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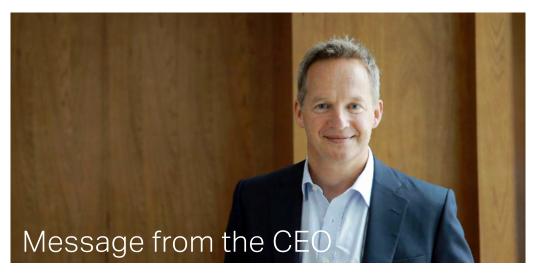
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We have worked hard to strengthen our position as a leading global airline and we are encouraged by the positive results we have achieved for our customers and our colleagues this year. With ambition and innovation at the heart of our transformation, we took a critical look at our organisation and business strategy, prioritising those areas where we can have greatest impact.

A similar mindset was also applied to our sustainability efforts. This sharpened focus produced a revamped sustainable development strategy which prioritises our most material environmental and social impacts in tandem with the areas where our customers and stakeholders expect Cathay Pacific to take a lead. We revitalized our community engagement strategy, focusing on creating enhanced impact around four key pillars: children and youth development; global cultural exchange; environmental awareness, and diversity and inclusion. In 2018, we have made headways in many areas and in particular:

TAKING ACTIONS AGAINST CLIMATE CHANGE

Our continued investments in renewing our fleet, adoption of alternative fuels and other operational measures yielded a 2% improvement in fuel efficiency* in 2018, placing us ahead of industry emissions intensity reduction requirements. We continue our preparations towards achieving industry's goal of carbon neutral growth from 2020 onwards.

COMBATING SINGLE-USE PLASTICS

We firmly believe that reducing plastic waste while serving our 35.4 million passengers and 26,600 colleagues will make a tremendous difference. In 2018, all single-use plastic straws, stirrers, and cutlery were removed from our headquarters. Over 18 million pieces of plastic straws and stirrers from our flights and global lounges will also be removed in 2019 as our first steps to tackle plastic pollution.

FOSTERING A DIVERSE AND INCLUSIVE CULTURE

Diversity and inclusion are fundamental to our culture and core values. Cathay Pacific people are a diverse group of dedicated employees and in fact our customers too. Therefore, it is our goal to continue to make the Cathay Pacific Group a place where everybody can be themselves at work so that they can give their best to our customers. In 2018, we formalised our commitment by establishing a Diversity and Inclusion Policy and launched two platforms to encourage greater awareness, understanding and dialogue: the Cathay Women's Network and Fly With Pride, our network for LGBT+ (Lesbian, Gay, Bi-sexual, Transgender, plus) employees.

Our strengthened sustainable development programme is delivering progress at the same time as our improved financial performance. These results have required considerable effort and have laid the right foundation for sustainable development. But we know that standing still is not an option, we are committed to go beyond our achievements and make Cathay Pacific a continued success.



2018 Highlights

This year, our progress delivered major achievements across each of our material topics.

To dive deeper into these highlights, please click the topics below.

Fuel efficiency

A peer-leading reduction Took delivery of eight of 2%. Accumulative improvement of 28% since 1998.

Fleet

new Airbus A350-1000 aircraft while retiring six less fuel-efficient aircraft.

CORSIA

Biodiversity

IT systems evaluation and selection was completed to conduct monitoring, reporting, and verification in 2019.

Biofuel

Consistently using biofuel since 2016. 38 tonnes of biofuel were consumed in 2018 for our delivery flights.

IATA Operational Safety Audit (IOSA)

In 2018. Cathav Pacific successfully renewed its IOSA accreditation with zero findings.

Single-use plastic

Started removing all plastic straws and stirrers from our worldwide offices. flights and lounges saving over 18 million pieces per year.

Waste audit

Conducted our first waste audit pilot test on two flights from London to Hong Kong.

Expanded food rescue

Increased our food rescue coverage. 63% more surplus food was redirected from landfill to people in need in 2018.

SUSTAINABILITY IN OPERATIONS **GOVERNANCE** Sustainable development governance

BIODIVERSITY

A new governance body to the CEO.

New Community Engagement Strategy

Focus on four key pillars: children & youth development; global cultural exchange; environmental awareness, and; diversity & inclusion.

UNICEF Change For Good

Raised over HK\$ 11.7 million from our inflight fundraising programme last year, helping deprived children and women around the world.

WildAid Global Shark Pledge

Signed the WildAid Global Shark Pledge. Banned carriage of all shark fin since 2016.

OURPEOPLE **Diversity and inclusion**

COMMUNITY

Launched the Cathay Women's Network and Fly With Pride, for supporting our LGBT+ (Lesbian, Gay, Bi-sexual, Transgender, plus) employees.

Our approach

COMMITMENT TO SUSTAINABLE DEVELOPMENT

Cathay Pacific is a proud member of the Swire Group of companies.

Our leadership has been committed to sustainability for decades, recognising it is a strategic imperative for our business and embedding it in our corporate values.

■ As a group, we should always seek to be ahead of legislation rather than reacting to it. If the environmentally 'clean' way of doing something is more expensive and therefore on the face of it uneconomic, we should always, regardless of mandatory legislation, still have a close look at the overall feasibility of adopting such a practice, considering both general public good and enlightened self-interest. ■



Sir Adrian Swire Honorary Life President and Former Chairman, Swire Group, 1989

SUSTAINABLE DEVELOPMENT POLICY

Our <u>Sustainable Development Policy</u> defines the principles and practices that guide our journey to achieving our vision. It ensures environmental, social and economic considerations are included in all business decisions in alignment with our commitment to sustainable development. Adhering to our Sustainable Development Policy means ensuring that we meet or exceed all regulatory requirements in the jurisdictions where we do business.

Focus areas	Sustainable development policy	
Safety	Put safety first and provide a safe and healthy environment for our people, customers, and other stakeholders.	
Climate change	Lead the industry and contribute to global efforts to reduce aviation's impact on climate change.	
Sustainability	Reduce our consumption of natural resources.	
in operations	Reduce waste and improve recycling and reuse.	
Biodiversity	Work with suppliers to implement policies and practices to reduce their environmental impact.	
	Support community efforts in promoting the conservation of natural resources.	
Our people	Respect our people and provide an environment in which they can realise their potential, making us a first-choice employer.	
Community	Support the communities we serve, respect cultures, and enhance the overall quality of life.	
	Ensure our suppliers protect and respect their workers' welfare.	

STAKEHOLDER ENGAGEMENT

In developing our Sustainable Development Report, we consider key stakeholder groups based on their potential influence on our Sustainable Development Strategy and our services. We value honest, open and regular dialogue with our stakeholders. Since 2006, we have periodically engaged our people, our customers, NGOs and academia, investors and shareholders, suppliers and other businesses to ascertain their primary concerns.

Our channels of engagement include surveys, focus groups, interviews, publications, websites, social media and face to face meetings. The results of these processes have helped us develop our report content and the material topics for disclosure.



MATERIAL TOPICS

Our material topics are determined through a process of materiality assessment that follows the principles outlined in the GRI Standards. The assessment identifies and evaluates the sustainability issues that mattered most to our businesses and our stakeholders. In this report, a material topic is one which may substantially affect our long-term commercial and operational viability, or substantively influence the assessments and decisions of stakeholders.

Customer Safety Governance Overview Disclosure and transparency Our performance Sustainability performance Environment Emissions/climate change/alternative fuels Biodiversity Resources and waste management Society Occupational Health and Safety Employee welfare Customent Safety Safety Customent Sustainability in operations Our people Training and development opportunity Customent Our people Community investment Community Staff volunteering Community	Issues	Report section	
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Community investment Community	Employee welfare	Our people	
	Training and development opportunity	Our people	
Staff volunteering Community	Community investment	Community	
	Staff volunteering	Community	

Climate change

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We consider our approach to managing our material topics in relation to the global context of the <u>United Nations Sustainable Development Agenda</u>. The six global goals most relevant for our operations help to shape our sustainable development strategy are:

Sustainable Development Agenda		nt Agenda	Our Approach	
SDG 5 Gender Equality	5 GENOER EQUALITY	Achieve gender equality and empower all women and girls.	The Cathay Women's Network was established by the Diversity and Inclusion Committee to allow us to better understand and address current barriers that our female employees face, develop and retain a strong pipeline of leadership talent and create a platform for discussion.	Our people
			We are committed to supporting the future development of the communities we serve in tandem with the Group's long-term development through investment in children and youth development.	Community
LIACANT WORK	8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	We employ locally, with more than 8 in 10 of our employees coming from Hong Kong. Our revised Hire-to-Retire strategy ensures we support and invest in our people, regardless of location, rewarding performance with benefits and promotion, as we devote the same care and attention to our employee experience as we do our customer experience.	Our people
			We continue to open new routes, offering development opportunities to communities where we operate.	Community
			We also champion safety in every aspect of our operations, ensuring our people are protected and able to focus on delivering excellent customer service.	Safety
SDG 12 Responsible Consumption and Production	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	We recycle or repurpose around 90% of all airplanes we retire. We are also committed to removing single use plastic Straws and Stirrers from our operations by the end of 2019 and using recycled plastics in the products we use in flight.	Sustainability in operations
SDG13 Climate Action	13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	Through investment in a modern fleet, operational improvements and the use of biofuel, we continue to reduce our GHG emissions intensity. We are also working towards the industry target of carbon neutral growth from 2020 in line with CORSIA.	Climate change
Life Below	14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	We have introduced embargoes on carrying shark fin since 2016. We published the Sustainable Development Cargo Carriage Policy which allows our various stakeholders to gain a holistic understanding of where we stand in doing our part to protect the environment in the area of cargo carriage.	Biodiversity
			We established our internal Sustainable Food Policy in 2011 to provide guidance for our purchasing decisions. We opt out of purchasing specific unsustainable food items and ask for information with regards to where the food was originally sourced.	Sustainability in operations
SDG 15 Life On Land	15 UFE ON LAND		We've introduced embargoes on ivory and hunting trophies amongst other items as we aim to make sure no endangered species, or its products are being transported on our flights.	Biodiversity
			Our approach to biofuel: we do not support reducing biomass use that may impose further stress to terrestrial ecosystems. We are also a member of the Roundtable on Sustainable Biomaterials (RSB). RSB is a global multi-stakeholder organisation that focuses on developing high sustainability standards thereby ensuring biofuels that meets RSB certification would not have negative impacts on the environment and society.	Sustainability in operations

Governance

CORPORATE GOVERNANCE

The Cathay Pacific Group is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects our belief that, in the achievement of our long-term objectives, it is imperative to act with probity, transparency and accountability.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders
- that the interests of those who deal with the Company are safeguarded
- that overall business risk is understood and managed appropriately
- the delivery of high-quality products and services to the satisfaction of customers
- · that high standards of ethics are maintained

Our governance practices are described in detail in the Corporate Governance Report section of our 2018 Annual Report.

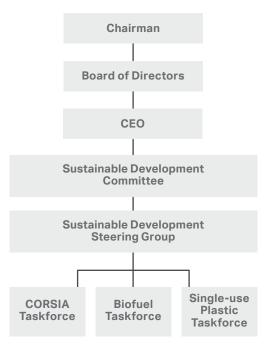
GOVERNANCE OF SUSTAINABLE DEVELOPMENT

The governance of our material sustainability topics is an important element of our corporate governance. Our primary aim is to manage sustainability risks through appropriate policies, standards, and systems. It also enables us to identify and pursue potential sustainability opportunities.

The Chairman leads the governance of sustainable development at the Group. The Chief Executive Officer chairs the Sustainable Development Committee, which is responsible for setting the direction and strategy of sustainable development. Reporting into the Sustainable Development Committee is the Sustainable Development Steering Group, which is chaired by the Director of Customer and comprises of Department Heads representing a wide range of functions across the company. The Steering Group's responsibilities include cargo services, customer experience design, flight operations, procurements, employee experiences and engagement, carbon offset, emissions trading, and sustainable development. Details of how we manage these topics are contained within this report.

A key component of this strategy is shared responsibility. Committees and working groups have been established to ensure all areas of the Group are managed in a responsible and accountable manner aimed at informing and operationalising the sustainable development strategy. Employees at all levels within the Group are expected to make decisions in line with our <u>Sustainable Development Policy</u>, helping to continuously improve our social and environmental impacts and deliver economic value.

Sustainable Development Governance Structure







CODE OF CONDUCT

The Cathay Pacific Group enforces the highest standards of corporate governance and best practices in accordance with our Code of Conduct (the "Code"). The Code sets out our principles for acting responsibly in the course of achieving our commercial success. The Code applies to all the employees under Cathay Pacific and its subsidiaries, and includes issues related to business ethics, conflicts of interest, procurement, insider trading, lobbying, bribery, environment, health and safety, and respect in the workplace.

RISK MANAGEMENT

Our Audit Committee and Group Safety and Operational Risk Management (GSORM) are responsible for the Group Risk Management Policy. They coordinate management's review and update the Corporate Risk Register, which is reviewed three times a year, both at the Risk Assessment Meeting, which is chaired by the CEO and attended by the Management Committee and by the Audit Committee. The Register outlines specific risks, ratings and mitigation plans. GSORM concentrates on airline safety and security risks while Internal Audit looks after all remaining categories of risk. Our strategies toward specific types of risk are reviewed by the following committees:

- Legal and Compliance Steering Committee legal and compliance risks
- Sustainable Development Committee sustainable development related risks especially around environmental and societal impact
- Airline Safety Review Committee airline operational and people safety risks
- Audit Committee overall effectiveness of the Group's risk management and internal control systems

Following a review of the corporate governance processes of the Company subsequent to the data incident in 2018 (see Customer privacy protection), the Company proposes to establish a Board Risk Committee and an executive Risk Management Committee together with a new department, Group Corporate Risk, which will oversee the design, implementation and monitoring of non-safety related risk management and internal control systems. Please refer to p.47-49 of our Annual Report 2018 for further information about our approach to risk management and our internal control systems.

CORPORATE COMPLIANCE

An overview of the most relevant laws and regulations that have a significant impact on the Group is provided in the Regulations and Compliance section of this report.

