; and the first *Hong Kong Business Survey on Energy Efficiency and Climate Change*.

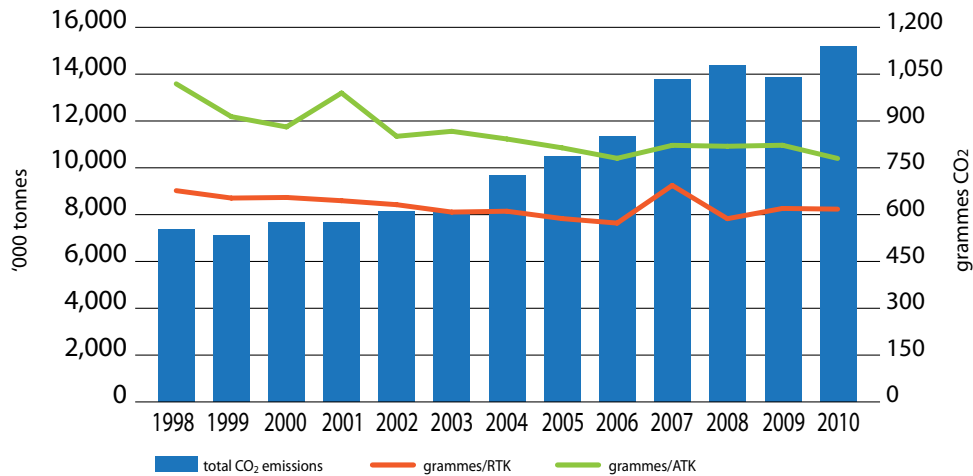
EU ETS and Regional Schemes At a policy level, we do not support the inclusion of international aviation in the European Union Emissions Trading Scheme (EU ETS) as this distorts competition and does not earmark revenue to fund climate change projects. Our ongoing dialogue with governments in Europe reiterates our full support for a global sectoral approach administered by ICAO, as mandated in the Kyoto Protocol. In March 2010, we submitted our responses to the United Kingdom's consultation on the second stage transposition of the EU Directive (2008/101/EC) to include aviation in the EU ETS, in which we reiterated our position on this issue. Despite this, we have been working on reporting under the relevant regulations, and intend to be in full compliance with the EU ETS.

Sustainable Aviation Fuel Users Group (SAFUG)

– Cathay Pacific is a member of the SAFUG, which is an industry working group united by the desire to accelerate the commercialisation of sustainable aviation biofuels by developing robust, global sustainability criteria and best practices for the aviation biofuels market. SAFUG is working closely with the Roundtable on Sustainable Biofuels (RSB) bringing together farmers, airlines, fuel producers, government regulators and NGOs to agree on a way forward for obtaining biofuels from responsible and sustainable sources. We subscribe to the sustainability criteria that aviation biofuels must not compete with food and drinking water supplies, biodiversity and local populations.

Cancun COP 16 – We signed the *Cancun Communiqué*, an initiative of The Prince of Wales's CLG, which defines the international business community's expectations from negotiations urging governments not to wait for one global deal. Instead, they should pursue new sectoral, bilateral or regional agreements, depending on its appropriateness and relevance. For example, the Communiqué calls for a comprehensive global approach on emissions for aviation and shipping.

Global CO₂ Emissions – Cathay Pacific Group Fleet



2010 GHG Emissions (tCO₂e)*

Scope 1
jet fuel, ground fuel and Towngas **▲ 15,400,418 (99.67%)**

Scope 2
electricity and Towngas **▲ 50,474 (0.33%)**

*Details of our GHG emissions are available in www.cathaypacific.com/sdreport
▲ refer to PricewaterhouseCoopers report (p.56)

Our emissions and targets

The global aviation industry – airlines, airports, air navigation service providers (ANSPs) and manufacturers – remains united around the four-pillar IATA strategy based on technology investments, efficient infrastructure, effective operations and positive economic measures. Cathay Pacific fully supports this approach and IATA's climate change targets launched in 2009.

In 2010, Cathay Pacific and Dragonair were responsible for a total of 15.2 million tonnes of CO₂ (tCO₂) from fuel burn, bringing a total efficiency improvement of 8.7% in relation to capacity (available tonne kilometre) since 1998. While total emissions have increased in line with the growth of the Cathay Pacific Group, due to a higher number of passengers and cargo carried, the CO₂ efficiency in relation to traffic volume carried (revenue tonne kilometre) improved by 5.1% over the past year, bringing the efficiency improvement since 1998 to 23.4% per RTK.

Our Approach – in the air

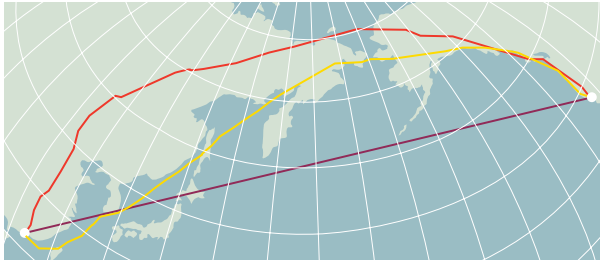
Improving fuel efficiency through a comprehensive programme of fleet modernisation, weight management and route optimisation has been part of our operating culture since the introduction of non-stop flights from Hong Kong to London on a B747-200 in the 1980s. The initiatives and processes identified at the time have become entrenched in our operating culture. We continue to seek ways to improve efficiencies in engine technology and maintenance, flight routing and speeds, reduce taxi times and onboard weight. We have continuously improved fuel efficiency, for example by purchasing the most efficient aircraft for our operations, maintaining them to the highest standards and progressively retiring older aircraft. We seek to specify the most appropriate aircraft type for the intended route and plan flights with greater accuracy, accounting for wind direction, appropriate altitude and accurate payload for the exact amount of fuel required to maximise efficiency whilst always ensuring

IATA Climate Change Targets

- 2010**
An average improvement in fuel efficiency of 1.5% per year
- 2020**
A cap on aviation CO₂ emissions from 2020 (carbon neutral growth)
- 2050**
Aspiration for 50% reduction in net CO₂ emissions over 2005 levels

IATA Four Pillar Strategy

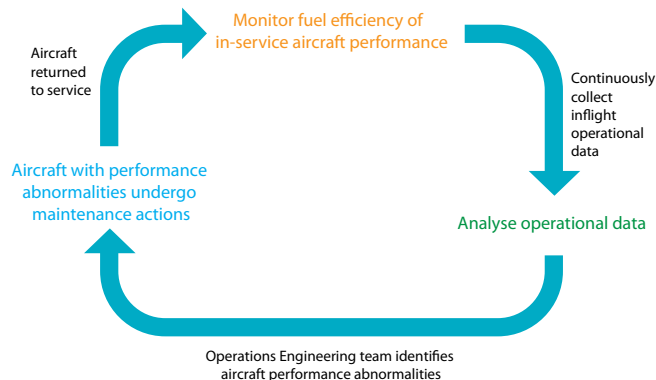




New route for westbound Trans-Pacific sectors (SFO-HKG), with 198 tCO₂ emission savings for the monitoring period from February to May 2010

safety. We are constantly working with air navigation service providers around the world including regulators and airport authorities (e.g. Federal Aviation Administration (FAA), National Air Traffic Services (NATS), AirServices Australia, Eurocontrol) to improve route efficiency and trial new Continuous Descent Approaches (CDA) procedures and so-called ‘flex-track’ operations. For instance, in the past year, together with the FAA and the airport authority at San Francisco, we have been conducting ‘Tailored Arrival’ approaches related to CDAs for our long haul flights into San Francisco. This air traffic management concept developed by Boeing helps us increase the efficiency of arrival procedures and achieves fuel saving of between 100kg and 400kg per flight as a result.

Continuous aircraft efficiency assessment



A Summary of Our Efficiency Initiatives

IATA Four Pillar Strategy	CX and KA initiatives	Emission Savings
Technological Progress 1	Introduction of four Boeing 777-300 ER (Extended Range) and one Airbus A330 to fleet in 2010	Boeing 777-300 ER is 26% per RTK more fuel efficient than the B747-400 they replaced on certain routes
	Modification of engines on our A330 fleet	Airbus A330 is 25% more fuel efficient compared to the B747-400
	11,000 tCO ₂ per year	
Operational measures 2	Utilising and manually fine-tuning the flextrack approach – use real-time wind data to generate flexible flight tracks for flight planning	607 tCO ₂ on monitored flights in 2010
	Using alternative base coat exterior paint	Depends on aircraft type. E.g. 134 tCO ₂ on the A340 in 2008
	Core washing engines	18,500 tCO ₂ in 2010
Improved Infrastructure 3	New route for westbound Trans-Pacific sectors, e.g. SFO-HKG	198 tCO ₂ for the monitoring period from February to May 2010
	Developing new arrival tracks from north and west Hong Kong in conjunction with the HK Civil Aviation Department (CAD)	54,000 tCO ₂ per year
	North Pacific route improvements	926 tCO ₂ per year
	European route improvements (MORIT route)	0.6 to 0.9 tCO ₂ per flight
Economic measures 4	FLY <i>greener</i> offsets since 2007	80,000 tCO ₂ purchased
	Compliance with the EU ETS and establishment of inter-departmental EU ETS working group	—

Our new fuel-efficient fleet

CX Boeing 777-300 ER



Boeing 777-300 ER: Powered by two extremely efficient GE90 engines, the B777-300ER is already carrying more passengers and freight over longer distances with 26% to 28% efficiency gains per RTK. We have 18 of these in operation, and are expecting further 18 deliveries up to 2014. This aircraft is already being utilised on most of our trans-Pacific operations where maximum fuel efficiency gains can be made. This aircraft also featured trials in conjunction with the HK CAD on a navigation method known as the RNAV (RNP) approach procedures, which we commenced in 2009. After a period of successful trials, HK CAD published these procedures in the middle of 2010 to be utilized by approved airlines. This procedure provides greater efficiency in terms of airspace management.

Boeing 747-8 Freighter: This new generation freighter is highly fuel efficient and has the capability for the highest payload of any commercial cargo aircraft.

Simulation of the A350 in CX colours



Utilising the GENx-2B engine and advance rake wing tip design, this aircraft is expected to further reduce fuel consumption and fleet maintenance costs. We are expecting our first delivery in 2011 and have placed a total of 10 orders.

Airbus A350-900: We have ordered 32 of this extra wide-bodied aircraft, with deliveries scheduled between 2015 and 2019. This represents the largest ever order of new aircraft for Cathay Pacific. The aircraft will be powered by two Rolls Royce Trent XWB engines, and includes an advanced wing tip design reducing noise and drag, which will increase fuel efficiency. The aircraft is constructed from lightweight carbon composite material, and will utilise eco-efficient manufacturing principles. It will be capable of flying over 8,000 nautical miles non-stop, enabling it to operate on any route on our network including non-stop to Europe and North America.

Our Approach – on the ground

We recognise that while the majority of our emissions are related to what we do in the air, we are also committed to reducing our emissions on the ground – this is part of Cathay Pacific's comprehensive commitment to reduce our climate change impacts. We are developing ground-based emissions targets and will aim to implement quantitative emission reduction targets starting in 2011. In 2009, we enhanced our GHG data collection and reporting system for all our 100% subsidiaries based in Hong Kong, and in 2010, we expanded this to include a number of our major outports, with a view to increasing this scope over time.

In December 2010, along with nearly 40 other HKIA business partners, Cathay Pacific joined the Hong Kong Airport Authority's Carbon Reduction Campaign to reduce the airport's carbon emissions collectively by 25% per workload unit by 2015 compared to 2008 levels, where a workload unit is equal to one passenger or 100kg of cargo. This marks not only the first airport wide carbon intensity reduction pledge among world airports, but also the first voluntary, sector wide carbon intensity reduction pledge in Hong Kong.

To identify emission reduction opportunities, we are conducting a study looking at the feasibility of renewable energy and expanding the Group's electric vehicle fleet, trialling more energy-efficient equipment where appropriate, and developing a strategy to phase-out and replace old refrigerants in compliance with local and international requirements. In the past 10 years, we have implemented energy-saving measures such as an automatic lights-off policy and switching off equipment during non-peak hours when they are not used. We have installed energy-saving equipment such as energy-saving lighting systems, occupation sensors, integrated building management control systems, alternative renewable energy from solar heaters, and energy-efficiency enhancing technologies, including a heat recovery system and automatic tube-cleaning system to all seawater-cooled chillers. More details are available in the Environmental Performance section of this Report.

New Cargo Terminal ready to go in 2013

The following sustainability features will be incorporated into the design of our new cargo terminal currently being constructed at Chek Lap Kok:



- | | |
|--|--|
| (a) ultra efficient AV Plant (tri-screw chillers using VSD technology with water cooling); | (i) automatic on/off switching of lighting and ventilation fan inside the lifts; |
| (b) automatic demand control of the chilled water circulation system, air supply in air conditioning system, and ventilation fans in the car park; | (j) building energy management system; |
| (c) demand control of fresh air supply with carbon dioxide sensors; | (k) regenerative power in the Material Handling System (MHS), i.e. reuse of energy generated from braking power; |
| (d) heat recovery wheels for heat energy reclaim of exhaust air; | (l) use of ultra high efficiency motors; and |
| (e) T5 energy efficient fluorescent tubes with electronic ballast and lighting control by the Building Management System; | (m) chilled ceiling air-conditioning system in office areas. |
| (f) light emitting diode (LED) type exit signs; | |
| (g) heat pump for domestic hot water; | |
| (h) service on demand control for escalators; | |

In addition, the following renewable energy technology and water conservation features will be installed:

- solar hot water system;
- condensation recycling system for irrigation and flushing; and
- photovoltaic panels on the roof(s).