Customer privacy compliance

We aim to ensure that our customers can make informed decisions and feel confident about supplying us with their personal data when using our website, mobile and other services. We ensure our policies and systems comply with the Personal Data (Privacy) Ordinance (Cap. 486) of the Hong Kong SAR government and other relevant laws in countries or territories where we operate. In 2018, this meant conducting a global data privacy review in response to the implementation of the General Data Protection Regulation which came into effect in the European Union.

In October 2018, we announced that we had discovered unauthorised access to some of the passenger data of Cathay Pacific and Cathay Dragon. Upon discovery, we took immediate action to contain the event and to commence a thorough investigation. We have to date found no evidence that any personal information has been misused. The information systems affected were separate from our flight operations systems. There was no impact on flight safety. We contacted affected passengers and notified the Hong Kong police and relevant authorities.

During 2018, there were no convictions for non-compliance of laws and regulations relating to customer privacy that would have a significant impact on the Group.

Safety

Biodiversity

Advertising and labelling practices

We strive to ensure that our advertising and labelling practices comply with the relevant law and regulations, such as the Trade Descriptions Ordinance (Cap. 362) of the Hong Kong SAR government, which prohibits specified unfair trade practices such as false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongful acceptance of payment.

During 2018, there were no convictions for non-compliance of laws and regulations relating to advertising and labelling practices that would have a significant impact on the Group.

Anti-Bribery Policy

The Cathay Pacific Group takes a zero-tolerance approach to bribery and corruption and is committed to doing business with integrity and in compliance with the laws and regulations that govern its global business. The Group has an established Anti-Bribery Policy to reaffirm its commitment as part of a comprehensive and robust anti-corruption and anti-bribery compliance programme to provide guidance to all relevant parties about compliance with global anti-bribery laws.

During 2018, there were no convictions for non-compliance of laws and regulations relating to bribery, extortion, fraud or money laundering that would have a significant impact on the Group.

Whistleblower Policy

We have an established Whistleblower Policy to help mitigate legal, financial, operational and reputational risk to the company. This policy also aims to encourage our people to come forward and report suspected wrongdoing and to provide necessary guidance and assurance to anyone who reports suspected wrongdoing. Any suspected wrongdoing is properly investigated and addressed to

ensure that prompt remedial action is taken. Any reporting under this policy can be done confidentially through multiple channels that allow for anonymous reporting.

Antitrust Policy

Cathay Pacific Group has an established Antitrust Policy, and always aims to operate in full compliance with relevant competition laws. We will continue to participate in collaborative competitor activities when such arrangements are mandated or permitted by applicable laws and regulations. The Group Compliance and/or Internal Audit Department may conduct audits to review documents and conduct interviews with any personnel. Full cooperation is required of all personnel. In 2018, Cathay Pacific remained the subject of antitrust proceedings in various jurisdictions. The proceedings were focused on issues relating to pricing and competition. For details, please refer to our Annual Report 2018, page 88.

Modern slavery

As defence against exposure to modern slavery, our Procurement and Aircraft Trading department manages the airline's supply chain, conducting supplier due diligence and requiring suppliers to adhere to Cathay Pacific's Supply Chain Sustainability Code of Conduct, which amongst other things prohibits the use of child or forced labour. Our Corporate Code of Conduct also safeguards the Group against the use of child or forced labour in our own operations. To raise awareness of the issue we leverage our membership of the International Air Transportation Association (IATA) to introduce industry initiatives focused on modern slavery and human trafficking. Our Modern Slavery and Human Trafficking Statement details our approach.

During 2018, there were no convictions for non-compliance of laws and regulations relating to child and forced labour that would have a significant impact on the Group.

About Cathay Pacific

Cathay Pacific Airways Limited (the "Company" or "Cathay Pacific") is a world-class international airline registered and based in Hong Kong. Along with its subsidiaries Hong Kong Dragon Airlines Limited ("Cathay Dragon") and AHK Air Hong Kong Limited ("Air Hong Kong"), the "Cathay Pacific Group" or the "Group") operated 212 aircraft at the end of 2018, directly connecting Hong Kong to 109 destinations in 35 countries worldwide (232 and 53 respectively with code share agreements), including 26 destinations in Mainland China. The Cathay Pacific Group is the world's 9th largest carrier of international passengers, and the 2nd largest carrier of international air cargo.

Its other investments include catering and ground-handling companies and its corporate headquarters and cargo terminal at Hong Kong International Airport.

Cathay Pacific is listed on The Stock Exchange of Hong Kong Limited, as are its substantial shareholders Swire Pacific Limited and Air China Limited.

More information is available from www.cathaypacific.com



About this report

AIM OF REPORTING

Our Sustainable Development Report sets out our approach to good governance and our most material environmental and social topics. Since 1996, we have published our report annually to:

- disclose our sustainability performance in a transparent, accountable and clear manner
- engage with our stakeholders on sustainability topics that are material to our business, so we can address them effectively and appropriately
- discuss the challenges we face and progress we make as a company in the context of sustainable development

This Sustainability Development Report is to be read in conjunction with our Annual Report 2018 which deals with our financial and operational performance, and with our corporate governance. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.

REPORTING PERIOD

This report describes the approach and performance of Cathay Pacific and its principal subsidiaries (collectively the "Group") for the period from 1 January to 31 December 2018. Our previous Sustainable Development Reports can be downloaded from https://sustainability.cathaypacific.com/past-reports/reports-download/

REPORTING GUIDELINES

The report is prepared with reference to the Global Reporting Initiative (GRI) Standards: Core Option, and complies with the provisions of the Environmental, Social and Governance (ESG) Reporting Guide issued by Hong Kong Exchanges and Clearing Limited (HKEX).

REPORTED SCOPE AND DATA

Unless otherwise specified, the environmental, social and governance data in this report covers Cathay Pacific Airways Limited and its principle subsidiaries as of 31st December 2018 shown as follows:

Subsidiaries	Ownership
Cathay Holidays Limited (CHL)	100%
Cathay Pacific Catering Services (H.K.) Limited (CPCS)	100%
Cathay Pacific Services Limited (CPSL)	100%
Hong Kong Airport Services Limited (HAS)	100%
Hong Kong Dragon Airlines Limited (KA)	100%
Vogue Laundry Service Limited (VLS)	100%
AHK Air Hong Kong Limited (AHK)	100%

The economic data in this report are based on the consolidated financial statement of the Annual Report 2018 which incorporates the financial statements of the Cathay Pacific Airways Limited and all its subsidiaries together with the Group's interests in joint ventures and associates.

The greenhouse gas emissions data of each subsidiaries are reported in proportion to their ownership percentage, unless otherwise specified.

Other principal subsidiaries and associates that are not included within the scope of this report, as outlined on p.103-104 of the Cathay Pacific Group Annual Report 2018, will be considered for inclusion in the future.

CONTACT US

We welcome comments and feedback on this report and its contents. Please send your feedback to our team at sustainability@cathaypacific.com

Our address:

Sustainable Development Team, Corporate Affairs Department, Cathay Pacific City, 8 Scenic Road, Hong Kong International Airport, Hong Kong



SAFETY

In Safety is our number-one priority at Cathay Pacific and Cathay Dragon, and we are fully committed to providing a safe operational and working environment. Ultimate accountability for safety rests with us as the Accountable Executives. However, responsibility for safety lies with each and every one of us in the airlines. All our business partners, suppliers and contractors are encouraged to share our primary safety goal, which is to have zero accidents or injuries. We will establish, measure and review our safety objectives, safety performance indicators and targets regularly, to ensure that we continually improve our management system and safety performance.



Rupert Hogg Chief Executive Officer, Cathay Pacific



Cathay Pacific Airways Limited Sustainable Development Report 2018

Algernon Yau, Chief Executive Officer, Cathay Dragon

Our continued success is shaped by our ability to transport our passengers and cargo safely to their destinations. This is inherently linked with providing a safe working environment for all Group employees. As such, safety is our primary priority, and alongside corporate governance is a fundamental principle of our sustainability strategy. At Cathay Pacific our approach to safety is founded on the principle of reducing risks to a level as low as reasonably practicable (ALARP). The foremost safety goal of our airlines is to achieve zero accidents and zero "high risk" incidents. To succeed in this, we have developed a corporate safety culture and adopted a risk-driven approach in identifying and minimising the impact of hazards on our operations.

SAFETY POLICY

Our Safety Policy clearly sets out our commitment to managing the safety risks of our operations. Whilst ultimate accountability for safety rests with our Chief Executives, responsibility rests with all our people. Our policy extends a duty of care to all businesses we work with and shapes a corporate culture of safety by promoting:

- an ORGANISATIONAL CULTURE where "safety comes first"
- a JUST CULTURE where "non-punitive reporting" is encouraged
- a REPORTING CULTURE where all staff are encouraged to raise safety concerns
- a LEARNING CULTURE by ensuring that we learn from our own mistakes as well as those made by others
- an INFORMED CULTURE by applying appropriate quality and risk management systems and processes as part of our decision making

OPERATIONAL SAFETY

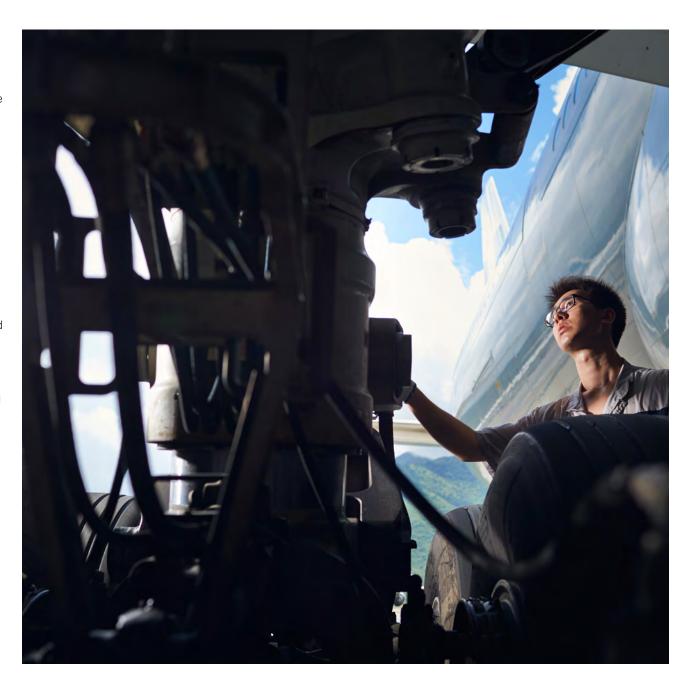
Our robust safety and risk management systems help us maintain a high level of safety performance that protects our employees and customers. We adhere to global best practice in airline safety to ensure our approach continues to be fit for purpose. Our record on safety is testimony to our efforts in achieving our aim of preventing high risk incidents.





IATA Operational Safety Audit (IOSA)

Cathay Pacific and Cathay Dragon undergo a biannual safety audit controlled by the International Air Transport Association (IATA). The IATA Operational Safety Audit (IOSA) Programme is the global standard for assessing the operational management and control systems of an airline. In 2014, Cathay Pacific became one of the first airlines to pass the enhanced programme and on alternating years our airlines renew their IOSA accreditation. In 2018, Cathay Pacific successfully renewed its IOSA accreditation with zero findings.

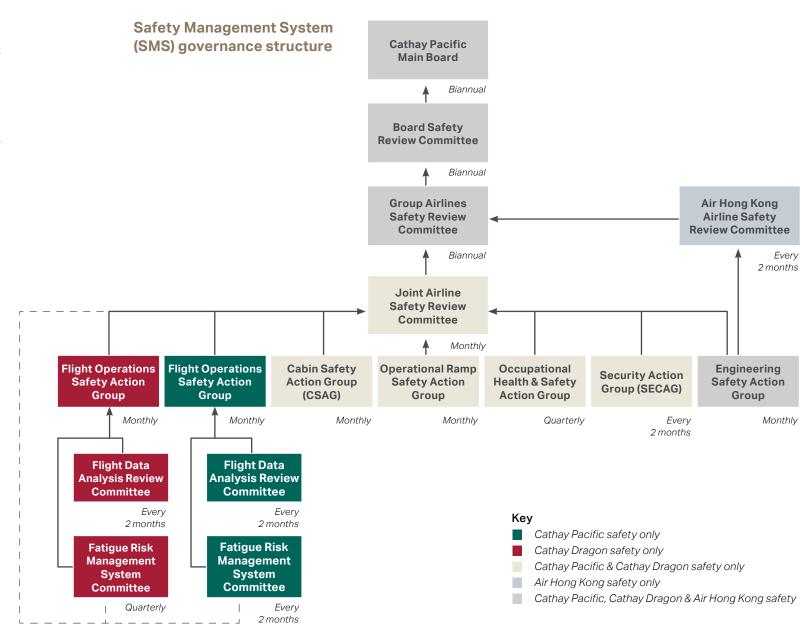


Cathay Pacific Airways Limited Sustainable Development Report 2018

Safety risk management

The Cathay Pacific Group Safety Management System (SMS) has been developed to ensure that we proactively manage risks and have procedures in place to react appropriately should an incident occur. Safety performance indicators are actively monitored on a monthly basis by 'Safety Action Groups' (SAGs) and the Airline Safety Review Committee (ASRC), and all events and incidents are investigated thoroughly. All safety meetings are attended by subject matter experts from the respective disciplines. Cross-departmental risk assessments are conducted to review any changes to the way the airlines operate, such as the commencement of a new route, the introduction of a new cabin service or changes to the organisational structure.

The Group leverages the experience of an independent safety advisor to chair the Board Safety Review Committee (BSRC) and report on safety matters directly to the Main Board. Dr. David King occupied this role for a full term of seven years until January 2019 and is now replaced by Mr. Tim Jenkins. Mr. Jenkins is a former Royal Navy pilot, commercial airline pilot, and has held senior safety management positions at two major international airlines.