FLY greener carbon offset programme

Among our efforts to tackle greenhouse gases, we introduced the FLY greener offset programme in 2007, the first of its kind by an Asian airline. Offset programmes allow participants to contribute to projects that reduce carbon dioxide and help raise awareness among passengers, who have the option of using cash or frequent flyer miles to offset the carbon emissions associated with their flight or make a lump sum contribution.

To date, the uptake has been small but growing, and in line with our peers' programmes. In 2010, we continued educating staff, making it easier for passengers to buy the offsets, and promoting the programme through inflight communications. FLY greener was launched in our duty free inflight sales in early 2010. We also promote the concept via partners such as the CCBF (<http://www.whatsyourstory.com.hk/>) and, most importantly, have also reported on the benefits that such projects have brought to

host communities in China to ensure that our passengers can see for themselves the positive impacts that are generated from offsetting their emissions through FLY greener.

In 2010, we announced our third purchase of offsets which, for the first time, included two projects that feed into the Southern China Power Grid. They are a run-of-river hydropower project in the Pearl River Delta region of Guangdong, and a set of 95 small run-of-river hydropower stations in Chongqing, Guizhou, Sichuan and Yunnan provinces that link the electricity generated into the Pearl River Delta region. The third project consists of a group of 23 wind turbines in Shandong. Since FLY greener's launch, Cathay Pacific and Dragonair have offset staff travel amounting to 43,300 tonnes of CO₂. In total, 3,100 tCO₂▲ of offset was purchased by our passengers and corporate customers in 2010, an increase of 6% from 2009, including Swire and several other companies in Hong Kong, China and Taiwan. Cathay Pacific and Dragonair also

offset staff travel amounting to 12,000 tCO₂▲. All these offset credits are certified under the Voluntary Carbon Standard (VCS) or VER Plus. As part of our commitment to provide credible offsets, before investing in specific projects, we carefully evaluate the environmental and social impacts to ensure they provide maximum benefit to local communities.

“We are pleased that the Guangdong project is bringing sustainability benefits to the town of Lankou. Our latest purchase of carbon offsets underscores our ongoing commitment to offset emissions from our flights and to provide an opportunity for our passengers to play their part in reducing their carbon footprint.”

Mark Watson, Head of Environmental Affairs

SEE HOW YOU CAN MAKE A DIFFERENCE

Calculate your own carbon offset emissions by clicking on the FLY greener icon on the Cathay Pacific home page www.cathaypacific.com.

Offsets can be calculated based on actual mileage flown or on average emissions divided into three categories:

- Short (1-3 hours)
- Medium (3-6 hours)
- Long (6+ hours)

and then by travel class

- Economy
- Business
- First



Guangdong Run-of-River Project

A run-of-river hydropower station and its related infrastructure in Guangdong Province has transformed the lives of many local residents by providing a reliable source of electricity, giving local farmers better access to water, as well as opportunities for employment, training and education.

The project is generating emissions reduction of some 69,757 tonnes of CO₂ a year, which is equivalent to the amount of CO₂ that would be produced if the power station had been coal-fired.



The run-of-river Lankou hydropower project provides carbon offsets for Cathay Pacific's FLY greener programme

Environmental Performance

As a responsible business, effectively managing and continuously improving our environmental performance is important to us. It is our commitment to identify the relevant areas for action and reporting by engaging and responding to our stakeholders.

We are developing performance targets for ground activities, including our CO₂ emissions, energy efficiency and resource consumption, to help us better manage our carbon and resource use. These targets will be adopted and reported in 2011.

Key issues raised by stakeholders on our Environmental Performance

Overall performance. Inflight waste. Resource efficiency. Air quality and noise impacts. Responsible sourcing.



Air quality and our emissions from ground operations

The Hong Kong government monitors air quality around the Hong Kong International Airport. Local levels of air emissions from aviation in Hong Kong have remained relatively stable over recent years at 6% of nitrogen oxides (NO_x), 3% of carbon monoxide (CO) and 2% of other air pollutants.

Flight operations affect local air quality, especially during take-off and landing. The technological innovations, air traffic management and infrastructure management discussed in the Climate Change section all help mitigate local air emissions in Hong Kong, together with a number of other initiatives on the ground including improving the energy efficiency of our buildings, vehicle fleet and equipment stock.

Our wholly-owned subsidiary, Hong Kong Airport Services (HAS), has the largest vehicle fleet in the Group, and is the largest ground handling agent in Hong Kong, serving 35 airlines. Leading our vehicle replacement strategy, HAS is steadily replacing its 537 fleet of vehicles and now 23% of its fleet comprises lower emission vehicles that meet higher standards, such as seven Euro 4 vehicles and 117 electric vehicles. HAS will phase out all pre-Euro and Euro 1 cars in 2011, thereby further reducing local air emissions. Its target is

to reduce 12% CO₂ emissions per air traffic movement (ATM) by 2015 based on 2007 emission levels.

With electricity supply support from the Hong Kong Airport Authority, HAS introduced a new dual power lower deck loader in December 2010. Following from last year's report, HAS has successfully conducted two trials on posi-chargers for its electric tractors. More technical information will be collected in the coming year in order to confirm the suitability of these chargers. In November 2010, HAS completed the first trial of the real-time task allocation system, which would improve logistics of movement and help to locate equipment more rapidly. A re-trial will be conducted in early 2011 upon fine-tuning of its system. Ground Support Equipment (GSE) that are aged and have heavy tailpipe emissions will continue to be replaced under the ongoing GSE Replacement Program.

Another of our wholly-owned subsidiary, Cathay Pacific Catering Services (CPCS), is one of the largest flight kitchens in the world, and serves 34 airlines in Hong Kong and other locations. Currently, only ultra-low sulphur diesel is used at CPCS and high loader vehicles are steadily being replaced. At the same time, CPCS is improving the efficiency of its kitchen boilers and constantly monitoring boiler emissions. In 2010, diesel consumption was reduced by 96,000 litres with the installation of hydroflow technology in the steam boiler system. The replacement of coldroom evaporator coils in 2009 and 2010 has also helped reduce the consumption of refrigerants from 4,680 lbs in 2008 to 2,952 lbs in 2010.

Vogue Laundry Service, a wholly-owned subsidiary of Cathay Pacific, is Asia's largest single-site laundry, employing over 600 staff and serving over 20 airlines, 23 hotels and with a daily output of 261,000 items, equivalent to 74 tonnes of laundry. It is the first laundry in Hong Kong to be accredited to the ISO 14001 environmental management standard and the OHSAS 18001 occupational health and safety standard.

Vogue has continued to reduce emissions through active carbon absorption in the dry cleaning machines and from

perchloroethylene, a volatile organic compound (VOC) consumed during the dry cleaning process. Consumption of this solvent was 6.4% less in 2010 than in 2009. In 2010, a variable speed compressor was introduced, and the compressed air distribution system was upgraded, achieving direct total electricity savings of 3% to 5%. This system consists of an automatic switch control, which provides improved compressor room ventilation, air distribution and configuration. In order to achieve a further 5% saving in boiler fuel use, Vogue will be installing a new flash steam recovery system to recover waste steam for use by the boiler to generate hot water.

Vogue currently runs 32 vehicles, 40% of which are Euro 3 or above (11 Euro 3 and two Euro 4 respectively).

Noise management

We endorse ICAO's Balanced Approach to controlling noise around airports by: (1) reducing noise at source; (2) regulating land-use around airports; (3) adapting operational procedures; and (4) implementing operating restrictions. We have been working with the Hong Kong CAD for several years on noise mitigation.

Our new Airbus A350-900s are designed to reduce aircraft noise. The 32 new aircraft, expected to be delivered from 2015 onwards, can achieve 14dB less noise than the ICAO Chapter 4 noise limitations. These aircraft can also utilise automatic Noise Abatement Departure Procedures (NADP) which optimise flight paths to reduce noise over densely populated areas.

In 2010, fines relating to noise infringements at London Heathrow airport increased compared to 2009 due to operational factors, including continued congestion problems which often delayed our latest departure into the most noise restrictive night period. We did not receive any fines from JFK airport, New York, for the second year running, although we received noise notifications from Frankfurt and Brussels airports.

We are continuously working to improve our performance through better planning and by deploying the most suitable aircraft to certain routes at certain times where possible. For example, in the fourth quarter of 2010, we made arrangements to increase the use of quieter Boeing 777-300ER aircraft instead of the Boeing 747-400s on more of the Hong Kong to London flights to alleviate noise impacts around London Heathrow airport during landing and take-off. As a consequence, noise levels have improved on this route and comparatively fewer fines were received during this period compared to the third quarter.

Resource use

We continue to explore areas in our operations where we can improve on our resource use. As a result of all departments working together, we are now using mixed source Forestry Stewardship Council (FSC)-certified paper for most of our printing paper, all copying paper at Cathay Pacific City and Dragonair House, paper marketing collaterals, meal tray cards, new calendars and diaries.



In our offices

Since November 2010, we have also started using FSC paper for inflight sales marketing leaflets distributed at our inflight sales office, Cathay Pacific and Dragonair in-town check-in counters at the Hong Kong and Kowloon stations, airport

counters and 14 of our outposts. We aim to extend this to leaflets distributed at the Hong Kong Office and broaden its use to other tactical inflight sales leaflets.

Working with the catering operator in our canteen at Cathay Pacific City, we have started using recyclable food containers and introducing incentives to encourage users to bring their own containers when purchasing takeaway food.

At Vogue Laundry, 75% of carrier bags used are made from biodegradable material. It is estimated that remaining stock of the existing colour dyed plastic bags will be used up by April 2011, after which all new carrier plastic bags will be made of biodegradable material. To reduce the impacts of chemical colour dyes, Vogue have also reduced the number of colours on the new biodegradable bags from four colours to one.

In our lounges

This year, Cathay Pacific launched a new premium passenger lounge, The Cabin, at HKIA. A range of environmental performance elements were incorporated into the design and construction of this space. Special features include using recycled glass as a key element of the lounge's signature reception wall. Wall panels throughout the lounge were sourced from sustainable wood, and LED lighting was selected to reduce power consumption. Most of the materials used in the construction of The Cabin were procured from countries in this region, where possible, to minimise their carbon footprint.

In our flight operations

Cathay Pacific is developing a comprehensive, innovative online enabled system, which will take the airline closer to creating a paperless and connected aircraft environment, with joint effort from the Engineering, Corporate Safety, Flight Operations and Inflight Services Departments. Early trials have generated significant interest from the industry. On the freight side, in order to help reach IATA's goal of e-freight worldwide, we are trialling the use of electronic airway bills, led by our

Cargo team. Training and test runs are underway to prepare staff. Both initiatives will contribute to saving paper used for documentation. Further information on these projects will be in the next report following further trials.

Waste management

Minimising hazardous waste

Hazardous chemicals are used in our ongoing operations, such as in fire extinguishing equipment or paints. Staff receive training and updates to ensure we follow defined handling procedures on the use and disposal of these chemicals, equipment and waste. In order to reduce the production of hazardous wastes, we continue to explore the introduction of more sustainable products or processes into our operation. In 2010, we moved to using chromate-free primer throughout Cathay Pacific and Dragonair's Airbus fleet.

Waste management in our subsidiaries

In 2010, a Waste Management Plan was developed and implemented by HAS, with training included in required induction courses to all new staff. The main types of wastes for HAS comprise chemical, office and cafeteria waste. Waste minimisation measures include preventing overstocking of items, streamlining document circulation by using electronic

platforms and eliminating non-essential printing. This programme has won HAS the WasteWise label for the seventh year running.

Vogue laundry uses 2.5 million garment hangers per year. Through a rebate programme, private and corporate customers return and reuse rate for hangers in 2010 was 64.6%, up from 62% in 2009.

CPCS prepares an average of 60,000 meals per day. In the food preparation process, on average approximately 335 kg of food waste was unavoidably created daily in 2010, consisting mainly of the odds and ends of meal ingredients. In an effort to reduce the amount of food waste, CPCS implements tight food portioning control processes. After conducting hygiene and logistics studies, CPCS launched a programme to donate food waste to a local pig farm. Since the programme's inception in 2008, over 830,000 kg of food scraps have been donated to the farm, reducing the overall amount of food waste sent to landfill by up to 1,000 kg per day.

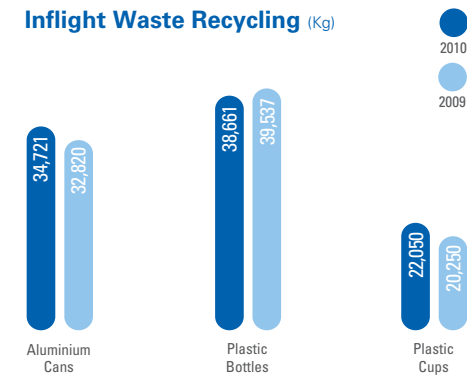
In addition to minimising food wastage, CPCS also collects and recycles its waste cooking oil to produce biodiesel. Approximately 30 litres of cooking oil are collected each day. Since the initiative was introduced in 2008, this practice has reprocessed over 27,000 litres of cooking oil.

Reduce, reuse, recycle inflight

We continue to sort and reuse or recycle newspapers, inflight magazines, plastic and aluminium beverage containers and cutlery. We request that our caterers operate similar recycling systems in their operations where possible.

A recycling system for inflight aluminium cans and water bottles was implemented in 2006, and the airline began recycling plastic cups the following year. In 2010, with the help of our cabin crew, 33,244 kg of aluminium cans, 29,609 kg of plastic bottles and 22,050 kg of plastic cups were recycled on board Cathay Pacific flights. Similarly, 1,477 kg of aluminium cans and 9,052 kg of plastic bottles were recycled on board Dragonair flights.

Inflight Waste Recycling (Kg)



We have been examining ways to reduce leftover food and have developed protocols to load less food on late night flights. Inflight food waste is reduced by a careful process of planning, forecasting and consultation, and by surveying passengers and obtaining feedback from cabin crew to ensure the right types of products are loaded on board. As a result, we have adopted an improved portion packaging of food to prevent the need to throw away certain types of food and reduce the weight carried onboard.

This year, we also streamlined the materials we bring on board to ensure equipment that can be used for similar meal services are utilised on both outbound and inbound flights. By aligning our services in this way, no unused or unnecessary equipment is being carried on board.

Retiring our aircraft

Following the dismantling of the Boeing 747-200 and 747-300 Classics in 2009, this year we retired one Boeing 747-400. When an aircraft retires from our fleet, we work

closely with the Aircraft Fleet Recycling Association (AFRA) to find ways of salvaging, recycling or reusing aircraft parts and materials. A large proportion of the components can be re-certified and reused during maintenance, or sold on to other users. Cathay Pacific is committed to supporting aircraft manufacturers' efforts to improve end-of-life recycling in the next generation of aircraft purchased by the company. In particular, the Boeing 747-8F and Airbus A350-900 have been designed to ensure high rates of material and component recovery at the end of their useful service lives.

Jettisons and fuel spills

The jettisoning of aviation fuel from an aircraft is an extremely rare event. This only takes place when there is a need to reduce aircraft weight mid-flight, so that its weight reaches the level recommended by the aircraft manufacturer to enable it to land safely, for example during an emergency landing. In 2010, 16 instances of fuel jettisons were recorded for Cathay Pacific

flights, leading to 897 tonnes of fuel being released. There were no such cases from Dragonair. In an emergency, fuel can be released from the aircraft's wingtips and, when activated from the cockpit, a fuel dump system can release fuel into the air, if necessary. It is recommended that jettisoning fuel is carried out over the sea, or, if this is not possible, at above 10,000 feet to allow it to evaporate before it reaches the ground.

Fuel spills refer to the accidental spillage of fuel at airport sites. In 2010, there were three major spills reported to regulators, including one case in Hong Kong and two at outports. For safety purposes, a 'major' spill is defined as an incident involving 20 litres or more fuel, or covering an area of more than five square metres. These are cleaned up using a liquid vacuum machine.

Water

We have been running water conservation initiatives for a number of years, including re-designing fuselage coatings to require less cleaning and waxing, setting shorter

on-board bathroom tap flows, using seawater in air-conditioning systems, and reuse of excess water from water-cooled air-conditioning systems.

In 2010, water used for aircraft washing was 107,283 m³, resulting in nearly a 30% reduction from 2009.

Potable water use at Cathay Pacific City and Dragonair House was 16,758 m³ and 16,658 m³ in 2010 respectively. This represents an overall reduction in consumption of 24.9% compared with 2009. Water is provided by the Hong Kong Government Water Supplies Department and came from Guangdong as well as natural rainwater. Wastewater is directed to the HKIA treatment plant prior to discharge.

Vogue Laundry consumed 310,000 m³ of water in 2010, which represents a reduction of 6.6% from 2009 level. This equates to 10.65 litres per kg of linen washed (down 8.7% from 11.67 litres per kg in 2009). This reduction is mainly due to continuous fine tuning of the washing process. The water



reuse system of the newest washers has enabled Vogue to reduce water consumption by 50% since 2003.

Preventing oil and fuel spills reaching drainage systems is a key issue and HAS continues to use fibreglass trays under stationary electric tractors, and conduct extensive maintenance to prevent accidental leakage and regular monitoring of hydraulic hoses and washing during maintenance. CPCS has reduced water use by 0.75% from 2009 to 2010.

Buildings

Our headquarters Cathay Pacific City and Dragonair House cover a total floor area of 193,000 m² and comprise offices, flight training centres and stores. Both premises are certificated to the ISO 14001 international environmental management standard. Cathay Pacific City is equipped with automatic lighting, air-conditioning control systems and motion sensors in conference rooms. In 2010, the total electricity consumption for Cathay Pacific City and

Dragonair House was 34,984mWh and 8,911 mWh respectively. The increase of around 9.8% at Dragonair House compared to 2009 was due to the operation of an additional simulator, increased catering operations, and a general increase in power demand due to business growth. There was an improvement of around 2% in electricity consumption at Cathay Pacific City in 2010 compared to 2009. We will continue to monitor usage and implement measures to improve efficiency and reduce demand.

With the aspiration of increasing the sustainability performance of our ground operations, we commissioned a comprehensive study on all feasible energy features that can be retrofitted into our existing buildings at Cathay Pacific City and Dragonair House, as well as those that can be incorporated into our new cargo terminal. As part of this extensive 'greening project', a series of energy-efficient initiatives will be implemented from 2011.

We conduct annual indoor air quality monitoring and again received a Good Class

level rating in 2010 from the Hong Kong Environmental Protection Department.

Biodiversity and conservation

The conservation of habitats and species diversity continues to be important to Cathay Pacific. We recognise that we have an impact on the destinations to which we fly, and hence we are developing and incorporating biodiversity elements into our Sustainable Development Strategy, in partnership with the NGO, Conservation International.

We are working closely with Cathay Pacific Holidays, our wholly-owned travel agency, to explore ways in which we could provide guidance and raise awareness on sustainable travel and tourism best practice among staff, passengers and operators, and identify opportunities where we can co-operate with the local communities where we operate. We plan to report on progress in 2011.

Discussions with stakeholders revealed that they view responsible food sourcing as an important issue. Cathay Pacific and Dragonair do not serve shark's fin soup either inflight, at

Cathay Pacific City, Dragonair House or at any corporate events or meals which are organised or subsidised by the company. This is already enshrined into company practice as a matter of principle, and we are in the process of formalising this into company policy.

Cathay Pacific's inflight catering team has been working with suppliers to support sustainable seafood and fisheries. From early 2011, Cathay Pacific will be serving Marine Stewardship



Why MSC fish – Healthy oceans produce sustainable seafood stock. As our business continues to expand, we aim to continue to provide a high quality and consistent catering service for our flights. It therefore makes business sense to be part of a secure, traceable supply chain providing certified sustainable seafood. Sustainable fishery management seeks to reverse the decline of fish stocks, safeguard livelihoods and deliver improvements in marine conservation worldwide. This is why we continue to work with our supply chain to make MSC fish more widely available.



Council (MSC) certified fish in Economy class on all flights from our European ports. Whilst this may not be the most economical option in the short term, as the supply chain develops, we believe this is the right way forward and are therefore prepared to support it where possible. We are currently in discussion with meal suppliers with a view to serving certified sustainable fish on our other long haul routes from Australia and North America.

Keeping track of our environmental data

In order to consolidate our experience of environmental data reporting across Cathay Pacific and our 100% subsidiaries, a comprehensive exercise was undertaken in 2010 to review greenhouse gas data collection procedures at these operations and subsidiaries. As a result, we are drafting a manual to provide guidance on collecting and quantifying baseline data, as well as setting achievable and meaningful energy and carbon reduction targets. This aims to

ensure quality and consistency in the approach to reported data across our operations and subsidiaries.

Partnerships with environmental NGOs

World Wildlife Fund (WWF)

One of our long-standing partnerships has been with WWF, initially in the area of waterbird conservation and more recently in support of their climate change and sustainable sourcing initiatives. As a corporate member, we continue to demonstrate our active support for WWF's Earth Hour campaign. We also encourage staff to participate in awareness raising activities on biodiversity and conservation activities organised by WWF.

The Climate Group

In 2010, our staff participated in The Climate Group's Carbon Reduction Campaign, which encouraged low carbon lifestyle habits, not only in the office but also in their homes. 280 employees monitored their personal energy

consumption through various activities and gadgets, using an online calculator. Collectively, Cathay Pacific staff were able to achieve an estimated carbon reduction of 2,892 tonnes. We also work closely with The Climate Group on key initiatives such as the AGD Group and support international events such as the Climate Dialogue, co-hosted by The Climate Group in Hong Kong in November 2010.

The Nature Conservancy

Change for Conservation is Dragonair's major inflight charity fundraising initiative, which supports conservation work in Mainland China run by The Nature Conservancy. As of December 2010, nearly HK\$8 million has been raised since December 2004. Funds collected are being used in watershed protection projects and development of fuel alternatives for local residents in Yunnan Province.

Other activities

Cathay Pacific staff participated in the annual coastal beach cleanup, an Ocean Conservancy initiative managed in Hong Kong by the Green Council. The project

records the types of waste and debris collected. This data is then compiled and analysed in order to identify the major sources of debris and activities that contribute to the problem of beach waste. The resultant information will be used to raise awareness among the public, businesses, industries and the government, with the hope of finding some long-lasting solutions. Despite poor weather this year, a total of 37▲ volunteers participated and collected 36 bags (432 kg) of waste from a beach on Lantau Island.



Environmental Indicators Table

Aircraft Operations	Units	2010*†	2009*†	2008*	2007*	2006	2005	2004	2003	2002	2001	1998
ATK	million	24,461	22,249	24,410	23,077	19,684	17,751	15,794	13,355	12,820	11,827	10,857
RTK	million	19,373	16,775	17,499	16,680	14,452	12,813	11,459	9,371	9,522	8,201	7,213
RPK	million	96,588	89,440	90,975	81,801	72,939	65,110	57,283	42,774	49,041	44,792	40,679
All Flights												
Fuel Consumption	thousand tonnes	4,818	4,397	4,569	4,371	3,596	3,325	3,077	2,590	2,583	2,431	2,343
Fuel Efficiency	grammes/ATK	197▲	198	187	189	183	187	195	194	201	206	216
	improvement since 1998%	8.7%	8.4%	13.3%	12.2%	15.3%	13.2%	9.7%	10.1%	6.6%	4.8%	0.0%
	grammes/RTK	249▲	262	261	262	249	260	269	276	271	296	325
	improvement since 1998%	23.4%	19.3%	19.6%	19.3%	23.4%	20.1%	17.3%	14.9%	16.5%	8.7%	0.0%
Global CO ₂ emissions	thousand tonnes in CO ₂ e ⁽¹⁾	15,175▲	13,852	14,393	13,769	11,327	10,474	9,693	8,159	8,136	7,658	7,380
	grammes/ATK	620	623	590	597	575	590	614	611	635	647	680
	improvement since 1998%	8.7%	8.4%	13.3%	12.2%	15.3%	13.2%	9.7%	10.1%	6.6%	4.8%	0.0%
	grammes/RTK	783	826	823	825	784	817	846	871	854	934	1,023
	improvement since 1998%	23.4%	19.3%	19.6%	19.3%	23.4%	20.1%	17.3%	14.9%	16.5%	8.7%	0.0%
Global NOx emissions	tonnes	72,632	65,358	70,546	55,951	52,542	48,566	45,271	38,537	39,213	36,402	40,294
	grammes/ATK	3	3	3	2	3	3	3	3	3	3	4
	improvement since 1998%	20.0%	20.8%	22.1%	34.7%	28.1%	26.3%	22.8%	22.2%	17.6%	17.1%	0.0%
	grammes/RTK	4	4	4	3	4	4	4	4	4	4	6
	improvement since 1998%	32.9%	30.3%	27.8%	40%	34.9%	32.1%	29.3%	26.4%	26.3%	20.5%	0.0%
Global CO emissions	tonnes	12,204	11,422	13,436	13,077	10,959	10,190	10,056	8,873	8,268	8,062	13,982
Global HC emissions	tonnes	1,297	1,344	2,107	2,271	2,233	2,171	2,228	2,112	1,885	2,090	5,736
Passenger Flights Only												
Fuel Consumption	thousand tonnes	3,650	3,476	3,627	3,217	2,825	2,646	2,404	1,953	2,074	2,050	2,007
	share of total fuel consumption%	75.8%	79.0%	79.4%	73.6%	78.6%	79.6%	78.1%	75.4%	80.3%	84.3%	85.7%
Fuel Efficiency	grammes/RTK	38	39	40	39	39	41	42	46	42	46	49
	Improvement since 1998%	23.4%	21.2%	19.2%	20.3%	21.5%	17.6%	14.9%	7.5%	14.3%	7.2%	0.0%

(*) incorporates KA (†) Fuel consumption includes testing, training, and wet-lease flights (1) GWP of CO₂ is 1; assumes that all other GHG gases are negligible as these impacts still uncertain. (2) For 1999 – 2000 statistics, please refer to our online report. 1 tonne of fuel = 3.15 tonne of CO₂