Safety

Case study

Safety Risk Assessment Training

For the SMS to maintain its effectiveness it is vital that operational managers who oversee the airline operation day-to-day understand the importance of safety risk management and risk assessment. Safety risk assessment is a decision-aid intended to help business units achieve their objectives by identifying and protecting themselves against the hazards and risks of their activities.

In 2018, Group Safety and Operational Risk Management (GSORM) developed and delivered a new classroom-based training course for operational managers to promote understanding and practical skills in safety risk assessment. This process is a mandatory element of the SMS and the use of it for managing change in the business was highlighted in the training; in particular identifying the potential unintended safety consequences of business changes.

Over 200 people from across our global network have been through the course, which covered topics such as where to find hazard information, how to write risk statements, how to appraise the effectiveness of risk controls, and how to visualise and communicate risks through tools like Bowtie risk models.

Case study

Continuous Monitoring Inspections (CMI)

iAuditor is an app-based software that allows operational staff to complete inspections on an electronic device, such as a tablet, and replaces the traditional paper-based quality control program. The application is an off the shelf product developed by a company called 'Safety Culture'. The results of the CMI program are reviewed and analysed as part of the overall Quality Assurance Program for Cathay Pacific and supplement quality oversight between formal quality audits.

CMI will be progressively rolled out across the global Cathay network in 2019, starting in The Americas, then later across other regional areas.

Some of the features and advantages over the traditional system are:

- customisable so can be used by many different departments in the group
- electronic management of inspection corrective actions and follow-up
- accessible across multiple platforms
- instant data availability for analysis
- automatic analysis of the data
- shareable findings
- reduced administration and preparation time
- evidence gathering e.g. photos can be attached to findings
- fully paperless

Case study

Normal Ground Operations Monitoring (NGOM)

The Normal Ground Operations Monitoring (NGOM) programme was fully launched in late 2018, with 15 employees being trained to carry out passive safety observations of the ground operation at Hong Kong International Airport. NGOM is also part of the Cathay Pacific Quality Assurance Program. The trained observers gather intelligence on how ground operations teams work when they are servicing our aircraft between arrival and departure. NGOM enables us to collect objective data on how ground employees manage threats and errors in everyday work and help managers to understand any differences between procedure and practice. This will enable the improvement of policies, procedures and training around the ground operation to ensure that safety hazards and risks are further reduced.



Safety promotion

Cathay Pacific and Cathay Dragon continue to promote safety and a wider understanding of the SMS. This year, classroom training on Incident Investigation was delivered in Hong Kong by Cranfield University, a world leader in aviation safety education. Over 100 operational managers attended the course, which will also run in 2019. The objective of the course is to enhance investigation knowledge for operational personnel, with a focus on incident investigation and cooperation among departments. Internal training in proactive safety risk assessment was also provided to over 200 operational managers.

All employees in safety-critical roles are required to complete training in SMS to a level commensurate with their role in safety management. All new-joining pilots receive a comprehensive tailored SMS briefing as do newly promoted Inflight Service Managers (ISM) and Captains.

In 2018, we published two editions of our Safety magazine, PROACTIVE, which aims to keep employees abreast of safety activities and issues in the Group.

Fatigue risk management

Our airlines operate a complex passenger and freighter route network with pilots based all over the world and living in different time zones. Consequently, managing pilot fatigue risk is an important component of the SMS. Our Fatigue Risk Management System (FRMS), which was established in 2011, far exceeds current Hong Kong Civil Aviation Department (HKCAD) regulations pertaining to the management of pilot fatigue and complements the Approved Flight Time Limitations Scheme (AFTLS). The FRMS augments the AFTLS by introducing an evidence-based, data-driven system to continuously monitor and control fatigue-related safety risk to an As Low As Reasonably Practicable (ALARP) level.

During 2018, we continued to develop and refine the FRMS by developing and implementing fatigue rules, delivering FRMS training to Crew Resources employees and sending representatives to serve on international fatigue forums and taskforces. Key initiatives in 2018 included:

- fatigue-related safety risks were identified via fatigue reporting
 (Air Safety Reports Fatigue) and extensive analysis using fatigue software. To mitigate these risks, changes were made to rostering practices for both Cathay Pacific and Cathay Dragon
- the implementation of Jeppesen Crew Pairings represented a move from static to dynamic pairings each month. Fatigue Rules were developed to mitigate the fatigue associated with dynamic pairings and are currently being trialled on the B747 Fleet
- a Crew Resources Employee Fatigue and FRMS training programme was deployed via our internal eLearning platform Learners' World
- the Group Safety Manager FRMS continued to serve on the Management Committee of the International FRMS Forum and on the IATA Fatigue Management Technical Group

Business resilience

The Cathay Pacific Crisis Response Centre is a wholly dedicated facility capable of managing a global response effort.

A regularly tested corporate emergency plan includes a centralised command protocol, customised local response teams, telephone enquiry and support centres, and biennially trained special assistance volunteers. All services can be activated by a 24/7 notification system.

More than 1,000 airline employees constitute the Care Team, whose prime focus is to assist passengers and employees and their families who have been affected during a crisis. For significant events, another 8,000 specially trained volunteers are available to supplement the Care Team through the airline's membership in the Family Assistance Foundation.

In 2018, every port within our operation participated in at least one emergency exercise simulation to test their response capabilities.

Cathay Pacific enhanced its business continuity management programme to focus on four categories of events: Loss of Access, Loss of Supply, Loss of Systems, and Shortage of Staff. These are complemented by specific situational plans such as public health emergencies. An Incident Management protocol allows all incidents to be immediately classified and managed by the scalable Incident Management team.

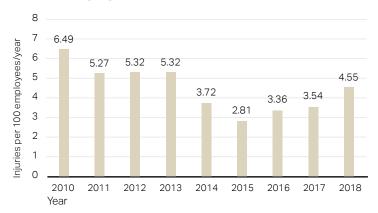


OCCUPATIONAL HEALTH AND SAFETY

All our operations must be carried out in a manner that safeguards the health and safety of all employees, customers, contractors, and the wider community. In 2018, we continued to build our occupational health and safety capability and address a wide range of issues across our airlines. Regrettably there were two fatalities from among our employees in 2018. These occurred in Hong Kong when a commuter bus contracted by the Cathay Pacific Group collided with a stationary vehicle.

Lost time injury rate^{*}

Biodiversity



Lost day rate



During 2018, there were no convictions for non-compliance of occupational health and safety laws and regulations that would have a significant impact on the Group.

PASSENGER HEALTH AND SAFETY

In 2018, Cathay Pacific and Cathay Dragon carried 35.4 million passengers. There were no fatalities caused by operational incidents or accidents. Nor were there any convictions for non-compliance of laws and regulations relating to health and safety matters relating to products and services provided that would have a significant impact on the Group.





^

CLIMATE CHANGE

2018 PERFORMANCE HIGHLIGHTS

Improved fuel efficiency

by 2.0% in traffic carried compared to 2017* and by 28% since 1998

Using biofuel

We used 38 tonnes of biofuel in 2018 for flying our new A350-1000 aircraft home for their delivery flights

Fly Greener

This voluntary carbon offset programme has offset over 165,000 tonnes CO_2 since 2007. In 2018, we have offset 13,999 tonnes CO_2

More new aircraft

We took delivery of 8 Airbus A350-1000 in 2018. With these new aircraft, fuel efficiency can improve up to 25%

Ready for CORSIA

We are on track for CORSIA compliance. IT systems evaluation and selection was completed to conduct monitoring, reporting, and verification in 2019

CO₂ emissions

Cathay Pacific and Cathay Dragon flights emitted 18 million tonnes* of CO₂e in 2018

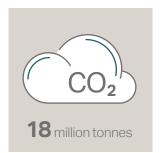












GREENHOUSE GAS EMISSIONS

Scope 1*

18.4 million tonnes CO₂e

All Aviation fuel, other liquid fuel and Towngas

Scope 2#

0.08 million tonnes CO₂e

Electricity and Towngas

- * per revenue tonnes kilometre, RTK
- Data verified by KPMG
- # Global warming potential (GWP) of CO₂ is 1; assumes that all other greenhouse gases (GHG) are negligible as these impacts still uncertain
- Includes Cathay Dragon since 2007
- [†] Includes testing, training, and wet-lease flights since 2009

Thousand tonnes Global CO, emissions and fuel efficiency grammes/ATK improvement - CX group fleet grammes/RTK Total CO₂ Emissions (in '000 tonnes) Efficiency (CO₂ in grammes per unit) 20,000 1.200 17,500 1,000 15,000 800 12,500 10,000 600 7,500 400 5.000 200 2,500

Climate risk

Climate change is increasingly a business risk and is a pivotal concern for our stakeholders. We are committed to managing this risk and responding to stakeholders by reducing our carbon footprint and mitigating our impacts on climate change. Our approach has coupled operating our fleet efficiently with business-wide improvements. We have endeavoured to continuously improve our use of resources, invest in emissions-reducing technology and implement innovative solutions. In communicating climate risks, we have focussed on physical and transitional risks, as identified by the Taskforce for Climate-related Financial Disclosures (TCFD).

Physical risks

Extreme weather events and rising temperatures and sea levels are risks to our operations, our people and our supply chains.

Transition risks

To meet the Paris Agreement's long-term goal of keeping global heating to below 2°C above pre-industrial levels, substantial efforts are required to limit global greenhouse gas emissions. Governments can be expected to introduce policies and regulations to achieve this. Financiers and industry associations can be expected to follow. It is likely that aviation will be significantly affected.

During 2018, there were no convictions for non-compliance of laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste or other environmental issues that would have a significant impact on the Group.



CLIMATE CHANGE STRATEGY

The five core areas of our climate change strategy largely aligns with the approach recommended by the International Air Transport Association (IATA) in focusing on technology, operations, infrastructure, and economic instruments:

- Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)
- alternative jet fuel
- carbon offset programme
- aircraft emissions
- ground emissions

■ In 2018, we finalised our internal preparations for CORSIA compliance and will be ready to start the Monitoring-Reporting-Verification (MRV) phase of implementation from 2019. ■



Yee Chow Climate Change and Biofuel Manager, Cathay Pacific

Case study



Climate-related disclosures

Since 2007, we have been taking part the CDP Climate Change disclosure. CDP is an international non-profit that focuses investors, companies and governments on acting to reduce their greenhouse gas emissions, safeguard water resources and protect forests. Cathay Pacific has been awarded "B" in the past three years by CDP, in recognition of our effort in actively managing our overall impacts, the risks and opportunities related to climate change.

Cathay Pacific Airways Limited Sustainable Development Report 2018

Our participation with CDP Climate Change is also providing us with a platform from which to embark on disclosing decision-useful information for investors in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This includes our climate-related governance, strategy, risk management and metrics and targets, providing our stakeholders with the ability to appropriately assess our risks and opportunities. Our submissions to CDP are available at www.cdp.net.

CORSIA: KEY TIMELINE

READY FOR CORSIA

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is a global scheme aimed at capping the net CO₂ emissions from international aviation at 2020 levels, delivering carbon neutral growth from 2020. This scheme was developed by the International Civil Aviation Organisation (ICAO). In 2016, this scheme was adopted by 191 member states of ICAO and as of May 2019, 78 states, representing about 77% of international aviation activity, agreed to voluntarily participate in CORSIA from its outset.

Cathay Pacific has been involved in CORSIA since its inception in 2008 and we remain closely involved in the developments through participation in the ICAO Global Market-based Measure Technical Task Force (GMTF) and Alternative Fuel Task Force (AFTF). We have taken steadfast action and conducted studies. to understand the various potential impacts and have acquired the professional skill-set and knowledge to prepare ourselves to meet CORSIA's requirements.

We have assessed the necessary infrastructure and flight operation system in order to collect the required data, such as fuel use. In 2018, we have finalised our internal

preparations and have our infrastructure and system in place and can collect full data starting from 2019.

We expect more details about how CORSIA will be implemented to be announced in the near future. We maintain regular dialogue with the Hong Kong Civil Aviation Department, our regulator, to ensure we are fully ready when such information comes along.

Founding member

Cathay Pacific as a Founding member of the Aviation Global Deal Group which advocated for a global solution to regulating carbon emissions.



The framework of CORSIA was adopted by International Civil Aviation

Agreed to participate

72 states representing 88% of International aviation activity agreed to voluntarily participate in CORSIA

System ready

Airlines need to have their Emissions Monitoring Plan and data collection system ready for meeting CORSIA requirements.

Airline are required to monitor fuel use and submit the data. This will be used for calculating how many offset cresits airlines need to purchase.

Voluntary phase

Start of voluntary phase where airlines from participating states will offset emissions by purchasing carbon offset units based on the average CO₂ growth of the aviation sector.

Individual approach

Offsetting obligations will gradually transit from sectoral to individual approch. Airlines with faster frowth rate will need to offset more for its carbon emissions.

Mandatory phase

2030

onward

2027

Mandatory for airlines to offset based on average CO₂ growth of the sector. Safety

As an alternative technology, biofuel plays an important role in tackling climate change. Compared to traditional jet fuel, biofuel can reduce life cycle greenhouse gas emissions by up to 80%. Unlike fossil fuel, biofuel can be produced more sustainably, and there is little difference in terms of performance.

We have taken a leading stance in the use of biofuel in the hope that it will become commercially viable for the mainstream. We have rolled out biofuel projects with world-renowned partners. To accelerate the development of biofuels, we also contribute to the following industry groups:

- Sustainable Aviation Fuel Users Group
- FAA Centre of Excellence for Alternative Jet Fuels
- Commercial Alternative Aviation Fuels Initiative

A pioneer in biofuel development - Fulcrum

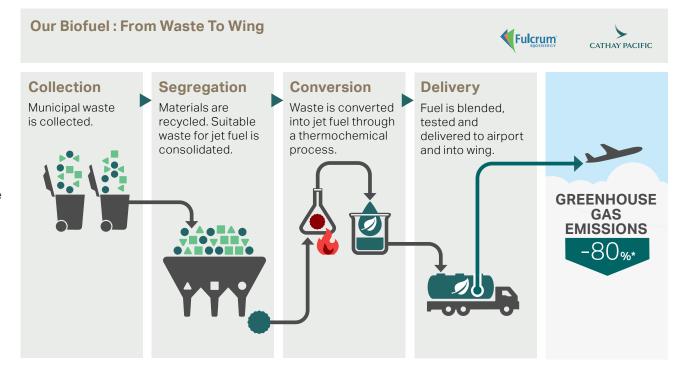
In 2014, Cathay Pacific, as the first airline investor, took an equity stake in Fulcrum BioEnergy, Inc. Fulcrum is a US-based sustainable biofuel developer, which is a world pioneer in the development and commercialisation of converting municipal solid waste into sustainable aviation fuel.

In May 2018, Fulcrum broke ground at its Sierra plant in Nevada, commencing construction of its bio-refinery plant. When the plant begins operations in 2020, it will be able to convert 175,000 tonnes of waste into more than 10 million gallons of fuel each year.

Cathay Pacific's biofuel flights

Cathay Pacific has committed to buying 1.1 million tonnes of Sustainable Aviation Fuel (SAF) over 10 years – enough for about 2% of our current operations. The Airbus A350 aircraft provides an ideal platform for the use of biofuel given its cutting-edge technology and high fuel efficiency.

Since 2016, we have delivered all 30 Airbus A350-900s and A350-1000s aircraft from Toulouse to Hong Kong with a blend of biofuels made from sustainable sugar feedstock via our partners Total, Amyris and Airbus. 38 tonnes of biofuel were consumed in 2018.



* Compared to traditional jet fuel, sustainable biofuel can reduce life cycle greenhouse gas emissions by up to 80%.

Biodiversity

FLY GREENER – OUR CARBON OFFSET PROGRAMME

Safety

Launched in 2007, Fly Greener is a voluntary carbon offset programme aimed at offering our passengers an opportunity to offset their carbon footprint from air travel. This programme was the first provided by any Asian airline. All proceeds received from the programme go directly to running projects that are certified under the Gold Standard to reduce greenhouse gas emissions. Cathay Pacific does not profit from this transaction.

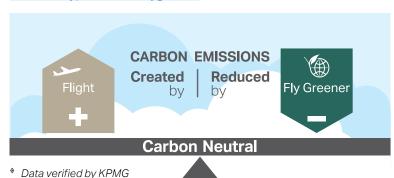
We are committed to the programme by offsetting all GHG emissions generated by our employees on duty travel on our flights.

In 2018, a total of 13,999 tonnes of carbon emission produced by our operations were offset by the programme. This included 8,727 tonnes offsets for our employees duty travel, 2,849 tonnes contributed by our corporate clients, and 2,423 tonnes* by individual customers.

Greenhouse gas emissions reduction programmes supported in 2018 included:

- Vietnam: converting animal waste into clean energy via biogas digesters
- India: efficient cook stoves which leads to fewer emissions, more jobs for women, and healthier people

For more details about Fly Greener, please visit our website: www.cathaypacific.com/flygreener



AIRCRAFT EMISSIONS

We continue to explore and implement comprehensive solutions to address our environmental impact. These solutions include improving our operational fuel efficiency, introducing a new fuel-efficient fleet, and the use of alternative jet fuel.

FUEL EFFICIENCY STRATEGY

Improving fuel efficiency is a key pillar in lowering our greenhouse gas emissions. Our strategies focus on two key aspects; technology, and operations and Infrastructure. While we are reliant on the work of governments and regulators to ensure that we are allowed to fly the most efficient routes and operate in the most efficient manner during take-off and landing, these strategies help us to live up to our GHG emissions responsibilities.

Technology

Technology presents the best prospects for reducing aircraft emissions. As part of our continual efforts to improve fuel efficiency, we keep abreast of the latest aircraft technologies and regularly review the performance of our existing fleet. We introduce fuel-efficient aircraft to stay competitive and lower our carbon footprint.

Operations and infrastructure

The Flight Efficiency Working Group, established in 2014, is made up of representatives from different departments across our airlines, to better manage and improve fuel efficiency. This group focuses on:

- aircraft operations
- · aircraft weight
- aircraft performance
- airspace efficiency
- auxiliary Power Unit (APU) usage

Case study

Introducing the fuel-efficient A350 aircraft family

In line with our efforts to add more fuel-efficient aircraft to our fleet, eight Airbus A350-1000 were delivered in 2018 with the remaining 12 scheduled for delivery by 2021. This follows the introduction of 22 Airbus A350-900s that entered into service since 2016, with six more to come by 2020.

The Airbus A350-1000 brings advanced technologies in aerodynamics and design. Built with carbon-fiber reinforced plastic, the aircraft is lighter and more cost-efficient with reduced maintenance requirements. The combined technological advancement enables it to be 25% more fuel efficient compared with previous generation competitor aircraft.

Powered by higher-thrust Rolls-Royce Trent XWB engines, the A350-1000 has attained marked levels of efficiency to support long-haul routes. This results in clear benefits for the environment, with less GHG emissions coupled with a diminished noise footprint.

New fuel-efficient aircraft joining Cathay Pacific & Cathay Dragon fleet

	A350-900/1000	A321neo	Boeing 777-9X
New aircraft joining fleet from 2019 onwards	18	32	21
Engine	Rolls-Royce Trent XWB	LEAP-1A-32	GE9X-105B
Fuel-efficient highlights from manufacturers	25% more fuel-efficient than its current long-range competitor	20% more fuel-efficient than the current model of A321	21% more fuel efficient per seat than Boeing 777-300ER
Other environmental benefits	Reduced noise	Reduced noise	Reduced noise

Cathay Pacific Airways Limited Sustainable Development Report 2018



Discretionary fuel optimisation project

In 2018, our Flight Operations team has continued to work on a discretionary fuel optimisation project. This project aims to encourage carrying an optimal level of fuel, as any extra weight on the aircraft results in extra fuel burned and as a result, additional greenhouse gas emissions.

Using detailed analysis of past flight data, an optimal level of fuel uplift is calculated for each route and for each aircraft type. Such information is shared with our pilots.

Together with other performance-compliance programmes that we have adopted, this initiative has yielded very good results. In 2018 alone, the project saved about 15,000 tonnes of fuel compared with our 2013 baseline - the equivalent of reducing 37,250 tonnes of GHG emission.

Reducing Engine Taxi-in (RETI)

Conventional procedure requires aircraft to run all engines during taxiing to and from the runway. However, by reducing the engine operation while taxiing in, our aircraft have reduced our ground-level fuel-burn as well as our GHG emission.



We will continue to explore the feasibility of reducing engine operation during taxiing out in applicable airports.

Utilising data analytics

We have been collecting different inflight data across the Cathay Pacific and Cathay Dragon fleet through our collaboration with many partners. This data allows us to identify the areas where we can improve our operational efficiency.

In light of CORSIA requirements, we will continue to develop and advance our data collection system for better planning of our fuel efficiency strategies.

Digitisation - eEnabled system

We have rolled out the eEnabled Aircraft Programme to facilitate seamless global aircraft connectivity and data sharing across our airlines. We have switched to electronic documents on eEnabled aircraft and used lighter materials for inflight equipment. Any weight reduction will translate into greenhouse gas emissions reduction as it incurs less fuel burned.

For example, we digitised our cabin crew inflight manual, replacing the 13kg paper version. In 2018, the use of digital format for charts on personal electronic devices have been successfully implemented and used by our pilots. The continuous development of applications like the Electronic Flight Folder will realise further reduction in paper documents on the Flight Deck and improve processes that can lead to improving fuel efficiency.

To optimise our fuel efficiency, we have also setup a fuel monitoring system and implemented frequent engine core washing. This has enabled us to achieve higher efficiency and build resilience in the face of adverse business conditions, such as additional carbon charges and rising fuel prices.



Greg Hughes Chief Operations and Service Delivery Officer, Cathay Pacific

■ The group's most significant environmental impacts may come from burning aviation fuel, however each of our subsidiaries contributes to our company-wide efforts by operating responsibly with policies and practices in place to promote sound environmental stewardship.

GROUND EMISSIONS

Ground emissions cover all our non-aircraft operations. While ground emissions contribute considerably less than aircraft emissions, we have worked to reduce our carbon footprint in this segment, concentrating on electricity consumption, equipment efficiency, and vehicular emissions.

Since 2010, we have supported the Airport Authority Hong Kong's emission reduction initiatives together with over 40 other airport-related companies. All participants pledged to reduce airport-wide greenhouse gas emissions by 10% per workload unit by 2020, based on 2015 levels.

Our buildings

Located near Hong Kong International Airport, our 134,000m² headquarters encompasses Cathay Pacific City and Cathay Dragon House, airline stores, a hotel, and the flight training centre. The two premises are certified to ISO 14001:2015 standard for environmental management systems.

To reduce our carbon footprint, we invest in energy-saving measures such as low-impact lighting devices. Other reduction methods include sensors and chilled water system optimisation.

Environmental initiatives in 2018 include:

- ongoing replacement of energy efficient LED lighting
- ongoing operation of chilled water system optimization to the chillers

Initiatives from 2017 implemented in 2018:

- curtain walls replaced with energy efficient U-value and double-glazing in Cathay Pacific City
- reusing metal partitions to minimize wastes
- 20 electric vehicle chargers installed



Cathay Pacific Airways Limited Sustainable Development Report 2018

OUR SUBSIDIARIES

As a leading airline that values sustainability, our subsidiaries are also required to develop sustainable policies and practices in their operations across their business lines.

Our subsidiaries' sustainability efforts are best evidenced by the projects they are engaged in.



Cathay Pacific Catering Services (CPCS)

Our people

Cathay Pacific Catering Services (HK) Limited (CPCS) provides flight catering services to 50 international airlines operating out of the Hong Kong International Airport. The company produced 30 million meals and handled 73,500 flights in 2018, representing an average of 82,000 meals and 201 flights a day.

In 2018, CPCS continued to implement various measures in order to meet its Corporate Sustainability Targets 2020. Its three key projects to reduce its carbon emissions were:

- 1. Demand Control Ventilation for Central Hot Kitchen
- Installed CO₂, heat, humidity, motion & VOC sensor for control of ventilation & air condition supply
- Estimated to reduce 270 tonnes CO₂e/year
- Condensate Water Recovery System Driven by Solar Energy (Stage 1)
 - Collected condensate water from AHU for chiller use
 - Reduced GHG emissions by 4.6 tonnes CO₂e/year
- 3. LED Essential Lighting of Phase 1
- Replaced 500 sets of essential lighting replaced with 10-watt LED tube
- Estimated to reduce GHG emissions by 40 tonnes CO₂e/year.

CPCS has been publishing its own report since 2010. Find out more from here:

http://www.cpcs.com.hk/eng/environmental e.html



Vogue Laundry Services Limited

Cathay Pacific has invested 1.8 billion Hong Kong dollars to construct a new Vogue Laundry plant at the Yuen Long Industrial Estate. This 250,000 square foot, purposefully built plant becomes the biggest and most automated laundry in East Asia. The new plant is a BEAM Plus Gold standard building using environmentally friendly building material with energy savings equipment and water recycling facilities.

Vogue Laundry Services employs more than 500 people, serves over 27 airlines and 35 hotels, and on average deals with 290,000 items a day, equivalent to 94.6 tonnes of laundry. Vogue is certified to Hong Kong Green Organization and the OHSAS 18001 occupational health and safety standard.

Over the past few years, Vogue has been actively exploring ways to reduce plastic bag consumption. A reduction of 23%* has been achieved by removing individual packing for Cathay Pacific and Cathay Dragon uniforms.

Vogue has also been proactive in finding ways to reduce greenhouse gas emissions. It recently switched from a diesel boiler to a dual-fuel boiler which operates on a combination of Towngas and ultra-low Sulphur diesel at a 70:30 ratio. Just as Cathay Pacific invests in new aircraft that help to improve environmental performance so to Vogue is modernising its fleet of 23 vehicles. In 2018, one Euro III truck was retired. In 2019, six new Euro V trucks will be added to the fleet while six Euro III trucks will be retired. Replacing these older vehicles with newer, cleaner models significantly reduces the amount of carbon monoxide, nitrogen oxides and hydrocarbons emitted per energy output. Since March 2016, B5 biodiesel has been utilised on one of Vogue's delivery routes.

^{*} Unit measured in rolls of plastic bags



Cathay Pacific Services Limited (CPSL)

Cathay Pacific Services Limited (CPSL) serves 15 airlines at Hong Kong International Airport (HKIA) and is the largest cargo terminal in the world.

Over the reporting period, CPSL's throughput of cargo was 2.07 million tonnes. On 10 Mar 2018, CPSL handled over 7,100 tonnes of cargo, the highest single-day cargo handled in the year.

In 2018, CPSL's annual greenhouse gas emission fell by 1,888 tonnes CO_2e due to the implementation of green initiatives, including optimization of air conditioning system, installation of LED light tubes along cargo conveyors at levels CT3 and CT5 to replace high bay lights, optimization of lighting levels along driveway at CT1 and continual replacement of T5 twin fluorescent lighting fixtures with LED light tubes.