Indicators	Units	2010	2009	Indicators	Units	2010	2009	Indicators	Units	2010	2009
Hong Kong and 100% owned Hong Kong-based subsidiaries				Printer Cartridges				Outports			
Power/Fuel				Printer cartridges purchased	no.	3,800	4,874	Power/Fuel ⁽³⁾			
Electricity Consumption	mWh	93,232	92,861 ⁽⁵⁾	Printer cartridges refilled	no.	976	621	Electricity Consumption	mWh	1,211	n/r
Ground based activities fuel consumption	litre			Printer cartridges recycled	pcs	2,393	2,786	Ground based activities fuel consumption			
Mobile Combustion – Diesel	4,541,652	3,692,233 ⁽⁵⁾		Refrigerants containing HFCs ⁽²⁾	kg	n/r	n/r	Mobile Combustion - Diesel	litre	10,550	n/r
Mobile Combustion – Unleaded Petrol	262,698	249,589 ⁽⁵⁾		Recycled/Reused Materials				Mobile Combustion - Unleaded Petrol	litre	32,899	n/r
Stationary Combustion – Diesel	7,993,278	7,587,873 ⁽⁵⁾		Aluminium cans recycled	kg	37,671	31,570	Stationary Combustion - Diesel	therms	189	n/r
Purchased Towngas	unit	128,769	119,870	Plastic recycled	kg	40,463	33,347	Paper & Cardboard ⁽⁴⁾			
Fuel dumped due to operational reqs	tonnes	897	507	Metal waste recycled	kg	3,802	613	Paper consumed in offices	tonnes	15	n/r
% of fuel dumped	%	0.02	0.01	Waste lubrication oil recycled	litre	3,690	11,024	Printer Cartridges ⁽⁴⁾			
Water				Hangers used*	no.	2,536,173	2,323,476	Printer cartridges purchased	no.	381	n/r
Seawater consumption	m ³	7,546,540	8,057,000	% of hangers reused*	%	64.6	62.0	Potable water consumption	m ³	18	n/r
Potable water consumption	m ³	724,933	823,928	Disposed Materials				This year, due to change in the scope of reporting, the 2010 data is not directly comparable to those of previous years.			
Maintenance water consumption	m ³	107,283	152,675	Office waste disposed of	tonnes	2,284	2,079	*Covers Vogue Laundry only			
Paper & Cardboard				Food waste disposed of	tonnes	366	193	(1) CPCS receives significant amount of cardboard from its procurement that are recycled.			
Paper consumed in offices	tonnes	1,975	1,579					(2) We are unable to provide an auditable number this year. We will report on this in the medium term.			
Paper & cardboard recycled ⁽¹⁾	tonnes	1,679	2,025					(3) Covers our offices in Auckland, Manila, San Francisco, and Taipei.			
								(4) Covers our offices in Frankfurt, Karachi, Kuala Lumpur, Paris, and Sydney.			
								(5) Due to a calculation error, we have restated these figures.			

Safety

We Put Safety First

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We Put Safety First

At the core of our organisational culture is a 'safety comes 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 the adoption and implementation of similar safety policies and procedures.

Key issues raised by stakeholders on Safety

Aircraft safety for passengers and staff. Staff health and safety. Emergency response. Health pandemic response.

Operational safety

We use a risk-based approach to safety – managing safety is about managing operational risks. Our Safety Management System (SMS) has been accepted by the Hong Kong Civil Aviation Department (HKCAD). Hong Kong is still one of the few places in the world that have mandated an airline SMS, placing Hong Kong and Cathay Pacific at the forefront of safety management. Our SMS defines how we manage safety as an integral part of our overall business. We have developed SMS training and information for all of our staff, to ensure that all employees understand how to manage safety and operational risk. This SMS eLearning module will be released in 2011.

We have a comprehensive list of safety performance objectives, indicators and targets that combines measures of safety, security, occupational health and safety, quality and contingency planning. These safety performance metrics are documented and reviewed on a monthly basis. Many of our safety metrics are benchmarked against industry performance.

The Airline Safety Review Committee (ASRC) has been meeting monthly for over 42 years to guide the management of safety in Cathay Pacific and is supported by Safety Action Groups representing air, engineering, cabin and ground safety, which also meet monthly. The ASRC, which is chaired by the Head of Corporate Safety, met for the 500th time in August 2010. The Committee is under direct governance of the Board Safety Review Committee which meets twice yearly and is made up of directors and general managers from all operational departments, heads of the Quality, Medical and Security departments, and safety managers from Cathay Pacific, as well as senior management from HAECO and HAS. The ASRC Chairman reports to the Chief Executive after each meeting.

We capture in-flight 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.

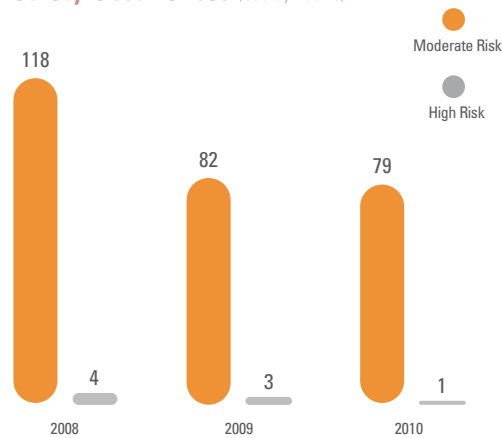
We continue to emphasise Threat and Error Management (TEM) training for pilots, cabin crew and engineers, helping them to manage operational risk more effectively.

In 2010, Cathay Pacific successfully completed its 4th IOSA (IATA Operational Safety Audit). We are proud of our achievement to have had only two minor findings in the audit. In addition, we audit the 75 ports that we operate into on a regular basis. We have also been instrumental in the implementation of ISAGO (IATA Safety Audit for Ground Operations). ISAGO is an audit program for ground handling companies that serve airlines. The audits are conducted in a globally standardised and consistent manner, with the aim of improving operational safety in the airport ground environment and to reduce damage to aircraft and equipment.

Part of our social responsibility involves assisting other airlines and the industry as a whole in improving safety. To help guide the management of global aviation safety, Cathay Pacific hosted the IATA Incident Review Meeting (IRM), which is a large gathering of safety professionals from airlines around the world to discuss incidents and accidents with a view to sharing information in line with our learning culture. In addition, we also hosted the IATA Safety Group – which is currently chaired by our Head of Corporate Safety.

One of our safety goals is zero 'high risk' incidents. There was one 'high risk' safety incident in 2010 compared to three in 2009. There was also a slight reduction in 'moderate risk' safety incidents from 82 in 2009 to 79 in 2010.

Safety Occurrences (Cathay Pacific)



Safety Occurrences include all incidents and accidents occurring in 2010. Risk levels are determined by the Cathay Pacific risk management matrix. High risks are significant risks that require immediate attention. Moderate risks are significant risks that require appropriate mitigation and monitoring.

Fatigue Risk Management System (FRMS)

Long haul operations and flying across multiple time zones can be fatiguing for crew. Managing fatigue risk is an important part of our Safety Management System (SMS). Fatigue risk is managed by our Fatigue Risk Management System (FRMS), which was one of the major safety-related projects launched in 2010. The FRMS forms an integral part of the SMS, and helps Cathay Pacific and its pilots better manage any fatigue-related risks through education and training of crew and staff and the more effective management of pilot rostering. Our FRMS is a proactive, evidence-based, data-driven system used to continuously monitor and control fatigue risk to a level that is 'As Low As Reasonably Practical (ALARP)'. In line with our policy for continual improvement, we have developed and introduced the FRMS ahead of the industry mandate that will be issued by the regulatory authorities sometime in the future. At the end of 2010, we carried out a fatigue survey over a two-month period with all pilots from all sectors, and which attracted an 83% response rate. This information is being analysed by an industry expert and we will report on these findings in the next report.



FRMS Policy

This Policy is undersigned by the Chief Executive, and states that:

Cathay Pacific will measure, mitigate and manage the risks associated with fatigue. The FRMS will provide a mechanism by which appropriate measures, supporting procedures and training ensure that employees are not subjected to unacceptable levels of work related fatigue. Employees have an obligation to minimize fatigue so that they are fit for duty, and shall not perform any duty if they consider their fatigue level to be unacceptable. Employees who report excessive fatigue will be handled in accordance with the Cathay Pacific just reporting culture.



Achievements against Cathay Pacific safety performance targets (2010):

	Target	Actual
Accidents	0	2
High risk or severe incidents	0	1
Regulatory report rates	Below 4/1000 flights	4.4/1000 flights
IATA Operational Safety Audit (IOSA)	100%	✓
Lost time injury frequency rates (LTIFR)	5% per year	X
Line Operational Safety Audit (LOSA)	At least once every 4 years	✓
Departmental and Corporate risk register	Produce on an annual basis	✓
Simulate a plane accident	Each port once every 24 months	✓

Relates to Cathay Pacific airline operation, whilst subsidiaries have their own targets

Passenger safety

In 2010, Cathay Pacific flew over 26.8 million passengers. There were zero passenger fatalities and zero serious injuries to any passenger.

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 conduct our own risk assessments of new cabin products, where we may have even more stringent requirements than those of government regulators. We also perform regular maintenance to ensure continuous airworthiness as part of the industry regulations.

All Cathay Pacific flight crew are able to call upon around-the-clock medical assistance through the use of the Medlink system. This system ensures that, regardless of where an aircraft may be flying, there is always a medical specialist that can be contacted in flight to assist with the diagnosis and treatment of any passenger or crew illness. All crew are trained in cardio-pulmonary resuscitation (CPR), and we also carry automated external defibrillators (AEDs) on all our aircraft, which all crew are trained to use.

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, minimizing the use of trans-fats, and follow our policy on monosodium glutamate (MSG). Our policies on food safety and hygiene are based on recognised standards, such as the International Flight Catering Association and International Flight Safety Association World Food Safety Guidelines. Our caterers must comply with our strict food safety requirements. In 2010, we introduced revised peanut allergy policy and procedures to better protect those passengers with such allergies.

Staff safety

There were zero staff fatalities in 2010, and zero serious work-related injuries.

The year 2010 saw a continued emphasis on improving Occupational Health & Safety (OHS) issues, particularly for cabin crew. All new joining crew now complete a module related to OHS as part of their induction training, and a half-day training session on manual handling skills is now an annual event for cabin crew.

OHS performance indicators examining both the rate and severity of injuries are tracked on a monthly basis. Despite all the work being done to improve OHS and reduce crew and staff injury, several indicators of cabin crew injury showed an increase in 2010, with the majority relating to galley services and equipment as well as handling passenger cabin baggage. Despite having successfully reduced rates in the short and long-term injuries among cabin crew, there was an increase of approximately 30% in the Lost Time Injury Frequency Rates (LTIFR) in medium-term injuries amongst cabin crew. In trying to reduce this problem, we are working closely with our work injury rehabilitation provider to better understand the reasons for this increase. A great deal of attention has been focused on reinforcing safe working practices and the risk assessment and re-design of galley supplies, equipment and service protocols to minimise crew injuries. This includes a new working group to better manage cabin baggage and reduce related cabin crew injuries. Since cabin baggage is a key contributor to cabin crew injuries, we have also taken steps to minimise the amount of excess cabin baggage being brought into the aircraft cabin. We are educating our customers on the problems of excess cabin baggage. However, amongst ground staff, we were able to achieve the targeted reduction of 5% in LTIFR.



Alcohol & Other Drugs Policy

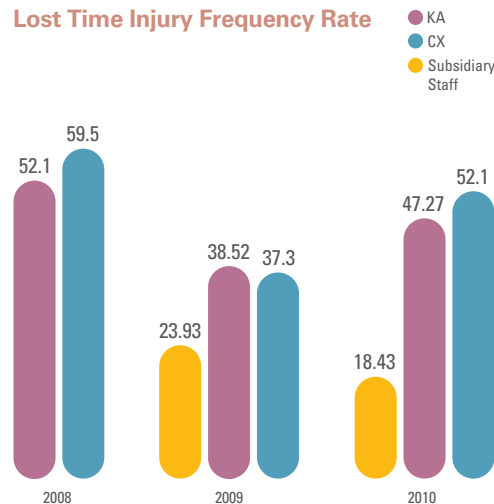
We are fully committed to providing a safe, secure and healthy workplace for our staff. Every staff member has a responsibility to ensure that they are fit when reporting for duty and that they can perform their duties safely. They are required to not be under the effects of alcohol or drugs to such an extent as to impair their capacity to fulfil their inherent job requirements. The goal of our Alcohol and Other Drugs Policy and Programme is to promote a culture which opposes misuse of alcohol and other drugs whilst at work. The programme is composed of the following key elements – communication, education, training and support to managers, and testing and rehabilitation. We want to encourage staff to seek help as soon as possible before their drug or alcohol use impacts the workplace or their health.

Public health

We employ a number of precautionary measures to safeguard the health of our passengers and frontline staff against infectious diseases. Our frontline staff and cabin crew 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 and personal protective equipment.

Lost Time Injury Frequency Rate



Events classified as accidents

Two events were classified as accidents in 2010.

The first related to Flight CX780 from Surabaya on 13 April 2010 which had to make an emergency landing at Hong Kong International airport after experiencing engine problems. There were no fatalities or serious injuries as passengers and crew were evacuated quickly and efficiently.