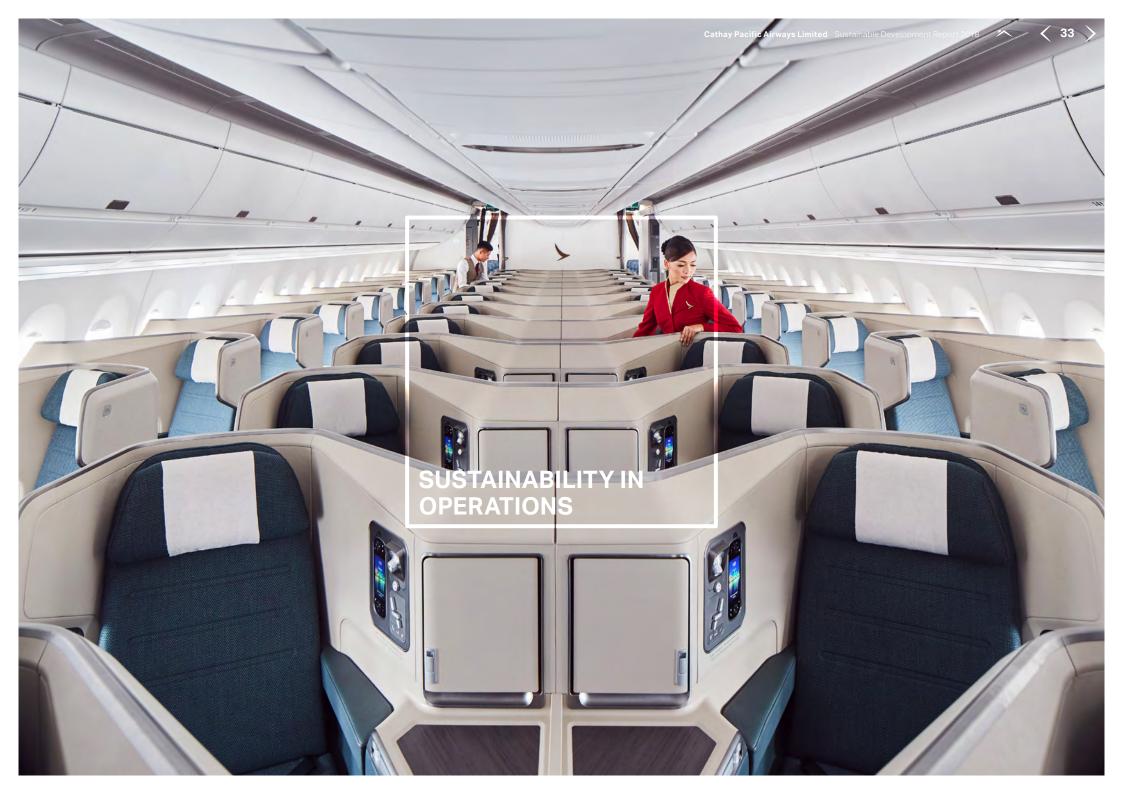
Hong Kong Airport Services Limited (HAS)

Hong Kong Airport Services Limited (HAS) serves 30 airlines at Hong Kong International Airport (HKIA) and operates the largest Ground Support Equipment (GSE) and vehicle fleet in the Group. HAS is committed to reducing carbon emissions and has implemented its GSE Replacement Programme since 2011.

In 2018, HAS purchased a total of 96 new GSE, including baggage cart, diesel tractor, shuttle bus, electric lower deck loader, electric tractor, and electric vehicles for better performance and energy saving.

Total GSE fuel consumption in 2018 was 3.46 million litres, representing a 3.83% year-on-year increase in total carbon emissions. When compared with 6.96% increase in aircraft movement from additional customer airlines and cargo freighter handling business, an adjusted value of 3.13% fuel efficiency improvement was achieved.

For 2018, we had increased the electric loader from 10 units to 18 units. The electric loader population has reached 29% of the entire loader fleet which should help to reduce our greenhouse gas emissions from 2019 and onward.



SUSTAINABILITY IN OPERATIONS

2018 PERFORMANCE HIGHLIGHTS

Release of single-use plastic (SUP) strategy

Committed to the removal of 18.7 million plastic straws and stirrers in 2019

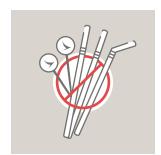
Conducted inflight waste audits for two long haul flights

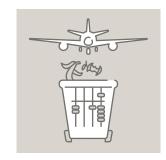
145 of our long and short haul flights took part in a waste charging trial in Hong Kong

Revising our process for inflight meal ordering to further reducing food waste

Expanded food rescue coverage in Hong Kong resulting in 63% increase in surplus food donation















OVERALL RECYCLING PERFORMANCE



1,983 tonnes of paper and cardboard



39 tonnes of metal



467 tonnes of plastic



463 tonnes of glass



31.964 litres food processing oil recycled



434 tonnes of surplus food donated to charities



OUR APPROACH

Sustainable sourcing, waste management, and careful consideration of resource usage are the three key pillars underpinning our effort in embedding an environmentally responsible mindset in our culture and sustainable practices in our operations. As a leading global airline employing thousands and carrying millions of customers each year, the considered management of our environmental impacts is an imperative. From procurement to ultimate disposal, our cradle-to-cradle approach allows us to tackle sustainability challenges in a more systemic way.

SOURCING

Sustainable procurement and system

Globally, we work with over 1,000 suppliers dealing with a vast range of purchases across the destinations we serve. Working with our suppliers is key to delivering products and services to our customers in a sustainable fashion.

Over the years, we have developed our Supply Chain Sustainability Code of Conduct which includes our standards for business ethics. We have collaborated closely with our suppliers on sourcing matters, such as increasing the use of sustainable materials, utilising regenerated waste materials and procuring recycled plastic products.

We require the procurement process of all our goods is conducted in full compliance with relevant laws, tax regimes and regulations that govern the respective transactions, and with full account in terms of our Anti-Bribery, Anti-Trust and Data Protection policies.

Supply China Sustainability Code of Conduct (CoC)

Our procurement process involves supplier vetting. Suppliers are required to declare that their products and services comply with our Supply Chain Sustainability Code of Conduct. The CoC describes our minimum environmental and social requirements including:

- Legal and regulatory compliance
- Not employing under-age workers/child labour
- · Not employing forced labour
- · Health and safety in the workplace
- Protection for the environment
- Provision of proper compensation and appropriate working hours for employees
- Respect for employee rights and not discriminating against employees
- · Sharing standards with sub-contractors
- Maintaining high ethical standards
- Communicating openly and effectively with employees

This CoC is available internally to our global offices and shared with our suppliers, both locally in Hong Kong and to those based in the rest of the world. We actively work with suppliers who share our standards. We manage our risks related to supply chain through continuous collaboration with our suppliers in accordance to this CoC. In the event that a supplier has fallen short of the requirements, we review the relationship and shortfall on a case by case basis and proceed accordingly.

Supplier scorecard

We have developed a balance-rated scorecard for procurement to measure suppliers' performance in six different areas:

Costs, Innovation, Satisfaction, Quality, Assurance of supply and Sustainability.

Sustainable seafood

According to World Wide Fund (WWF) Hong Kong, about 90% of commercially important fisheries are either fully or over-exploited globally. While awareness on choosing sustainable seafood to adopt responsible and sustainable practices has increased over the years, fish stocks remain threatened and some are on the verge of collapse. As a company that regularly serves fish to our customers and staff we have been proactively addressing this challenge through responsible sourcing for almost a decade.

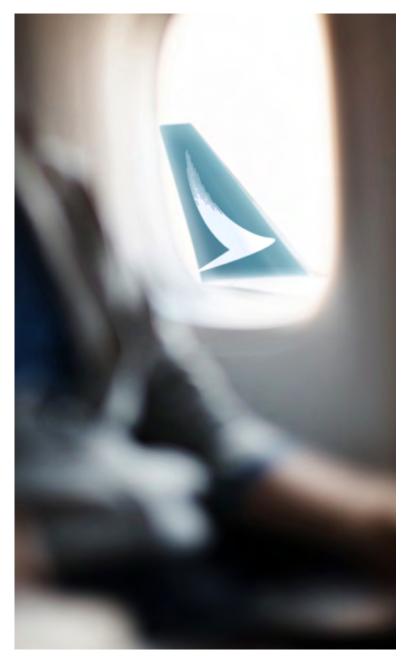
Cathay Pacific is a corporate member of WWF. We share the same values and approach in sourcing certified sustainable seafood on selected routes. Since 2010, the food served to our Economy Class passengers on our flights from European ports has come from sustainable sources, such as those certified by the Marine Stewardship Council (MSC).

Recognising the need to conserve certain species that are endangered due to the problem of overfishing, we established our internal Sustainable Food Policy in 2011 to provide guidance for our purchasing decisions. We opt out of purchasing specific unsustainable food items and ask for information with regards to where the food was originally sourced.

In 2018, Cathay Pacific Catering Services (CPCS) purchased a total of 417 tonnes of certified sustainable seafood to protect the marine ecosystem, a 8% increase from 2017.

It is also our corporate policy not to serve shark fin soup either inflight, at Cathay Pacific City, Cathay Dragon House or at any corporate events or meals which are organised or subsidised by the company.





WASTE MANAGEMENT

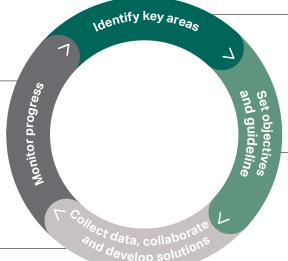
Waste is one of the most concerning environmental problems based on the results of the Group's stakeholder engagement. Recent environmental issues, such as the shortage of landfill sites and the implementation of the municipal solid waste charging scheme in Hong Kong, have made waste reduction a more pressing issue for our stakeholders and local communities.

Our stakeholders – especially our employees – have expressed concerns about how much we have done about waste reduction. This has highlighted the importance of enhancing communications and training on waste reduction and recycling programmes, continuously reviewing our operations, and using digitisation to improve our management. For this reason, our revitalised Sustainable Development Strategy has a clear focus on product usage and waste management.

Our resource and waste management approach covers four key elements:

Monitor waste generation 4 and reduction with our sustainability management system.

Work with different 3 departments on the impact of the items we purchase and develop solutions with our suppliers to reduce our waste.



1 Identify resource use and waste generated at different operational points.

Develop guidelines and policy on resource use and formulate simple comparative tools to help departments decide which materials to choose.

Inflight waste

Since 2006, we have sorted, reused and recycled inflight waste. Currently inflight recycling is only carried out on inbound flights to Hong Kong. We are not allowed to carry the waste on return flights for hygiene and storage reasons, and regulations in many destination countries prohibit recycling waste from international flights. Some countries, such as those in North America and Australia, have very strict health and safety regulations on international waste, including waste from international flights which requires deep burial in landfill, or incineration.

In light of these challenges, we conducted inflight waste audits in December 2018 for two long haul flights to better understand our waste stream. More studies shall be conducted in the future to address the challenging issue of managing inflight waste.

Hong Kong International Airport Municipal Solid Waste charging pilot scheme

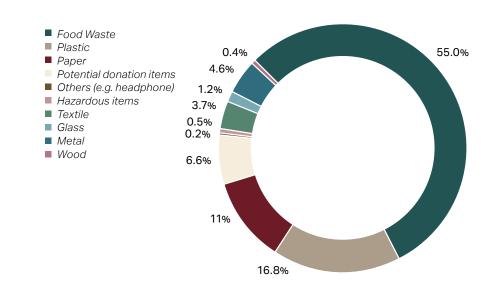
In preparation for the incoming Municipal Solid Waste (MSW) charging scheme operated by the Hong Kong government, we voluntarily participated in a charging pilot scheme in 2018. Conducted by the Hong Kong Productivity Council, the pilot scheme sought to determine the logistics for implementing the charge for all Hong Kong International Airport (HKIA) users. 145 of our long and short haul flights took part in the trial, providing HKIA with valuable insight into the amount of waste generated from different airlines and aircrafts. Participation in the pilot scheme also provided us with an opportunity to leverage the waste data collected to enhance cabin waste management in what proved to be a mutually beneficial exercise for both Cathay Pacific and HKIA.

Waste audit

Following a waste audit of our Headquarter in 2017, this year we conducted a pilot waste audit on our inflight operations. Two flights from London to Hong Kong were selected for the trial with the purpose of:

- getting a snapshot understanding about total breakdown of waste generated
- obtaining insights to better understand priorities and rooms for improvements
- improving future audit plan to establish a general waste baseline

We shall continue in this area, using the data collected to support the rethinking of the items we use inflight and taking input from the aircraft waste audit trial to further develop our waste reduction strategy in 2019. The general breakdown of waste composition from the pilot waste audit is provided below:



3

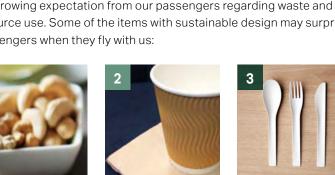
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Reducing the impact of inflight products

Over the years, we have worked closely with suppliers and non-profit organisations to offer products that are sustainably sourced to minimise our impact on the environment while maintaining overall product quality. In 2018, our brand team had a clear design strategy focused on product packaging. Starting in 2019, all new merchandise and collaterals will have no further single use plastic packaging, the impact of which will be a significant reduction in single-use plastic across four main product lines; water bottles, notebooks, passport holders and luggage tags. Based on 2018 sales figures, collectively, this product redesign will remove around 11,500 single-use plastic packaging from use in 2019.

Climate change

Providing passengers with quality sustainably designed inflight items reduces the environmental impact of our operations and helps to meet the growing expectation from our passengers regarding waste and resource use. Some of the items with sustainable design may surprise passengers when they fly with us:



Cocktail snacks

Inflight cocktail snacks (roasted peanuts) are produced from certified palm oil, since 2016. which helps minimise environmental impacts such as deforestation rights of indigenous people



from 70% sugarcane and 30% wood pulp



Meal utensils

Reusable plastic cutlery from Cathay Pacific flights is sorted, washed and reused to minimise our single-use plastic waste.



Meal seafood

To support protection of the marine ecosystem, we purchased 417 tonnes of certified sustainable seafood for our inflight meals in 2018.



Meals vegetable

In 2018, we used over 38 tonnes of hydroponic vegetables locally grown in Hong Kong.



Carpets

6

Introduced in 2012. carpets in our aircraft are made from regenerated nylon waste materials such as discarded fishing nets, fabric and carpets.



Plastic sheets

Since 2011, we have used biodegradable plastic for the packaging of blankets, inflight magazines, and headphones.



Blankets

We have introduced blankets made entirely from recycled plastic bottles for our Economy Class passengers. Each year over 450,000 pieces are used. Unopened blankets are reused on subsequent flights.



In Customers and staff are increasingly environmentally conscious. As a progressive and premium airline, we are making it a priority to look for alternative products that are more environmentally friendly but still maintain a high standard of quality. This is an urgent task.

Simon Large

Director Customer, Cathay Pacific Airways Limited

RESOURCES MANAGEMENT

Every day, we use resources such as paper, wood, plastic and food, inevitably generating waste. To minimise waste, we have implemented reduction and recycling initiatives targeting different items both on our flights and in our ground operations.

Plastic

Plastics are versatile, cost-effective and lighter than most materials, so we use them throughout our operations. However, plastics take a long time to degrade and are clearly harmful to the environment if treated irresponsibly.

Over the years, we have taken different initiatives aiming to reduce the negative impact from the use of plastic in our operations. Here are some of them:

Highlights of our plastic reduction journey

Since 2018	Committed to the removal of 18.7 million pieces of plastic straws and stirrers in 2019. Our canteens in headquarters became free of single-use plastic cutlery, bags, straws and stirrers.
Since 2017	Removed clear plastic bags on all laundered uniforms.
Since 2016	Replaced duty-free purchases plastic bags with paper bags. Introduced blankets that were made with recycled plastic bottles.
Since 2014	The redesigned 9oz plastic cup used in Economy Class is 33% lighter than the previous cup and is more pliable and recyclable. It can be recycled together with the First and Business Class plastic covers for plates and bowls.
Since 2014	Collection of plastic stretch wrap for recycling at the Cathay Pacific Cargo Terminal.
2013	200,000 Economy Class plastic cups that were phased out from our operations were sent to a recycler to be made into other plastic items.
Since 2013	Replaced styrofoam boxes with reusable cooler bags for inflight ice cream storage, thereby reducing their usage by 44%.
Since 2012	Biodegradable plastic bags are used for blankets, cutlery, duty-free purchases (since 2011) and inflight magazines.
Since 2011	Toothbrush and shoe horn included in the First and Business Class amenity kits are switched to a corn-starch and cellulose material.
Since 2007	Plastic cups and bottles are collected inflight for recycling.
Since 2002	Vogue Laundry, a wholly-owned subsidiary of Cathay Pacific, has been running a rebate programme for customers returning plastic hangers.
Since 2001	Plastic cutlery used in Economy Class are washed, sterilised and re-used multiple times.

In 2018, we have adopted a new strategy towards single-use plastic (SUP) – we call it the 4Rs, which stand for Reduce, Reuse, Recycle, and Rethink. Going beyond the first three Rs, we are fundamentally rethinking how and why we use SUP: at every stage, every location, and every business unit of our operations, aiming to ultimately remove and replace them as much as possible.

Our Single-use plastic Strategy - The 4Rs

RETHINK	Take the opportunity to stop and assess how and why we are using SUP items anywhere in our operations.
REDUCE	Reduce whether in volume, waste generation or landfill bound waste.
REUSE	Use items more than once anywhere in our operations globally, e.g. washing cutlery so it can be used again
RECYCLE	Use a recycling process by sorting, segregating and re-making them into "like for like" items or a new type of item (includes upcycling where the end product is perceived to be of higher or newer quality).

In 2018, we undertook the following initiatives:

- Over 100 employees and their families attended the beach clean-up at Silver Strand Beach, Clearwater Bay on 27 October, and collected 103 bags of waste which in total weighed approximately one tonne.
- Keepcups were sold at Cathay Pacific City and Cathay Dragon
 House to our people. All proceeds went to Plastic Free Seas, a local
 Hong Kong charity that advocates for change in the way plastics are
 used, and for the reduction of their impact on marine life.

In Cathay Pacific City and Cathay Dragon House:

- Plastic straws, stirrers and cutleries were removed in 2018. Other single-use plastic items have begun to be phased out.
- Plastic bags are being replaced by paper bags which are available upon request.
- Monetary discounts can be enjoyed at any of our dining outlets upon bringing your own cup.

Inflight and lounges:

 Plastic straws and stirrers will be gradually removed on all Cathay Pacific and Cathay Dragon flights and lounges globally throughout 2019.

Further review will be conducted in 2019, applying the 4R approach on additional single-use plastic items throughout our operations.

Paper and wood

Our procurement policy ensures sustainable procurement for paper resources, as endorsed by the Forest Stewardship Council.

All marketing collaterals and office paper from Hong Kong are from sustainable and certified sources. We are working on implementing this policy across our global operations.

- With the eEnabled system on-board our aircraft, our cabin crew can now access flight preparation information via tablets instead of printing the documents out.
- Digitising the inflight manual used by our cabin crew has helped reduced paper consumption, as each manual weighs 13kg.

Food

Since 2011, Cathay Pacific has participated in the Airport Authority Hong Kong food waste recycling scheme, collecting and sorting food waste from our office canteens, restaurants, crew hotel and airport lounges.

Cathay Pacific Catering Services (CPCS) provides flight catering services to 50 international airlines in Hong Kong. The company produced over 30 million meals, representing an average of 83,000 meals. While we recognise some food waste is unavoidable, we have implemented a number of measures to reduce it.

In 2018, CPCS has recycled a total of 1,358.5 tonnes of food waste to O-PARK1 in Siu Ho Wan and for further treatment into animal feed.

Reduce wastage by uploading the right number of meals for each flight

The number of passengers booked on any particular flight changes frequently, due to last-minute additions or cancellations, or passengers missing their flights. Without sufficient procedures in place, the unneeded meals can lead to food waste and squandered energy and water from meal preparation. One way we strive to reduce food waste is to bring the meal delivery cut-off time as close to flight departure time as possible. By shortening the cut-off time, we can more precisely gauge how many meals are required on board, thus reducing wastage.

Turning cooking oil into biodiesel

CPCS generates food processing oil each day to support food production. As a responsible corporate, we treat our used food processing oil properly in compliance with regulations.

Since 2004, we have collaborated with a biodiesel company to reprocess our used cooking oil into vehicle biodiesel. In 2018, 31,964 litres of food processing oil were collected and turned into biodiesel.

Donation to food bank

Since 2014, Cathay Pacific Catering Services has worked with a local charity, Feeding Hong Kong, to redistribute surplus food collected from our inbound flights. In 2018, food rescue coverage was expanded to cover Cathay Dragon flights also, resulting in a 63% increase of food donation to 434 tonnes.

We have also partnered with Food Angel, another charity, since 2013. Food Angel collects fresh food and ingredients and prepares meals for senior citizens in Hong Kong. In 2018, we donated over 4.6 tonnes of food to Food Angel.



Over 434 tonnes of surplus food were donated to Feeding Hong Kong in 2018



Senior citizens enjoying hot meals provided by Food Angel, our donation partner Photo credits: Feeding Hong Kong and Food Angel

Retired aircraft

To stay competitive, we bring in new aircraft to make our fleet more fuel-efficient and technologically advanced to better meet our customers' rising expectation. In 2018, eight new A350-1000 aircraft were delivered while six older models were retired.

We began working with a company specialising in end-of-life solutions to recycle these aircraft in 2015. Under the Airbus' Process for Advanced Management of End-of-Life Aircraft (PAMELA) initiative, our retired aircraft were systematically recycled with up to 90% of their components reused or recovered.

In the aircraft recycling process, hazardous waste, mainly the lubrication oil, is sent to specialised waste handlers for proper disposal.

RENOVATION AND FIT-OUT PRACTICES

Managing our infrastructure is a priority area of our sustainable development strategy. In line with our strategy, we encourage and implement green building practices to manage the impact of our infrastructure from conceptualisation through development to building management. The following documents form part of the construction or renovation contracts that we undertake with our contractors:

- Swire Pacific Swire Pacific Sustainable Building Design Policy
- Cathay Pacific Airways Limited Sustainable Development Policy
- Cathay Pacific Airways Limited Supply Chain Sustainability
 Code of Conduct
- Swire Form of Contract Schedule 14 Environmental Waste Management Plan
- Practical notes and guidelines issued by professional institutions such as The Hong Kong Institute of Architects, The Hong Kong Institute of Surveyors, The Hong Kong Institution of Engineers, and applicable codes, guidelines, and regulations as applicable in different jurisdictions

Case study

Upcycling partnership with St James Settlement

CPCS has partnered with St. James
Settlement Upcycling Centre to transform
its used rice packaging into a household
recycling bags to enhance public
awareness on the upcoming Waste
Charging Scheme in Hong Kong.

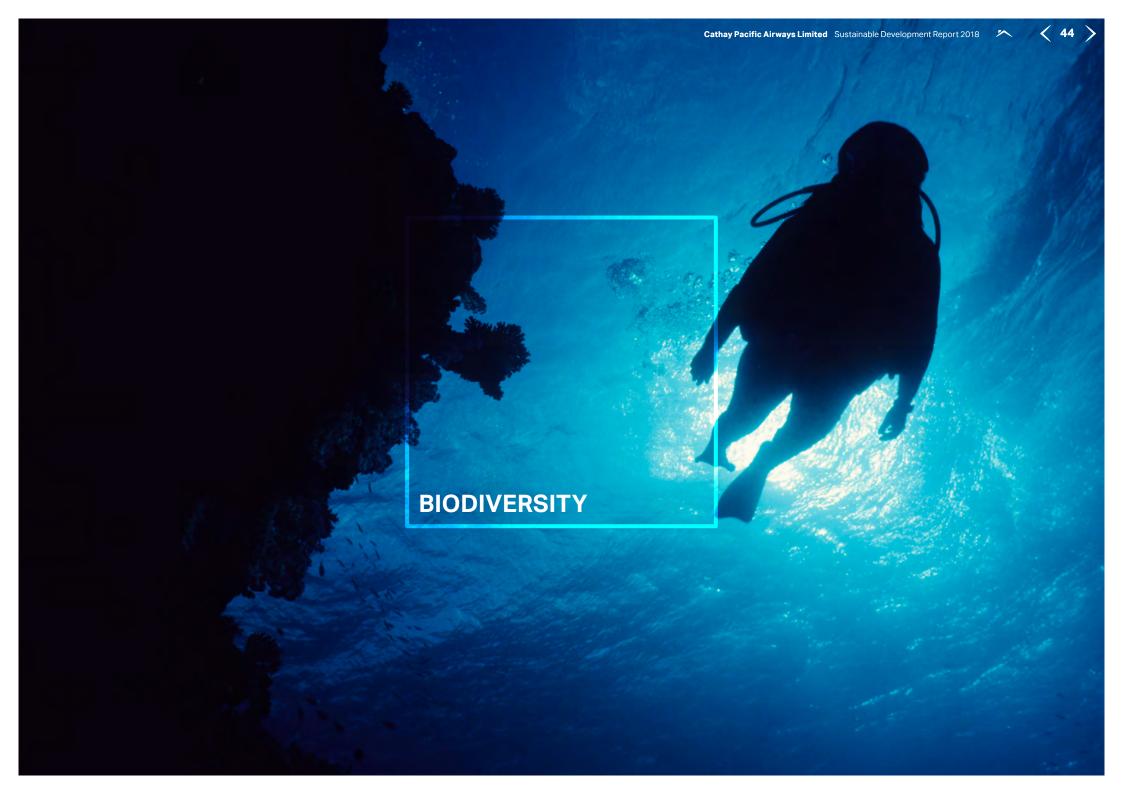
CPCS fully endorses the scheme which aligns with Cathay's 4Rs strategy and encourage the public to recycle as much household waste as possible. The recycling bags were being sold in the Chinese New Year Market during Chinese New Year at the Hong Kong Victory Park in 2018.



Upcycled rice bags sold at the Chinese New Year Market by CPCS

The same requirements apply to tenants operating in our premises, such as salon and coffee shops, for their own renovation work.

We have been certified ISO14001:2015 on environmental management system for our property premises. On top of compliance matters, we follow our environmental management system to ensure our most significant environmental risks are mitigated to reduce impact and good practices are followed through.



BIODIVERSITY

2018 PERFORMANCE HIGHLIGHTS

1

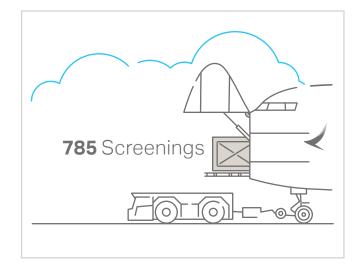
We served over 417 tonnes of certified sustainable seafood through our catering services unit to different airline customers



2

Our people

Carried out 785 air cargo screenings on 150 freight forwarding agents in line with our Sustainable Development Cargo Carriage Policy



3

Signed the WildAid Global Shark Pledge to call for other business leaders to join us in creating a shark fin-free Hong Kong. We have banned carriage of all shark fin since 2016



Many animals and plants are increasingly threatened because of international trade in rare or endangered wildlife and associated products. We realise that airlines play an important role in combating this threat to biodiversity through responsible cargo management. In response, we have developed our cargo policy to prevent the carriage of illegal or endangered species. Our stakeholders also support our recent embargos on various endangered species or products, such as ivory and shark fin.

united

SUSTAINABLE DEVELOPMENT CARGO CARRIAGE POLICY

Over the years, we have worked closely with industry associations, conservation organisations, academia, and various stakeholder groups and experts to develop guidelines for our carriage practices so that we will not knowingly facilitate the trade of any flora or fauna or their produce that may threaten the sustainability of any species.

In 2017, we published the Sustainable Development Cargo Carriage Policy which allows our various stakeholders to gain a holistic understanding of where we stand in doing our part to protect the environment in the area of cargo carriage. To develop the policy we enlisted input from a subject matter expert and referenced several international regulations. The Society for the Prevention of Cruelty to Animals in Hong Kong was our partner in developing our Greyhounds Carriage Policy. TRAFFIC, the wildlife trade monitoring network, has helped us develop our Shark and Shark-related Carriage Policy. Regulations and initiatives referenced include:

- Convention on International Trade in Endangered Species of Wild Fauna and Flora
- IATA's Live Animal Regulations
- IATA's Perishable Cargo Regulations
- IATA's Wildlife Task Force initiatives
- United for Wildlife Transport Taskforce initiatives

Going forward, we will continue to engage with our customers and agencies to ensure that this policy is understood and implemented. Particularly as we aim to develop the policy further to ensure it is practicable and enforceable in response to any major changes in our environment.