Our Crisis Management Centre was activated and 50 members of our CARE Team, including Indonesian speakers were mobilised to accompany injured passengers to the hospital and assist others with their baggage and connecting flights. The CX780 crew were brought back for a debrief and were offered support by the airline's psychologist and medical team.

The HK CAD investigation is ongoing, and despite not being finalised, Cathay Pacific has taken several safety actions:

- Conducted an extensive audit of the Surabaya fuel facilities;
- Enhanced requirements for monitoring of aircraft refuelling at all airports to/from which we fly;
- Review the contracting and audit procedures regarding the quality of fuel and re-fuelling services to be provided at all of the airports at which we refuel;
- Joined the IATA fuel facility audit programme;
- Widespread dissemination of the incident details within the industry to ensure that other airlines can take the same safety actions; and
- Numerous strategies initiated to ensure that the industry learns from this incident.

The second accident related to a landing gear component on a B747-400 that had fractured and was found by engineers on the ground at London Heathrow airport after the crew had left the aircraft. Adjustments were made to manufacturers inspection criteria.

People

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Focus on Customers

We are committed to providing outstanding and sustainable products and services to our customers. We aim to do this by engaging them on sustainability issues, exploring low impact alternatives and adhering to recognised sustainability standards.

Responding to our customers' needs is at the heart of what we do. In 2010, we served 26.8 million passengers located in Hong Kong and over 70 other outports.

Key issues raised by stakeholders on our Customers

Customer service and comfort. Investing in people. Punctuality of flights. Crisis handling and the ability to contact Cathay Pacific/Dragonair/Marco Polo/CX Holidays directly and quickly.

Customer satisfaction

Our service philosophy – **Service Straight From The Heart** – has been part of the Cathay Pacific culture for more than a decade. This unique service concept describes our aspiration to deliver an efficient, professional, friendly and caring service that comes with a personal touch.

We aim to respond to the needs of our customers, going the extra mile and providing them with the highest quality service.

Listening and responding to our customers

Customer feedback is important and valuable to us. We sample our Cathay Pacific and Dragonair flights daily across all classes through our Reflex Passenger Survey, asking passengers about their travel experience with us, collecting around 30,000 responses per month. The survey is updated annually to align with any product and service changes.

Praise and complaint mechanisms such as comment cards, direct conversations with staff, online feedback forms and independent blogs and social media channels are scrutinised regularly. In 2010, we refined the online system launched in 2009 to channel feedback via our websites into the company. We are also continuing our efforts in enhancing timely responses to customer feedback.



Service – going the extra mile

Sixteen staff from both Cathay Pacific and Dragonair were recognised at the annual Betsy Awards ceremony in June 2010. The award recognises extraordinary acts of service to passengers. These staff went the extra mile to help children, the sick or the elderly at the airport or in the air. The overall winner was Senior Purser Sonal Sud who acted as a translator for an elderly couple who needed medical assistance – accompanying them to the hospital and regularly checking on them even when she got home while keeping in touch with the passengers' children on the other side of the world. "I've always wanted all my passengers to feel like I've done everything for them after their flight", said Sonal. All Betsy Award winners receive a medal, a tour of an aircraft manufacturing facility, and a special trip to a Cathay Pacific sponsored community or environmental project.



39 Countries and territories

All feedback is analysed and details are forwarded to the relevant departments within the company, which could range from catering, cabin crew, flight crew, engineering, products to airport services, for appropriate action or follow-up.

Providing a diverse and responsible service

Our services are designed to take into consideration the diverse cultures and demographics of our passengers.

- We currently serve 20 types of special meals to cater for medical, religious or dietary requirements, including for babies and young children.
- We are committed to protecting the data privacy of our customers – we have undertaken appropriate physical, electronic and managerial measures to safeguard and secure the data we collect.
- We offer discounted tickets to Hong Kong senior citizen residents in November of every year.
- Our staff are trained to offer wheelchair assistance and other special assistance to passengers.
- We published articles in the inflight Discovery Magazine about our environmental and social initiatives, and will continue to develop new ways to increase customer awareness.

141 Destinations

Getting it right when things go wrong

Our emergency response system supports and manages service disruptions or major incidents that occur during operations. A number of highlights and enhancements to this system in 2010 include:

- A new CARETeam was formed, comprising over 700 staff volunteers from all over the world, taking advantage of the many languages and cultures in our system. Their role is to offer humanitarian support to our passengers and their families during and after a crisis. Before being certified, each team member receives two days of intensive training, which is led by the company staff psychologist and emergency response specialists. A few of the members were dispatched to help stranded students during the UK snowstorms in December.
- Several "Mutual Assistance Agreements" with other air carriers were renewed. By way of these agreements, Cathay Pacific will have support from more than 15 air carriers in case of an accident overseas.



Engineering a defect-free experience

This year we set ourselves the goal of ensuring that no aircraft leaves Hong Kong with a faulty seat, a toilet malfunction, a faulty inflight entertainment system or any other problems that will spoil a passenger's enjoyment of the flight – so called "Z-ADDs" or Zero Acceptable Deferred Defects.

The project has set in motion the continuous pursuit of cabin reliability, serviceability and cleanliness – all with the aim of ensuring passengers enjoy a comfortable and relaxing journey.

Though driven by our Engineering Department, the defect-free project involves a number of other departments working together to make it happen. Overall, we improved our maintenance performance by 53%.

"Our customers expect nothing less than a defect-free flight and it is also important in assisting our cabin crew in delivering great service."

Chris Gibbs
Director Engineering



- The Group participated in a crash simulation exercise at HKIA. In 2010, Dragonair was the host carrier and the emergency response system was tested using a mix of Group staff.
- All ports in the Group underwent training or exercises in emergency response and irregular operations systems in the past 18 months.
- Service Disruption Support Team – supplementing operational staff, this team is called upon to perform check-in, reservations and information services during disruptions
- Individual Port Irregularity Operations Plans (IROPS) – helping to manage flight disruption responses from outports
- Customer and Commercial Control Team – created and launched in 2010 to provide a coordinated commercial response during disruption, as well as provide support to outports and manage the customer experience elements of the disruption
- Irregular Operations Plans – ensuring our customers are informed of flight irregularities through a variety of channels, such as email, text messaging and social media

Service disruption

We aim to handle disruptions in an effective and timely manner. We have developed and implemented the following plans and teams to ensure that our customers experience a consistent level of service during flight disruptions regardless of where they are in our network:



Rising to an extraordinary challenge

Cathay Pacific was affected by disruptions brought about by Iceland's Eyjafjallajökull volcanic eruption which began on 15 April and continued for six days. The airline cancelled a total of 79 flights affecting around 20,000 passengers. Even when flights resumed, it took a significant effort from teams around the network to clear the backlog and get stranded passengers to their destinations.

The Hong Kong response involved action from a wide range of operational and commercial teams. The disruption team met daily in the Integrated Operations Centre (IOC) to get flights back on track.

The Cathay Pacific Emergency Passenger Information Centre (CEPIC) was activated and volunteers helped answer calls as well as providing assistance to frontline teams at the airport.

At one point, we accommodated nearly 2,000 people in hotels. When European airspace reopened, Cathay Pacific operated 10 extra flights using larger aircraft that provided an additional 6,500 seats.

Chief Executive at the time, Tony Tyler acknowledged the effort of all the teams involved, "You did a brilliant job in a very difficult situation. The sheer length and scale of the disruption made it different from anything we'd dealt with before."



Emergencies and accidents

In addition to the disruption systems and teams on stand-by, we have a Crisis Management Centre that handles any emergency or accident involving our aircraft anywhere around the world. If required, an Emergency Plan is immediately activated and a Crisis Management Team assembled. The Cathay Emergency Passenger Information Centre (CEPIC) acts as an emergency, 24-hour, toll-free call centre linked to all outposts, disseminating information to all parties as required. The Cathay Pacific CARE Team provides immediate assistance to passengers and families. This assistance can include making appropriate arrangements for travel, accommodation, financial and referral services.

To ensure that we are prepared for these scenarios, an emergency simulation exercise is held every year.

“[On the London snow storm] A giant thanks to the team at Cathay Pacific, who looked after everyone who arrived at the hotel, even if they were not flying with CX. I was particularly impressed by the way that staff patiently listened to and handled every question and issue with such courtesy, sensitivity and professionalism.”

Mr. Dean Annison
Company Director General of Tiger Lowestoft



Staff rally to tackle storm

Hundreds of passengers, including many students, were left stranded at London Heathrow due to snow right before Christmas. Fifteen Cathay Pacific flights between London and Hong Kong were either diverted or cancelled over a three-day period. We booked a hotel conference room for our passengers – mainly young people - to rest in, with medical care, food and drinks provided. Some of our staff stayed with the passengers overnight to ensure they were well looked after. Volunteers from our corporate CARE team were also sent from Hong Kong to assist in passenger handling. All passengers got out before Christmas once the weather cleared up.

In New York, heavy snowfall grounded five Cathay Pacific aircraft for between four and 11 hours as gates were unavailable at the airport for passengers to disembark. Some 1,100 passengers were affected by the delays. Director Service Delivery at the time, Ivan Chu, commented that, given the scale of such disruption there was much that Cathay Pacific could learn and improve upon in handling such situations more effectively. “We will look into what we have done right and what we could do better, particularly in the area of customer communication, customer care and resources, so that as a team we can learn and build capability to do better next time.” All passengers involved in the New York delays were provided with compensation.



Purchasing and Supply Chain

As one of the five strategic areas of our Sustainable Development Strategy, we aspire to drive improvement within our supply chain in terms of overall sustainability performance through developing partnerships with our suppliers. We give strong preference to those who integrate social and environmental policies into their business processes.

Key issues raised by stakeholders on our Supply Chain

Support for and promotion of sustainable sourcing. Understand the carbon footprint of our supply chain. Transparency of the supply chain. Engaging suppliers and influencing passengers by selecting and offering responsibly sourced options. Report on monitoring and compliance results.

Our aim is to address the sustainability of our supply chain through the ongoing implementation of our Supplier Code of Conduct and with continued engagement and collaboration with our suppliers. Internally, the Code was made available to general staff on the intranet, and was presented to outpost General Managers. Supply chain risks were also discussed.

We are working to establish sustainable sourcing practices across all our operations. The process began by understanding resource utilisation at different business units. Part of this work included identifying items commonly procured and assessing areas where a reduction in our sustainability impact could be achieved. As examples of the successful application of this approach, during 2010, we progressively switched to sustainably sourced paper, including marketing collaterals, and agreement has been reached with our suppliers to offer sustainably sourced fish on flights departing from Europe to Hong Kong starting from early 2011. Some of our stakeholders acknowledge that we have made a good start in this area while others expect us to keep improving by communicating achievements and results.

When evaluating the current and future needs of our business and proposals from suppliers, we use a tried and tested evaluation tool as part of our purchasing decision process. This approach employs the criteria of Cost, Innovation, Satisfaction, Quality, Assurance of Supply and Safety, which are ranked on a case-by-case basis according to the needs of the business and the importance of each criteria in each specific case. We measure sustainability when we consider the "Safety" criteria, as safety in its broadest sense includes risk – and in the case of sourcing, the risk is of "un-sustainability".

Sustainable sourcing

We are aware of the importance of accounting for the wider impacts of our supply chain that are not limited to environmental and social issues. We realise that change in our existing practice and processes may take time. Consequently, as part of our commitment to offer more sustainable products and services, our process allows us to request potential suppliers to provide information on alternative products with sustainable attributes for our future needs.

We published our first bi-annual Supply Chain Sustainability Newsletter in December 2010. It aims to help both staff and suppliers understand the importance of sustainable purchasing and responsible supply chain practices, and encourage suppliers to share with us how they are responding to their own sustainability impact challenges. The Newsletter provides suppliers with information on what matters to us, and in return we invite them to share what matters to them.



As one of the recipients of the 2010 Green Supply Chain Awards from the Supply & Demand Chain Executive, our efforts to put sustainability at the core of our supply chain management and our progress towards measurable sustainability sourcing goals in the supply chain were acknowledged.

Applying the Supplier Code of Conduct

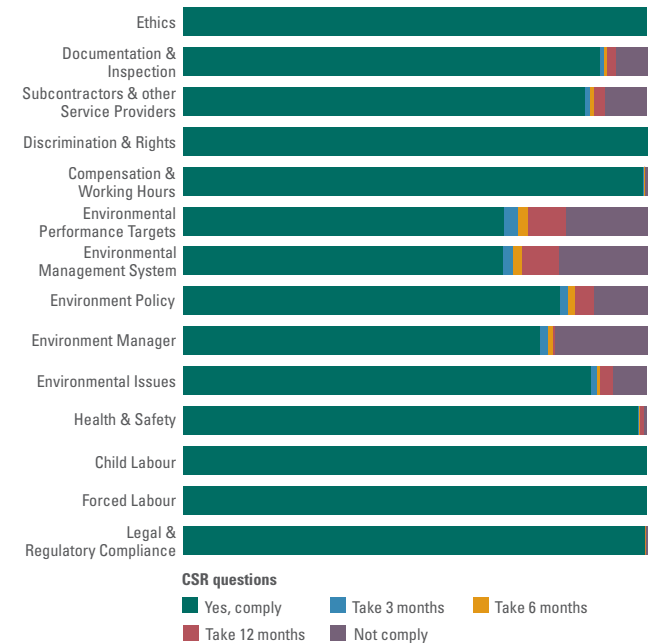
Since 2007, we have been asking our suppliers, managed through our centralised purchasing departments in Hong Kong, to confirm their degree of compliance with the 10 key objectives in our Supplier Code of Conduct. In 2010, we expanded the coverage of the Code to include suppliers managed at our outports. The Code is part of our supply tenders and contracts, and all suppliers, new and existing, are required to comply with the standards described in the Code. Since its development, other Swire companies have also adopted the Cathay Pacific Code in principle. We continue to work closely with the Swire Supply Chain Sustainability Working Group on developing and providing guidance.