EMBARGOES

In recent years, we have placed embargoes on an increasing number of animals, wildlife and wildlife products to restrict opportunities for their shipment and add our support to movements aimed at stopping biodiversity loss. Our Embargo List includes items such as hunting trophies, shark fin and ivory, and live species like racing greyhounds and animals intended for testing purposes. Any person or organisation wishing to transport live animals using our services must sign a Shipper's Declaration Letter certifying their compliance with Cathay Pacific or Cathay Dragon's shipping requirements. Failure to comply can result in legal penalties.

International declaration United for Wildlife Declaration

In 2016, Cathay Pacific signed the United for Wildlife
Transport Taskforce Buckingham Palace Declaration. As **Wildlife**a signatory to the declaration, we are committed to neither facilitate nor tolerate the carriage of wildlife products, where trade in those products contravenes the Convention on International Trade in Endangered Species of Wildlife Fauna and Flora (CITES).

Our commitment also includes information sharing, employee training, technological improvements and resource sharing across companies and organisations worldwide.

OUR CARGO CARRIAGE APPROACH

Our cargo carriage operation is constantly reviewed and assessed in our different destinations. We have developed a systematic approach to manage the risks and quality in our operation.

Risk profiling

Over the past decade, global e-commerce has expanded rapidly. This expansion has led to greater risks regarding the misdeclaration of goods carried on our passenger flights and freighters. We have conducted risk profiling and assessment on our freight forwarding and logistics agents periodically to mitigate the risks.

Since 2017, we have implemented the Cargo Agent Operation Programme (CAOP) to conduct risk profiling on about 150 freight forwarding and logistics agents in Hong Kong. More frequent target screenings will be imposed on the goods of high-risk agents. Risk profiling on agents is reviewed every two years, or more frequently as the case requires.

Screening of goods

To manage the risks arising from misdeclaration of cargo, a comprehensive approach to cargo screening has been put in place, ranging from random screening for mitigating the overall risks, to target screening on high-risk cargo. Random screening was conducted for 785 consignments in 2018.

Depending on the risk profile of the agents, we may impose additional screenings or issue an embargo on the goods where necessary. We also encourage our agents to provide an improvement plan on cargo safety, screening and declaration, as part of the programme managing activities before shipment tendered into our custody.

■ Our efforts in sustainability are focused on engagement, education and empowerment. By engaging international environmental taskforces and other NGO initiatives we drive positive change in our cargo business and contribute to industry-wide efforts. We educate our colleagues how our sustainability-focused policies are operationalised to create impact, and empower them to put sustainability into practice in their everyday work. ■





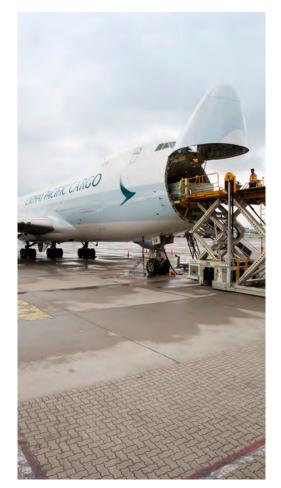
Collaboration and partnership

We have involved our freight forwarding and logistics agents and Hong Kong Civil Aviation Department in the discussion of misdeclaration and screening requirements from time to time to improve the overall cargo operation in the industry.

In 2018, we have been actively updating local and overseas authorities about our programme and have received good feedback about how we manage risk. Cathay Pacific has also hosted a number of sharing sessions about the programme to other airlines operating into Hong Kong through the HKIA Air Cargo Carrier Liaison Group.

We have communicated with international customs authorities in driving the enhancement of the harmonised code for classifying goods to ensure the consignors have lodged their declarations correctly. The code system can give higher transparency and improve our control on the goods that our freighters carry.

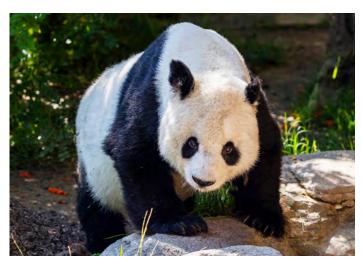
All the above process help to improve the integrity of our cargo carriage operations, so we can be more effective in identifying illegal trafficking in violation of our embargo policies, or the transporting of goods and products that may threaten endangered species.



Case study

Cathay Flies Very Important Panda Home

Our cargo services are no strangers to transporting valuable assets. This year, Gao Gao the Giant Panda journeyed with us on a freighter flight from Los Angeles to Chengdu. Gao Gao, a lovely, 26-year old panda, has sired five offspring at San Diego Zoo in California in past 15 years, doing much to help conserve his species. He is now in retirement in the Chinese Center for Research and Conservation for the Giant Panda in Dujiangyan.



Gao Gao the Giant Panda flew home with Cathay

Case study



Our Director Customer, Simon Large, took the WildAid Global Shark Pledge on behalf of Cathay Pacific in 2018

WildAid Global Shark Pledge

This year, Cathay Pacific took the WildAid Global Shark Pledge. WildAid supports shark conservation efforts and calls on other business leaders and corporations in Hong Kong, particularly those without sustainability initiatives, to join the Global Shark Pledge and help create a shark fin-free Hong Kong. Around 100 million sharks are slaughtered for their fins each year, with fins from approximately 73 million sharks ending up in soup each year. Hong Kong is the port of entry for about half of all globally traded dried shark fins, where they are often re-exported to mainland China.

At Cathay Pacific, we first banned shark fin soup in 2002 and in 2016, we were the first airline to ban shark fin as cargo. We're proud to lend our support to WildAid and help to protect against the unnecessary practices of shark finning. During the year, Simon Large, our Director Customer joined with other Hong Kong industry leaders to explain the importance of the issue. Click here to watch the video, or the visit www.wildaid.org to read the story.

Case study

Illegal and/or unsustainable trade is devastating wildlife species the world over. By advising Cathay Pacific on specific species shipment requests, TRAFFIC is able to play an active role as a gatekeeper to allow trade only in products that are sustainably sourced.

Mr Glenn Sant.

Fisheries Trade Programme Leader in TRAFFIC and Senior Research Fellow at Australian National Centre for Ocean Resources & Security, University of Wollongong

Our partnership with TRAFFIC

Wildlife protection begins with appreciation for biodiversity and ends with concerted action. The difference is made when organisations work together, and each live up to their responsibilities. At Cathay Pacific, developing sustainability-focused policies and procedures is only one step - implementation is key. Our well-defined special handling procedures ensure our teams can maintain the integrity of our cargo across the globe. We also leverage the expertise of TRAFFIC, collaborating to maximise our conservation impact through the due diligence carried out for shipping sharks and shark-related products other than fins. In doing so, we take necessary measures to block channels for illegal wildlife trade and restrict access to markets for beneficiaries of wildlife exploitation.

Special handling procedures for Shark

Every request for the shipment of all species of sharks and shark-related products other than fins will require shippers to complete a Shipment Request Form and submit it to our Cargo Service Delivery Group. Shark fins are embargoed under all circumstances.



Our Cargo Service Delivery Group will consult a panel of internationally acknowledged experts, including representatives from TRAFFIC, a leading NGO working globally on trade in wild animals and plants in the context of both biodiversity conservation and sustainable development. The panel evaluates each request against a stringent set of sustainability guidelines.



Cathay Pacific will only approve shipment requests as advised by the panel. If considered not sustainable, the shipmentwill be rejected.

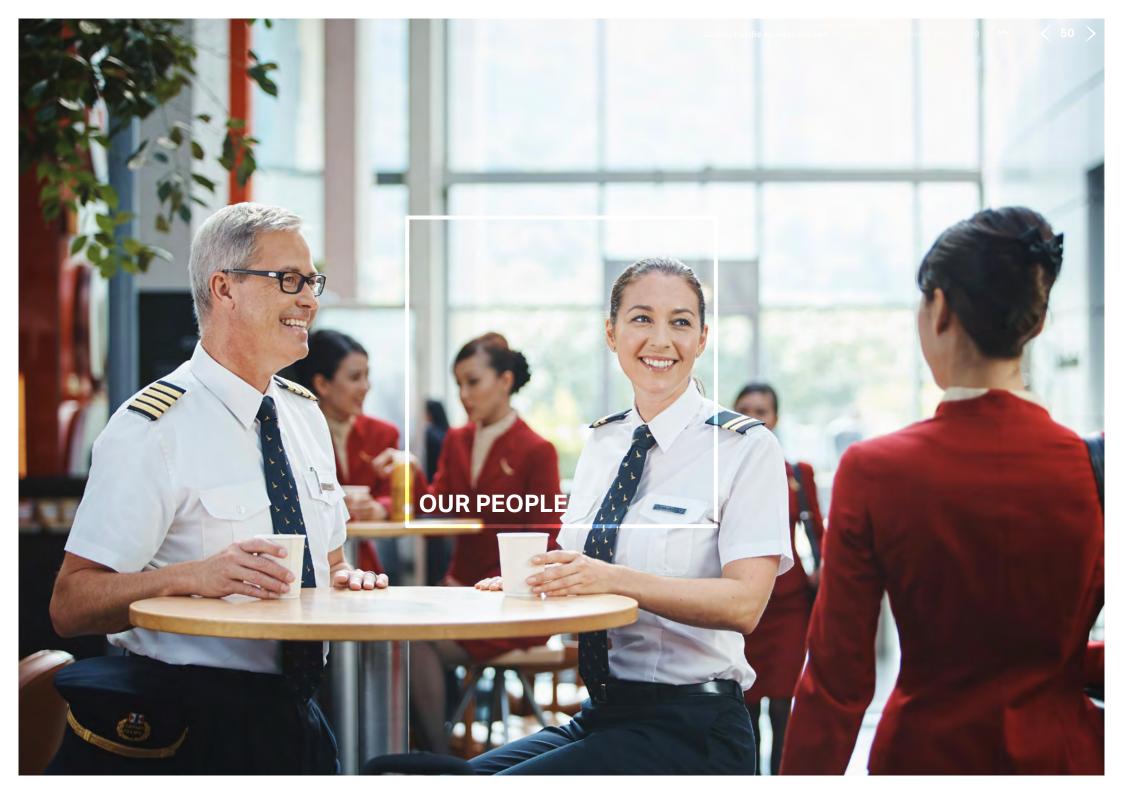
TRAFFIC, the Wildlife Trade Monitoring Network, is a leading NGO working globally on the trade of wild animals and plants in the context of both biodiversity and sustainable development. It was founded in 1976 as a strategic alliance of the World Wide Fund for Nature (WWF) and the International Union for the Conservation of Nature (IUCN). The organisation's aim is to 'ensure that trade in wild plants and animals is not a threat to the conservation of nature'. It promotes sustainable wildlife trade and combats wildlife crime and trafficking.

Cathay Pacific Airways Limited Sustainable Development Report 2018

More information about TRAFFIC can be found here: www.traffic.org/







OUR PEOPLE

2018 PERFORMANCE HIGHLIGHTS

1

The Group has 32,400 employees worldwide

2

82% of our people are based in Hong Kong

3

Our people are 55% female and 45% male

4

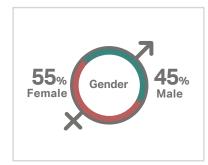
A total of 1,502,800 training hours delivered

5.

Our Diversity and Inclusion Committee launched two employee networks, the Cathay Women's Network and our LGBT+ network called Fly With Pride











Throughout our 70 years of success, our people have been an integral part of building our business, delivering for our customers our shareholders, and the Hong Kong community. We take great pride in our people who've made our airline what it is today. Our employees have always strived for the best – continually improving and working diligently in response to rising expectations from our customers.

In 2018, we placed great focus on the employee journey. From onboarding our new employees to saying farewell when they leave or retire, and everything in between including training, performance management and engagement. Our goal is to enable our employees to flourish with Cathay, encouraging them to take pride in our culture and enjoy an employee experience that drives them to deliver their best for our business.

We aim to devote the same care and attention to our employee experience as we do our customer experience. And we know that becoming a world leading service brand depends on building an engaged, high performing and progressive culture. A positive working experience across the "Hire to Retire" career journey for all employees is fundamental to making this happen.



Tom Owen,
Director People

MAJOR INITIATIVES IN 2018

Digitisation of the employee experience

In 2018, we started upgrading our core Human Resources platform (PeopleCX), replacing legacy systems, while introducing new systems and technology with the aim of improving the digital workplace. For our employees, that means a simple, seamless experience, for Cathay it should mean streamlined processes and increased productivity.

A new regional people structure

During 2018 our entire regional organisation was redesigned to improve accountability, agility, and capability, and to bring a regionally focused approach to managing the business outside of Hong Kong. New Job descriptions were created for most employees, new skillsets recruited, and various area of operation merged, a fundamental change to the operating models between Head Office and our regions being the result.

Investment in facilities and workspaces at Cathay Pacific City and Dragon House

We continue to upgrade the working environment according to a progressive master plan of refurbishments of all training rooms, office spaces and facilities. In 2018, this included a new dining experience, new outdoor areas, a reorganised head office layout, a combined crew facility, and refurbishments to our crew hotel.



Case study

Building better consistency in policy and process across the entire airline through our Hire-to-Retire process review

At Cathay we recognise that great employee experiences drive better business outcomes, which is why in 2018 we conducted our Hire-to-Retire process review. Our vision is to enable a high-performance culture through devoting the same care and attention to our employee experience as we do our customer experience. A comprehensive suite of processes applied to every step of the employee journey is aimed at ensuring our people flourish.