We endeavour to create an effective dialogue with suppliers and be responsive to their concerns, rather than be purely prescriptive. From the results of the 2009 questionnaire, we recognised that not all of our current suppliers were in full compliance with our Supplier Code of Conduct, but through working in partnership with them, we aimed to help and encourage those suppliers committed to improvements by, for example, phasing in the application of the Code. Through this process, we remain aware of the potential impacts on our business reputation resulting from supplier non-compliance with our standards.

The second questionnaire was sent out in December 2010 to our direct suppliers totalling 1,478. The response rate from these suppliers improved from 89.5% to 90.8% compared to 2009. This marked the first time that outport-based suppliers were invited to respond and we acknowledged that they would need more time to assess and respond to the questions.

We will be engaging with our outport suppliers more in future.

Supplier Code of Conduct Compliance Levels



Following the 2010 survey and results, we will continue to work with our suppliers toward full compliance with our Code of Conduct. We are currently developing a robust system of compliance checking which we believe will be of benefit to the entire Cathay Pacific supply chain. We acknowledge the importance of ongoing dialogue with our suppliers especially where there is the possibility of a high risk to our business in terms of reputation, availability, or negative sustainability impacts.

Growing a Winning Team

The work culture of Cathay Pacific is team-based, and this dynamic team is one of our greatest strengths. We strongly believe in investing in our staff, developing their talents and building their careers, helping them grow in capability and responsibility throughout their time with us.

We are committed to giving everyone the chance to realise their dreams and achieve their full potential, because we know that the investment we make in our people is the best investment we will ever make.

Key issues raised by stakeholders on our Staff

Treatment and welfare of staff. Working conditions. Working hours. Professional development. Work-life balance and flexibility. Communication channels.

Employee relations and engagement

Engaging with our staff is important to our business success. There are a number of engagement channels with different staff groups at different levels, including Hong Kong and outport ground staff and managers, airport staff, cabin crew, flight crew and specific departmental staff such as cargo, information technology and engineering.

In addition to our intranet sites, 'IntraCX' and 'Dragonet', which can be accessed by all respective staff groups, other communication tools include regular newsletters, briefings, notices, unions/ associations, consultative committees, forums and other media such as magazines, videos and online social media, covering a wide range of topics. These channels are important in providing updates and collecting staff feedback on the issues that affect them.

In 2010, our Anti-harassment, Corporate Code of Conduct and Compensation Policies were revised in a consultative process with employees.

Organisational Alignment Survey

A staff survey is conducted approximately every 18 months, with the last one held in 2009, and looks at:

- The clarity and effectiveness of our vision, missions and strategies;
- How well our structures, systems and processes support the vision, missions and strategies; and
- To what extent is there a mutual sense of commitment between the company and its people.

Over 120 questions were included and the results in 2009 were encouraging. It showed we have improved on every dimension, particularly around the following areas of people management and sustainability awareness:

- effective plans for developing and retaining our staff;
- effective processes in dealing with workplace concerns;
- commitment to maximising the potential of each person;
- commitment to being environmentally responsible; and
- contributing positively to the wider community.

The results from this survey provide us with a snapshot of what is working well, and where the issues, opportunities and challenges lie. It helps us build an ongoing agenda for change and improvement.



Our diverse workforce

For Cathay Pacific alone, excluding our subsidiary companies, our staff population has increased from 1,577 in 1968 to the current team of 19,141 across the world, of which around 9,700 are cabin crew recruited from 14 territories

and who come from different generations and nationalities. We have around 3,000 pilots from 42 nationalities, predominantly from Hong Kong, the United Kingdom, Australia, New Zealand and Canada.

“The CoachingOurselves topics are very useful because they provide us with an independent subject that we can discuss as a management team to develop our views. This allows us to actually learn something we can apply.”

Robert Taylor
Manager Inventory Operations, Engineering Department



People and Service

Staff based in Hong Kong and most of our major outposts were given the opportunity to create their own Cathay Pacific print advertisement using the 'People & Service' campaign, giving them a chance to appear in their own advertisement and highlight what 'Service Straight from the Heart' means to them. The campaign proved immensely popular, and a total of 5,500 staff took part.

"Our brand positioning – what makes Cathay Pacific unique, essentially our people and their ability to deliver recognition to the customer – and its creative expression, have resonated internally across Cathay Pacific." James Ginns, General Manager Marketing & Product.

Our Meet the Team website describes people who deliver Service Straight from the Heart and now holds around 100 staff profiles, which is updated regularly (<http://www.cathaypacific.aero/people>).

Staff baseline Sustainability Survey

We commenced a survey in 2009 amongst our staff in Hong Kong and three other regions worldwide (Asia-Pacific, Europe and North America), which was concluded in the first half of 2010. The aim was to improve our understanding of staff awareness on sustainability issues, Cathay Pacific's efforts and staff's perception of their role in supporting the airline in addressing these issues.

A total of 514 of the targeted 17,900 staff responded to the survey (2.9%). In addition to enhancing staff engagement on sustainability in general, the results showed specifically that:

- staff have differing levels of awareness on sustainability issues;
- staff generally have a strong willingness to commit to issues such as climate change and community development;
- most staff see themselves taking a primary role on saving resources and managing waste;
- some showed willingness to commit to passenger education;
- most staff do not consider that they are able to play a significant role; and

- there is an overall relatively low awareness on the concept of stakeholder engagement and what it entails.

In light of these findings, we are planning to enhance staff awareness and participation by providing training opportunities and to encourage them to take a more active role in these issues.



Group Initiated Learning

CoachingOurselves was introduced to Cathay Pacific in 2009 as a way to help make development more "real" and relevant to individuals.

With CoachingOurselves, teams manage their own development unconstrained by trainers or formal coaches. Teams choose

from a wide range of management topics written by academics and top business thinkers and come together in the workplace to share experiences on the topic as it relates to their real-time management challenges.

The sharing style of CoachingOurselves, coupled with reading material that directs a

conversation, seeks to make the exercise meaningful to both the individuals and the organisation.

Managing a diverse, mobile workforce

Managing labour arrangements to the satisfaction of all is a significant challenge for a business with a highly diverse and international workforce with different personal circumstances and backgrounds.

We engage in a multitude of labour union relationships in Hong Kong and across all of our outports, many of which have mandatory union recognition legislation, such as in Canada and Australia. One of the key challenges is managing pilots and cabin crew whose contractual terms and conditions vary. We are committed to engaging with our staff and resolving issues in the most appropriate manner. Industrial relations have been challenging, nevertheless, all parties have been making ongoing efforts to strengthen consultation and communication.

Learning and development

We promote a culture of continuous learning, expecting our staff to continually and proactively equip themselves with skills to enhance their career development via the support of online learning and training centres, often with mentors and external professionals on both personal and work-related issues. Where these skills are essential for their work, such as health and safety, languages, cultural awareness, customer

service skills and new regulatory knowledge, we provide them with regular training and learning seminars in person, online and at lunchtime forums.

In 2010, a new Learning Zone webpage was launched for cabin crew. Prior to induction, depending on their background, knowledge and experience, they can go through modules on this Zone that provide an overview of the company, aviation and the history of Hong Kong. They can learn about our service language, our values, and read anecdotes from other cabin crew. It also contains information on inflight service standards, self-presentation, grooming and other training and development opportunities.

Recruitment and selection

We are an equal opportunities employer, and recruitment is not limited by gender, race, national origin, religion or disability. As part of our ongoing commitment to the destinations in which we operate, we have been engaged in local recruitment for 20 years. Priority is always given to the local labour market where the skills required are available, before extending the search internationally. The Company ensures that positions within the organisation which affect operational safety or security are filled by personnel on the basis of knowledge, skills, training and experience appropriate for the position.

We offer a range of aviation-specific trainee programmes for people with skills and interests in these areas to provide a clear path for career development.

Retaining talent

We value the long-term commitment our staff makes to provide excellent service, especially during difficult financial conditions. We believe we have a 'family-oriented' culture and encourage staff to see the long-term value of working with us. We are pleased that in 2010, the company was able to offer special ex-gratia payment to employees who participated in cost-saving schemes and initiatives during the challenging period in 2009, in recognition of their continued support for the Company, and thus successfully helping the airline get through a difficult period.

Employee benefits

We offer a comprehensive and flexible package of staff benefits, RightChoice, designed to promote a better life quality for staff and their families. A dedicated onsite Benefits Services Centre caters for all Hong Kong-based staff benefits information needs.



Employee Assistance Programme (EAP)

The Employee Assistance Programme (EAP) provides free, confidential and professional advice, counselling and information for personal relationships, emotional disturbances such as stress, or work-related concerns. This includes a one-time free

access to financial and legal consultation available for staff and their eligible dependents, in Hong Kong and all outports. The EAP is an integral part of the company's duty of care in managing critical/traumatic incidents at work, such as assaults, deaths, inflight incidents, natural disasters and terrorist attacks, by preventing long-term negative consequences. Additional services

include preparation for retirement, job transition, alcohol check-up and a helpline for managers and supervisors. In 2010, the EAP introduced a new web-based resource consisting of information on health issues, and contains computer-based training for coping with mental health issues such as depression.

Cynthia Yung,
Customer Sales Officer

A balanced act



Ever since Cynthia joined the Cathay Pacific Tai Chi class in 2003, her patience has improved, and she has found it helped immensely when dealing with customers. "Tai Chi teaches one to assess a situation objectively, and decide whether to press forward or hang back and observe." She has been inspired by her 'si fu' (master)'s devotion, focus and commitment. "It is a very spiritual

activity where the physical body needs to be in sync with your emotions. You also need to be highly aware of what the other team members are doing in order to synchronise with everyone's actions and rhythms." She represents Cathay Pacific at the annual Tai Chi Open and has won several team honours over the years. "I have learnt to persevere by making a habit of practicing regularly and not giving up."

Captain Kevin Tate

Racing to new heights



Dennis Owen
Vice President Marketing, Americas (based in San Francisco)

The rewards of giving



5 March 2001 was a day that changed Dennis' life. "This was when my wife and I adopted a baby girl from Vietnam. It changed my outlook on helping others in need and I decided I could make a difference." Dennis was deeply moved by what he saw at the Hanoi orphanage, and began bringing over baby and children's clothing, vitamins and medicine.

Being an employee of Cathay Pacific made these trips that much easier, and one of the most enjoyable parts has been gradually influencing colleagues who also started volunteering their time, money and effort at orphan homes in Cambodia, Indonesia and China. Some of the homes that Dennis and his team go to focus on special needs children.

"It didn't matter if they were missing an arm or had other physical limitations. They wanted to play hard, just like any kid!" Visits are always exhausting but extremely rewarding, as Dennis has learned that by giving, one gets so much more in return.

Captain Kevin Tate from Dragonair completed the 250 Race the Planet Extreme Marathon across the Atacama Desert, Chile. Proceeds went to the Freedom Care project run by the Buddhist Child Home, which aims to improve the lives of orphans in Nepal. His long-term commitment to this project includes helping with the children's homework. Kevin says that being with people less privileged than himself gives him his positive attitude to life and work.



Realising staff potential – even outside of work

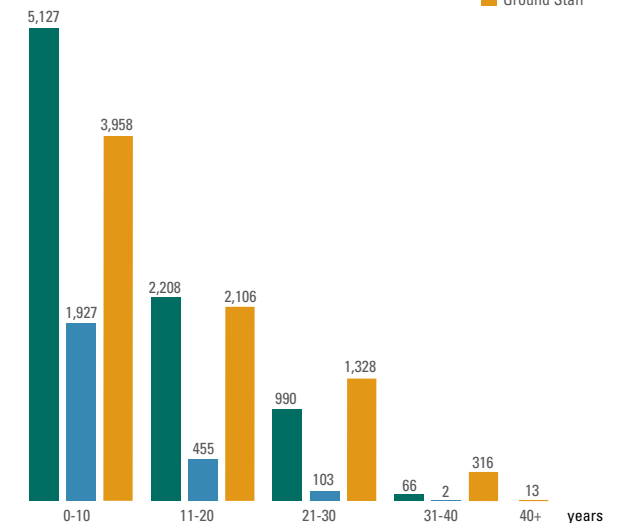
Cathay Pacific recognises that our business is closely linked to the community in Hong Kong and the broader Asian region. We therefore actively encourage staff who wish to pursue and volunteer in worthwhile initiatives and/or align their work commitments with their personal interests where possible and are always extremely proud of their passion, skills and efforts, whether through corporately organised events or individual interests.

Staff breakdown based on number of years of service (2010)

Number of Staff

ALL ports including Hong Kong

- Cabin Crew
- Cockpit Crew
- Ground Staff



Our Communities

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Investing in Communities

We continue to support and invest in the Hong Kong community of which we have been a part for more than six decades, through our activities related to aviation, education, health and the environment. In addition, we are actively involved in community initiatives to make a difference at the outport countries wherever we operate. We focus our efforts in those areas near our operations or in projects that matter to us and our stakeholders.

Key issues raised by stakeholders on our Communities

Support for social enterprises. Local engagement. Flexibility and support for staff voluntary work. Reporting on performance data and assessing results of community investment. Be strategic. Adopt best practise models.

Engaging our staff

Leveraging the uniqueness of the airline business, we motivate our staff to serve the community in different parts of the world through the 'CX Volunteers' corporate volunteer team. Initiatives range from smaller projects responding to the specific needs of local communities, to long-running flagship youth programmes and providing social services to communities in educational and welfare projects. Cathay Pacific and Dragonair have made a wide range of charitable donations, providing charities with flight tickets, other in-kind donations and professional advice. In 2010, in Hong Kong, 308 Cathay Pacific employees completed 4,175 hours of volunteering.

Investing in communities

One of the priority areas in our Sustainable Development Strategy is managing people and one of the areas for target-setting is local community development. Staff involvement in community development projects is voluntary and it is well-known that community involvement yields positive and productive outcomes for employees.

Our stakeholder research in 2010 revealed that stakeholders see Cathay Pacific as a business which is above average when it comes to community investment. They also highlighted a number of issues (see 'Key Issues' box).

This feedback coincides with our aim to harness the vitality and value of community involvement in a strategic way. In Hong Kong, we partner with local groups, NGOs and schools. In 2010, we started to assess the impacts of our community investment and engagement in a structured way, using best practice based on a model developed by the London Benchmarking Group. We will report on the progress of this measurement and evaluation exercise in the next Report.

In terms of future alignment with our commercial business strategy, we aim to promote responsible tourism which means looking after the welfare of the local community. Cathay Pacific Holidays, our wholly-owned subsidiary, is planning to review specialist packages as well as ensuring our standard holiday offerings are managed and executed responsibly. We also aim to embrace international best practices and work with our counterparts in the tourism and leisure industries to ensure that our approaches are effective.

Aviation

As the home carrier of Hong Kong, Cathay Pacific is deeply committed to contributing to, and supporting the development of, the aviation industry within the local community. One of our major efforts is a programme that inspires and supports the next generation in acquiring knowledge about aviation and, at the same time, developing a stronger sense of social responsibility.

I Can Fly

Since its launch in January 2003, more than 3,000 students have graduated from this flagship programme and a number of former 'I Can Fly' participants have since taken up careers within the Hong Kong aviation industry.

In the 2010 programme, 100 young members engaged in a series of aviation and social service activities under the leadership of Cathay Pacific pilots and staff volunteers. Members visited the HKIA, HAECO, Government Flying Services and the Air Traffic Control Tower. In the summer, members had the chance to visit aviation organisations outside of Hong Kong, including the Tianjin Airbus Assembly Line, Civil Aviation University China, Seattle-based Boeing Final Assembly Line and Adelaide Flight Training School, to learn more about different aspects of aviation and interact with people from different cultures. A total of 23 staff volunteers were involved in this programme in 2010.

In the combined United States/Canadian programme, which involved a total of 36 staff volunteer hours, 30 students spent eight weeks learning about the commercial aviation industry and had a behind the scenes look at how the Cathay Pacific team works.

Advanced Aviation Education Programme (AAEP)

Cathay Pacific is committed to promoting local aviation education and has supported the Advanced Aviation Education Programme, organised by the Hong Kong Air Cadet Corps,

since 2000. The programme, supported by Cathay Pacific and Dragonair pilots, covers basic aviation knowledge. Cathay Pacific has been providing air tickets to outstanding awardees since 2004, enabling them to fly to Melbourne, Australia, to attend flying courses.

Dragonair Aviation Certificate Programme (DACP)

The DACP, a youth programme jointly run by Dragonair and the Hong Kong Air Cadet Corps, has been running since 2005. Each participant of the Aviation Certificate Programme is guided by a Dragonair pilot mentor as they build a strong foundation of aviation knowledge through lectures, training sessions, briefings, and tours of aviation facilities hosted by supporting organisations. Of the 66 cadets who graduated in the last five years, ten have since embarked on aviation careers – some joining Dragonair and Cathay Pacific as professional pilots. In 2010, 16 ▲ cadets graduated from this programme.

Cathay Pacific City Visits

Cathay Pacific's headquarters, Cathay Pacific City, is fully equipped with aviation and training facilities that are open to different non-profit organisations through a visit programme. In 2010, more than 10,000 visitors from 325 groups from schools, universities and NGOs took advantage of the programme.



"I owe so much to my mentor!"

Claudia Sin, DACP graduate 2007, current Dragonair Second Officer



I won a place on the Dragonair Aviation Certificate Programme during my last year at university.

One of the most valuable aspects of the programme is the mentorship scheme. My mentor, First Officer Morten Lisse, really inspired me. He gave me advice and encouraged me when things got tough, and shared his experiences with me. That support continued during my time on the Dragonair Cadet Training Programme and is still there now that we are colleagues – my dream is to find myself sitting alongside him in the cockpit one day!

When I was at school, I read an article about Hong Kong's first female commercial airline pilot. It really struck a chord with me and I thought, 'I can do that, too!' Many people thought I was crazy. My advice for other young Hong Kong people who want to

become commercial pilots is to start planning your career path as soon as you can and be single-minded about it. I chose to do science subjects at school, and then I studied civil engineering at university, where I joined the Hong Kong Air Cadet Corps and applied for a number of flying scholarships. I went to Australia to get my private pilot's licence, and I also studied various kinds of ground skill theories. I always kept my end goal in mind – and here I am now, doing what I love.

I was born in Hong Kong in 1985 – so I share my 25th birthday with Dragonair!



Educational programmes

We believe it is essential to contribute to the skills development and personal enhancement of today's youth. That is why we support a range of educational programmes.

English on Air

This programme involves English-speaking Cathay Pacific staff volunteers who encourage local students to practice their spoken English. The programme is conducted in different formats to cater for secondary school students of different age groups, including interactive activities, conversation sessions and mock job interviews. Since its launch in late 2007, around 1,200 students – more than 19% of the total secondary school students in Tung Chung – have benefited from the programme. In 2010, there were 321 visits by volunteers who worked with around 490 students on this programme.

“The English on Air programme provides a valuable chance for us to equip ourselves well for the challenges ahead because we can enhance our language proficiency through conversing with the volunteers.”

Jasmine Lee

Student of HKFEW Wong Cho Bau Secondary School

Medical care services

We support access to essential medical care services, especially for vulnerable or impoverished groups. Our long-term commitments include the following initiatives, many of which see the participation of our employees.

Cathay Pacific Wheelchair Bank

Working with the Faculty of Medicine at the Chinese University of Hong Kong, the Hong Kong Polytechnic University and the Prince of Wales Hospital, the Wheelchair Bank was set up in 1996 to raise funds to purchase specially adapted wheelchairs for children

with neuromuscular diseases. To date, more than HK\$9.5 million has been donated to the Wheelchair Bank, which has helped around 330 children, supported more than 2,300 clinic attendances and handled over 4,200 spare-part changes and modifications.

Project ORBIS

Since 1989, Cathay Pacific has been a major sponsor of ORBIS which owns the world's only flying eye hospital. We provide free and discounted air travel for ORBIS personnel, enabling eye care professionals to join the Flying Eye Hospital before it departs to remote places in developing countries such as China, India, Bangladesh, the Philippines and Myanmar, as well as conducting capacity building programmes for these places in raising their eye care standards.

UNICEF Change for Good

Cathay Pacific and United Nations Children Fund (UNICEF) have been engaging passengers in this inflight fundraising programme since 1991 to fund education and healthcare programmes in over 150 developing countries. Since the programme's inception, more than HK\$100 million has been collected.

A 20th anniversary road show and charity sale was held in Hong Kong throughout August and September to help raise awareness about the programme. The road show displayed photographs from the 2010 Kenya and Ethiopia field visits to projects which benefited from the donations.

Staff volunteering

The CX Volunteers team was set up towards the end of 2007, and by December 2010, more than 815 staff had signed up. CX Volunteers activities to date have been primarily focused on providing social services to the Hong Kong community, including a number of major initiatives near our corporate headquarters in Tung Chung.

Tung Chung community initiatives

Since relocating to Cathay Pacific City in 1998, we have contributed to the Tung Chung community by helping underprivileged families and children. Two highlights of 2010 include:

“[Through the Change for Good field visit] I was able to put myself in the children's shoes and fully understood their struggle with poverty.”

Kylie Tan

Inflight Services Department



- **Anti-drugs Mentorship Programme** – A programme organised by a local NGO, where Cathay Pacific volunteers act as mentors to help young people who may be vulnerable to drug abuse develop a healthy and positive attitude towards life. Eight volunteers participated in the 2010 programme, which benefitted 46 youth.
- **E-Cycle Programme** – This is the first year that Cathay Pacific has launched a summer youth programme in relation to the Pedal Kart Grand Prix, a fundraising event organised by the Hong Kong Round Table. Volunteers ran a pedal kart design competition with a series of visits and design workshops to boost youngsters' creativity and team working skills.

Outport Initiatives

Volunteering is a significant component of our social responsibility approach within our outports and there are a host of examples which have taken place across the network, including:

In November 2010, 23 Cathay Pacific staff volunteers from the Delhi office partnered

with Habitat for Humanity in India to build homes for the underprivileged villagers of Bawana, which is 40km away from Delhi. Volunteers helped in laying the foundation stone and constructing the walls and pillars. Cathay Pacific also donated to cover the costs of the construction.

The Cathay Pacific Philippines Cargo Team invited its working partners in Manila and Cebu to help plant mangroves in July to protect the beach area in front of a local elementary school on Olango Island, Cebu. Working with the local NGO Philippine Business for Social Progress, a team of 28 volunteers, including five from Cathay Pacific, together with 60 students from the elementary school, helped plant more than 500 mangrove trees. The team also donated books, school-supplies kits and snacks.

Thirteen staff from Dragonair's Chongqing team in China participated at a sports event with mentally disabled students at Chongqing Huiling School. This school has been part of Dragonair's adopt-a-school programme since 2008, and funds provided by the company

have helped their Special Olympics athletes get much-needed training.

Responding to local needs around the world

Cathay Pacific has responded quickly to help and support those affected by natural disasters and traumatic experiences, making charitable donations and launching fundraising campaigns to assist a number of major relief efforts. In 2010, these included:

- In May, the Swire Group Charitable Trust and the Cathay Pacific Group helped raise a total of HK\$5 million to support UNICEF relief efforts in Qinghai, the western China province left devastated after the earthquake in April. Donation included contributions from Cathay Pacific Group staff and funds from the Change for Good inflight fundraising programme, with a matching contribution from both the Trust and the Group.
- In response to the devastating floods in Pakistan and landslides in Gansu Province,

China, the Cathay Pacific Group made a donation of HK\$1.5 million to support the relief efforts of UNICEF and NGOs in Pakistan. Karachi-based employees and the airline's local agents donated a day's salary to the cause, together with contributions from staff of Cathay Pacific and Dragonair around the world, which the company matched. The airline also helped with the shipment of 27 tonnes of relief goods to Pakistan using a special freighter flight.

- Cathay Pacific shared the grief and frustration felt by the Hong Kong community following the tragic outcome of the Manila hostage situation in August. We showed our support to the government and the people of Hong Kong by organising a charter flight to help bring victims and their families back from the Philippines. In the wake of the tragedy we put in place special ticketing arrangements to help those who wanted to change their travel plans.



Our community involvement worldwide in 2010



NORTH AMERICA

1 U.S.A./ Canada

- I Can Fly Program and Aviation 101
- Youth nutrition programs with Breakfast for Learning
- Activities with local Chinese communities
- Fundraising and supporting children, the homeless and breast cancer charities
- Sponsoring cargo shipment of school supplies to underprivileged children in Asia
- Park and beach cleaning

EUROPE

2 Germany

- Donation to disabled children's home and children cancer hospitals

MAINLAND CHINA

3 Mainland China

- Aviation youth camp
- Humanitarian relief (Qinghai earthquake and Gansu mudslide)

EAST ASIA

4 Japan

- Cargo fleet tour at Narita airport for students
- Oxfam trail walk and charity runs

5 Taiwan

- Shanghai Expo visit with handicapped students
- Hosted sale by Children Are Us Bakery
- Coastal cleanup

SOUTHEAST ASIA

6 Singapore

- Mangrove salvaging

7 Philippines

- Planting mangroves with a local primary school, donating supplies and schoolhouse painting

HONG KONG

8 Hong Kong

- Programmes and activities focused on education, medical care and the environment
- Internship with CX Engineering, HAESL and Boeing (Seattle) for university graduates

SOUTH ASIA

9 Pakistan

- Supporting the Rotary Club of Pakistan, day center for children with cerebral palsy, and community service
- Humanitarian relief and donations to flood victims

10 India

- Building homes with Habitat for Humanity
- Slum visit and food distribution
- Donation to children's home
- Visit to a home for the aged

AFRICA

11 South Africa

- Christmas donations

Social Indicators Table

Issue	Units	2010 *	2009 ^
Total CX Group workforce		26,564	25,693
by Location			
Hong Kong	no.	20,475	19,499
China	no.	749	840
Outports	no.	5,340	5,354
by Employment Type			
Flight Crew	no.	3,022	2,934
Cabin Crew	no.	9,740	9,163
Ground Staff	no.	8,120	8,212
Subsidiary Staff	no.	5,682	5,384
by Gender			
Female	%	55 ⁽¹⁾	55 ⁽²⁾
Male	%	45 ⁽¹⁾	45 ⁽²⁾
by Age Group			
Under 30 years old	%	27 ⁽¹⁾	27 ⁽²⁾
30-50 years old	%	60 ⁽¹⁾	61 ⁽²⁾
over 50 years old	%	13 ⁽¹⁾	12 ⁽²⁾
Senior Management from Local Community ⁽⁸⁾	%	100	92
Employee Yearly Turnover Rate ⁽⁹⁾			
by Location			
Hong Kong	%	6 ⁽⁶⁾	n/r
China	%	11 ⁽⁶⁾	n/r
Outports	%	8 ⁽⁶⁾	n/r
by Employment Type			
Flight Crew	%	14	12
Cabin Crew	%	3	2
Ground Staff	%	7	4
Subsidiary Staff	%	29 ⁽³⁾	5 ⁽⁷⁾
by Gender			
Female	%	6 ⁽⁶⁾	n/r
Male	%	8 ⁽⁶⁾	n/r
by Age Group			
Under 30 years old	%	12 ⁽⁶⁾	n/r
30-50 years old	%	5 ⁽⁶⁾	n/r
over 50 years old	%	4 ⁽⁶⁾	n/r

Issue	Units	2010 *	2009 ^
Lost Time Injury Frequency Rate ^{(10) (11)}			
Cathay Pacific	rate	52.1	37.3
Dragonair	rate	47.3	38.5
Subsidiary Staff	rate	18.4 ⁽⁴⁾	23.9 ⁽⁴⁾
Number of fatalities due to Group operations			
CX Group Staff	no.	0	3 ⁽¹²⁾
Contractors working within Cathay Pacific/Dragonair premises	no.	0	0
Passengers	no.	0	0
Average hours of training per year			
Flight Crew	hrs	47	49
Cabin Crew	hrs	38	41
Airport Staff	hrs	25	21
Engineering Staff	hrs	294	325
Subsidiary Staff	hrs	21	17 ⁽⁵⁾
Total online learning enrollments	no.	158,287	133,490
Employee covered under collective bargaining agreement ⁽¹³⁾	%	3.4	1.4
Employees receiving performance reviews	%	100 ⁽²⁾	100 ⁽²⁾
Human rights screening in investment and procurement practices	%	100 ⁽²⁾	100 ⁽²⁾
Reported incidents of discrimination	no.	1	0
Non-compliance cases on product responsibility issues ⁽¹⁴⁾	no.	0 ⁽²⁾	0 ⁽²⁾
Non-compliance cases on applicable laws and regulations ⁽¹⁵⁾	no.	0 ⁽²⁾	0 ⁽²⁾

* Covers, CX, KA, 100% owned Hong Kong-based subsidiaries and Air Hong Kong	(9) Employee Turnover Rate computed as # of leavers/# of staff for each month and averaged on a yearly basis	data for Australian, Canadian, and UK outports.
^ Covers, CX, KA and 100% owned Hong Kong-based subsidiaries	(10) LTIFR is computed as (# of injuries resulting in lost time/total workforce hours) x 1,000,000	(14) Includes cabin product, marketing and customer privacy
(1) Includes CX, KA, AHK, CPCS, HAS, VLS	(11) This is now a combined number for each business unit	(15) Includes corruption cases. For details on anti-competition cases, please refer to pg.11 of this report and pg. 84-85 of our Annual Report 2010.
(2) Includes CX, KA, CPCS, HAS	(12) Refer to pg. 28 of our Sustainable Development Report 2009	
(3) Includes CPCS, VLS	(13) % of employees under collective bargaining agreements are reported where it is applicable and in accordance with local legislation. We only have	
(4) Includes CPCS, HAS, VLS		
(5) Includes CPCS, HAS		
(6) Includes CX, CPCS		
(7) Includes CPCS		
(8) Includes Executive Directors only		

Note:	CX: Cathay Pacific Airways	AHK: Air Hong Kong	CPCS: Cathay Pacific Catering Services	VLS: Vogue Laundry
	KA: Hong Kong Dragon Airlines	CHL: Cathay Holidays	HAS: Hong Kong Airport Services	

Looking Forward – Implementing our Sustainable Development Strategy



2010 was a remarkable year for Cathay Pacific, with the Group reporting a record attributable profit of HK\$14 billion, a 9.1% increase in passenger numbers and a cargo tonnage increase of 18.1% over 2009 figures. This is an incredible achievement, made possible by a great team effort across our network. However, we recognise that we operate in a highly competitive and often volatile global market and so it is important that we keep looking to the future and positioning ourselves to take advantage of the opportunities and build resilience to address the challenges that lie ahead.

One of these challenges is moving the business to a more sustainable path - to build a sustainable future for Cathay Pacific. Our goal is to continue to grow and succeed, but in order to do so we recognise that we need to address the issues facing the broader environment in which we operate. We need growing regional and global economies that will improve the quality of life and, at the same time, we need to preserve nature and to use its scarce resources in the most efficient way. These issues can be addressed by integrating the three sustainability pillars into our business: continued economic development, social responsibility, and environmental management.

We are addressing the impacts of our business across these sustainability pillars. For example, we are already mitigating our environmental impact through our fuel efficiency initiatives and making plans to do even more in the future when biofuels become commercially viable. Aviation is an integral part of the world's economy; it enables all of us to explore other countries, to connect with families and friends, and to have access to time-critical, high-value goods such as medicines and food. It employs 5.5 million people and generates at least US\$ 425 billion in gross domestic product. Even with teleconferencing, shipping and rail transport, there is no other industry that can serve the world in such a time-critical, personal and long-distance fashion as the airline industry does. Our challenge now is to ensure that we continue to provide these valuable services, increasing economic and societal benefits but with the least impact to the environment.

Our Sustainable Development Strategy will help Cathay Pacific respond to this challenge. Our long-term objective is to be a sustainable airline and we believe that this strategy is the 'flight plan' to lead us to this goal. Our various internal departments and subsidiary

companies have worked hand-in-hand in developing action plans to implement the Sustainable Development Strategy, finding innovative solutions in all aspects of our business. And we are seeing encouraging results already – from small steps such as using biodegradable bags, to big-ticket items such as purchasing and effectively deploying the most appropriate fuel-efficient aircraft. We realise that there are no quick-fix solutions to some of the bigger sustainability challenges such as replacing conventional fuel with sustainable biofuels, but we are working on strategies and connecting with companies and organisations that can help us to turn these ideas into reality.

We believe that the Cathay Pacific culture – one of resilience, teamwork and a can-do spirit – will, in conjunction with our business partners in aviation, enable us to realise our goal of becoming a truly sustainable airline.

A handwritten signature in black ink, appearing to read 'John Slosar', written in a cursive style.

John Slosar
Chief Executive

Stakeholder Review Committee

This is the second year a Stakeholder Review Committee was established to gather feedback on the materiality, balance and responsiveness of our Report. This year we invited a representative from our corporate frequent flyers, environmental NGOs, academia and institutional investors to form the committee.

Review Process

On 7 March 2011, the Committee met to discuss the following:

- > Does the Report provide appropriate coverage of issues that are material/ relevant to Cathay Pacific and its stakeholders?
- > Does the Report content appropriately respond to stakeholder views?
- > Does the Report and our articulated Sustainable Development Strategy appropriately move Cathay Pacific towards being a “sustainable airline”?
- > How could Cathay Pacific improve future reports?

The views expressed are based on individual's perceptions and do not necessarily represent those of their respective organisations.

We welcome how the report identifies and responds to stakeholder views. The disclosure of updated information and progress against its aspirations demonstrates completeness and consistency between the 2010 and 2009 reports. By reporting on both positive performance and opportunities for improvement, more credibility is brought to the Report.

Reporting against each target with both relative and absolute results would enhance reporting. Cathay Pacific is encouraged to continue to identify where there is uncertainty or lack of consensus on particular information (e.g. contribution of aviation to global greenhouse gases, radiative forcing).

Governance

We commend Cathay Pacific for making sustainable development an intrinsic part of its business strategy and for involving different disciplines in its management through its SD Steering Group. We encourage Cathay Pacific to continue to disclose on how it integrates sustainable development into decision-making, leadership and implementation.

Climate Change

We support Cathay Pacific in enhancing the awareness of FLYgreener among travel agents, staff and passengers and to actively engage passengers on climate change and offsetting. Cathay Pacific should consider having passengers actively choose whether to offset or not, or even adding it to the ticket price. Cathay Pacific should continue to report on involvement with biofuels and address the interlinked challenges of responsible sourcing and food security.

The Committee:

Mr. Philippe Lacamp – Head of Sustainable Development, John Swire & Sons
 Dr. Ng Cho Nam, Associate Professor, University of Hong Kong
 Dr. Jeanne Ng, Director, Group Environment Affairs, CLP Holdings Limited
 Dr. William Yu, Head of Climate Programme, WWF

Environmental Performance

We encourage Cathay Pacific and its subsidiaries to enhance waste management measures, ranging from plastics to food waste. Wherever possible, durable, reusable, biodegradable or recyclable items should replace those that are disposable.

People

We commend Cathay Pacific for including more information on labour issues within the airline and encourage the increased focus on employee engagement.

Safety

Expanded coverage could be provided on the occupational health and safety performance of all of Cathay Pacific's subsidiaries.

Supply Chain

Cathay Pacific is encouraged to outline its approach to proactively addressing the environmental and social impacts of its supply chain, including its audit process, plans to improve suppliers' performance and/or to not work with them if they don't meet their Supplier Code of Conduct.

Our Communities

We suggest that Cathay Pacific enhance its incentives for more employees to participate in community engagement activities, contribute to the preservation of culture at the destinations where the airline flies and increase engagement with Tung Chung in Hong Kong.

Ongoing Leadership on Sustainability

Over the years, Cathay Pacific has been at the forefront of corporate responsibility on sustainability issues. To achieve its own vision of 'being the best airline', it must aspire to be best-in-class in all areas compared with international best practice. We believe Cathay Pacific has the strength of brand and recognition from its peers to lead on substantive sustainable development initiatives. This means being on the forefront of technological change, and setting and moving towards achieving challenging targets. Cathay Pacific has a tremendous opportunity to be the 'market mover'.



Independent Assurance Report to the Directors of Cathay Pacific Airways Limited

We have been engaged by the directors of Cathay Pacific Airways Limited (the "Company") to perform an independent limited assurance engagement in respect of the Company's Greenhouse Gas Emissions Data and selective quantitative and qualitative data (collectively "the Data") for the year ended 31 December 2010 as set out in the Company's Sustainable Development Report ("SDR") and identified with a ▲.

Directors' responsibilities

The directors' are responsible for preparing the Data in accordance with the Company's SDR accounting and reporting policies ("the Reporting Criteria") as set out in www.cathaypacific.com/sdreport.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Data and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Independent Accountants' responsibilities

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, and to report our conclusion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits and Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on whether any matters come to our attention that causes us to believe that the Data is not properly prepared, in all material respects, in accordance with the Reporting Criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the independent accountants' judgement. Within the scope of our work we performed amongst others the following procedures:

- Making enquiries with relevant management of the Company
- Understanding and evaluating the design of key processes for managing and reporting the Data
- Testing, on a selective basis, the preparation and collation of the Data prepared by management of the Company
- Examination on a test basis of documentary evidence (both management and third party) in respect of the Data
- Undertaking analytical procedures of the Data

Inherent limitations

We draw your attention to the fact that non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. In particular, the conversion of fuel used to determine the greenhouse gas emissions is based upon, inter alia, information and factors derived by independent third parties as explained in the Reporting Criteria. Our assurance work has not included examination of the derivation of those factors and other third party information. It is important to read the Data in the context of the Reporting Criteria.

Conclusion

Based on the results of our procedures nothing has come to our attention that causes us to believe that the Data for the year ended 31 December 2010, is not properly prepared, in all material respects, in accordance with the Reporting Criteria.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

27 May 2011

GRI Statement



Global Reporting Initiative™

**Statement
GRI Application Level Check**

GRI hereby states that **Cathay Pacific Airways Limited** has presented its report "Our Shared Journey" (2010) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 16 May 2011



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Cathay Pacific Airways Limited has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio-visual material, this statement only concerns material submitted to GRI at the time of the Check on May 9 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

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Data collection and calculation process

This is the second year we are collecting data from our subsidiaries and a number of our outposts. Our general approach is to request data owners to confirm the accuracy of their data either through documentary evidence or past operational performance. The Environmental Affairs Department approves the data and checks for any material errors. We recognise the need to continually improve on this process to ensure our data collection and calculation process is robust. To this end, in 2010, we commissioned work on a manual based on the requirements of ISO 14064 to guide the data collection process across our business units. This is expected to be rolled out initially to the Hong Kong subsidiaries in 2011.

Acknowledgements

We wish to thank Copeland and Partners, Two Tomorrows and Sedgwick Richardson for their assistance in the development and preparation of this Report.

We would like to thank RESET Carbon Limited for their assistance in the collation of environmental data.

Our 100% owned subsidiaries based in Hong Kong:



60% owned by Cathay Pacific

air Hongkong