Five core initiatives to transform the employee experience

- Creating a digital employee experience to support our people at work
- Broadening employee learning and development opportunities across the airline
- Modernising the talent acquisition process
- Redesigning for total rewards and flexible benefits
- Building performance and career management for customer-facing employees

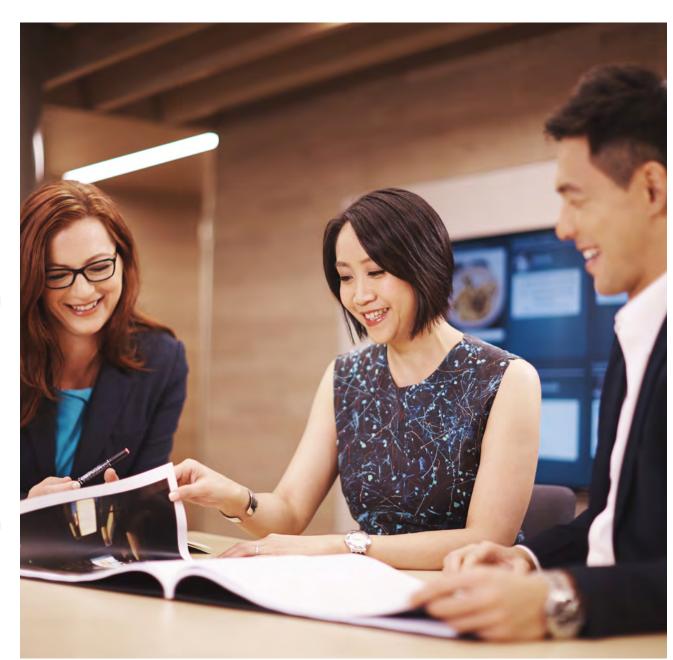
HUMAN RESOURCES MANAGEMENT

Our human resources management aligns with our Corporate Code of Conduct, which clearly demonstrates our commitment to treat all employees fairly and equally, and to be an equal opportunity employer. We ensure all HR policies are applied consistently across the organisation and evolve policies and practices to remain a leading Hong Kong employer.

We do not tolerate any form of harassment or discrimination on the basis of gender, religion, race, nationality or ethnic origin, cultural background, social group, disability, sexual orientation, marital status and family status, age or political opinion. Our Code promotes the following principles:

- upholding all applicable legal and corporate occupational health and safety standards
- forbidding any breach of employment law or the use of child or forced labour
- reporting unacceptable conduct to line management or the business unit head
- rejecting bullying and harassment
- complying with any applicable legal requirements concerning the collection, holding, processing, disclosure and use of personal data
- respecting intellectual property rights, including copyright

During 2018, there were no convictions for non-compliance of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, or other benefits and welfare that would have a significant impact on the Group.



EMPLOYEE RELATIONS AND ENGAGEMENT

An Employee Experience department

Our people are the heartbeat of our airlines, and to deliver a great experience for our customers we equally need a complementary employee experience. A new function was established in 2017 to look at the entire employee lifecycle across the whole organisation – from onboarding to retirement. This function ensures that the employee journey – including talent acquisition and onboarding, benefits and rewards, communications and engagement, the digital employee experience and offboarding – is taken into consideration.

Employee engagement survey

In September 2017, we launched an annual online employee engagement survey to understand what employees think and highlight where improvements could be made to their experience at work. The findings are essential to develop targeted people strategies. In 2018, more than 11,500 employees completed the employee engagement survey, accounting for 46% of the company. Shorter, twice-yearly pulse surveys also take place to keep up with our people's sentiments.

Internal communication channels

We have enhanced our internal communication channel mix and engagement opportunities with our people through new, more digitally focused channels, such as e-newsletters, video, as well as social media tools. The Hub, our new intranet for all employees, will also launch in early 2019.

We continue to keep up to date with new innovative trends and evolve our approach to communication. In 2018, we launched In Focus, a magazine style video channel that updates our people on how we are transforming and creating a better future.

Recognising and rewarding our people

We continued to expand our recognition programme, Work Well Done, to ensure our people feel valued and appreciated for their work is essential to the employee experience. We also equip our senior leaders with recognition toolkits consisting of thank you cards, lounge passes and upgrade vouchers, to recognise anyone across the business, for doing something excellent or consistently displaying role model behaviour.

We also held our annual Niki and Betsy Awards programme. Our Niki award winners put in exceptional work behind the scenes and are rewarded for their exceptional efforts and behaviour. While our Betsy awards are presented for exceptional customer service and celebrate people who have taken customer service to the next level, delivering Service Straight from the Heart.







Winners of the 2018 Niki and Betsy Awards, our highest honour of service excellence

Our Long Service Awards

The Long Service Awards programme is a long-standing tradition at Cathay. In 2018, we recognised over 3,200 people for their commitment and loyalty to our airlines. Our people were given a gold pin tiered to their years of service, plus other gifts for the higher years of service to thank them for their time with the company.

Strengthening our relationship with employee representative bodies

Industrial relations continue to be an important focus, and we actively work with trade unions to enhance communication and understanding, and to ensure that various views are heard and considered appropriately. We are committed to continue to build constructive and productive relations with both our Hong Kong and overseas based employee representatives.



Our Long Service Awards recognizes and celebrates our employees' longtime commitment and loyalty







ATTRACTING AND DEVELOPING TALENT

We continue to improve our people strategies to attract the best talent in the market. We also provide competitive remuneration packages to attract and retain talent and offer timely and relevant development opportunities for our people throughout their career with us.

Initiatives for attracting talent

To stay competitive as a major international airline, we invest in different ways to acquire the best talent in the market by:

- reviewing and streamlining our recruitment process to make us more efficient in attracting and hiring new talent
- introducing a brand-new career website, with better user interface and user experience for job seekers
- diversifying our recruitment methods, such as accepting job applications in video format
- developing different customised selection and assessment tools to help us acquire the most suitable talent in the market
- utilising various social media channels to promote our roles to our targeted audience
- hosting on-campus interviews across a number of educational institutions in Hong Kong for the convenience of our candidates
- working with the Labour Department in Hong Kong on various initiatives to promote our roles, including promoting ethnic minority recruitment
- hosting job tasting events for students to build up current and future talent pipeline

Role-specific career programmes

We offer a range of programmes to build employee competencies and careers in the following areas:

Career choices	Brief description
Management Trainee*	 A three-year programme designed to develop the next generation of business leaders. This programme consists of classroom training, workshops, and attachments to different units of our business within and outside of Hong Kong. There is also an annual summer internship which leads into this programme.
Graduate Engineer Programme	 A two-year developmental programme targeted specifically at graduate engineers. Participants receive classroom-based learning as well as on the job experience across different sections. An eight-week internships is also offered twice a year
Cadet Pilot	 A sponsored world-class 55-week programme at a specialise facility in Australia aimed at training and qualifying participants as commercial pilots for entry into the company's pilot force.
Cabin Crew	 A comprehensive safety and service induction training programme followed by a 3-year contract as a cabin crew. Our team are safety officers, caring team players and ambassadors for Hong Kong.
Customer Services Officer	 A 12-month development programme designed to equip our customer service officers with the skills to work across the roles in an airport environment taking care of our customers both at check-in and during aircraft boarding and disembarkation.
IT Graduate Trainee Programme	 A two-year programme designed to give IT Graduate trainees an accelerated learning experience through a wide range of technical disciplines and business rotations.
Operational Leadership Programme	This eight-year programme offers unique on-the-job experiences across the diverse operating divisions and departments within the Cathay Pacific Group, giving participants a wide breadth of exposure, knowledge and experience to equip them as the future leaders of Cathay.

^{*} As part of SWIRE Management Trainee Programme, More information is available from https://mt.swire.com/en/

Supporting local employment

Over 82% of our people are employed in Hong Kong. The practice of undertaking local recruitment in the communities in which we operate has been in place for the past 25 years. If the required skills are available locally, we prioritise the local labour market before searching internationally. Vacancies are first opened internally to our people, then to the local community, and finally overseas. Our commitment to supporting local employment in Hong Kong is demonstrated through our target of increasing the proportion of local Hong Kong pilot cadet recruitment to 50% of all new pilot intake in the years ahead.

57

A new way of learning by The Learning Academy

A new approach to learning has been adopted with the focus firmly on equipping our people with the confidence, knowledge and skill to create the best possible experience for our customers. The learning methodology is interactive, participant centred, and outcome focused. We utilise a blend of classroom experiential training, on the job learning and E-learning.

Serve to Lead programme

We have created a range of opportunities for our leaders to work on the front line in various customer service roles for 1-2 days at a time. As a service brand this is an important part of raising the awareness and empathy of our leadership to challenges faced by front line employees.

EMPLOYEE WELFARE

We place great focus on the wellbeing of our people and value their contribution. We provide a comprehensive and flexible package of employee benefits including:

- · competitive salaries, with ranges regularly benchmarked for the role
- a profit share program
- an annual discretionary bonus
- medical and dental coverage
- insurance plans
- retirement schemes
- a dedicated Benefits Services Centre for all Hong Kong-based employees, while our overseas employees can approach their local People Departments for benefits-related queries
- flexible working policies and staggered working hours
- an industry leading Employee travel benefits programme with discounted tickets, offers and travel benefits

Wellbeing at Cathay

At Cathay, we promote preventative healthcare through enabling our people to look after their own health and wellbeing, helping them to stay happy, healthy and disease free. Our current initiatives include:

- Global Employee Assistance Programme (EAP) with access to counselling services, lifestyle support such as basic legal and financial advice and support on family issues
- access to online wellbeing resources through the EAP portal
- flexible medical benefits including coverage for inpatient and outpatient care with options to purchase preventive check-up plans
- Cathay Club including more than 20 sport clubs
- lunch and learn sessions and wellbeing pop up stalls to promote wellbeing topics and healthier options
- · expert talks and interactive workshops on variety of health and wellbeing related topics ranging from disease prevention
- healthy snack food in vending machines





DIVERSITY AND INCLUSION

As we have grown into a truly global business, the diversity of our employees has grown also. As one of Hong Kong's largest employers, we are proud to have a diverse workforce in terms of gender, nationality and culture, to name just some of the aspects. Through our diversity we are better able to understand and serve our customers.

We have established a Diversity and Inclusion (D&I) steering committee to discuss and make decisions on important D&I related issues, champion changes and set the direction and goals for Cathay. We also started unconscious bias training, set targets to hire more female pilots, established a male allies programme and advisory group to demonstrate support for improved gender balance and we held panel discussions and events to help promote a more inclusive culture.

In 2018, we also started two employee networks:

The Cathay Women's Network

The Cathay Women's network was established to:

- understand and address current barriers that our female employees face
- · develop and retain a strong pipeline of talent for and in leadership roles
- · create a platform to have panel discussions, skills-based workshops, share, articles/information, network
- represent views/feedback to the committee to influence people policies and practices

Fly With Pride (the LGBT+ Network)

Cathay Pacific Airways Limited Sustainable Development Report 2018

The LGBT+ (Lesbian, Gay, Bi-sexual and Transgender) network was established to:

- create a support network for LGBT+ people
- · organise activities to help raise LGBT+ awareness across Cathay
- help to create a better sense of belonging in the workplace by promoting awareness of the LGBT+ community amongst colleagues who are not LGBT+
- contribute to a more inclusive and diverse Hong Kong community







Fly With Pride, the company's new LGBT+ network



<u>^</u>

COMMUNITY

■ Hong Kong has been our home for more than seven decades and we make it a priority to give back to the local community through our charitable and community engagement programmes. Our new initiatives like Hackathon and World As One, provide platforms for the next generations to innovate and breakthrough perceived boundaries in travel and in life. ■



Paul LooChief Customer and Commercial Officer

2018 PERFORMANCE HIGHLIGHTS

1.

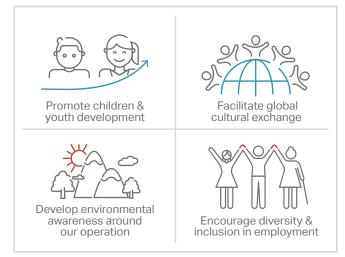
Revitalized our Community Engagement Strategy, focusing on creating bigger impact around four key pillars:

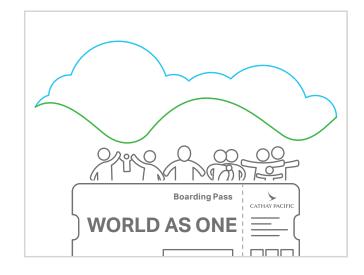
2.

Launched new initiative 'World As One', our new volun-tourism initiative. Our inaugural trip saw a group of Hong Kong youngsters from diverse and mixed backgrounds for fly to Cambodia to volunteer and learn. General public can also join such meaningful trips through our non-profit partner, VolTra.

3

HK\$11.7 million raised for UNICEF through our "Change for Good" inflight fundraising programme.







in operations

Strong communities make for more prosperous and healthy societies. Around the globe, communities face varied and complex challenges that require collaborative responses. Whether they are the challenges faced by young people or challenges to the environment, there is a role for companies such as ours to play in effecting positive change.

OUR APPROACH

In 2018, Cathay Pacific revisited and revised its Community
Engagement Strategy. Recognising that no single party or entity
can solve complex problems alone, our new strategy is based on
the concept of shared value creation. By employing a collaborative
approach, we will work with different partners across different
sectors, and leverage our role as an airline company to connect
people and places, and our business and NGO partners to bring about
long-lasting benefits.

Our strategy is aimed at caring for and support global causes, but with special focus on Hong Kong. It involves looking for new elements to include while sustaining and evolving our other long-standing community engagement programmes, including I Can Fly and Change For Good. Our bond with Hong Kong, our home for the past 73 years, motivates us to support and invest in the local community through a broad spectrum of charities, providing cash, flight tickets, cargo, volunteering hours, and other in-kind donations.

To make greater impact with our community engagement effort, we focus our work under four pillars developed with direction from our stakeholders, including our people and the community we serve.

Under the new strategy with focus on the four pillars, two new programmes were developed. World As One was launched in 2018 and preparation was also made for launching Cathay ChangeMakers in January 2019.

Promote children and youth development

Building on the strong foundation the Group has built over the years with its past initiatives, we are committed to supporting the future development of the communities we serve in tandem with the Group's long-term development through investment in children and youth development. It is also an area touching on a number of the 17 Sustainable Development Goals identified by the United Nations as global challenges.



Facilitate global cultural exchange

As a global airline it is our function to facilitate the global exchange of people and goods. Expanding on this core function, we aim to support community engagement programmes that would facilitate cultural exchange, understanding, and acceptance across different parts of the world, especially among the countries and communities that we serve.

Develop environmental awareness around our operation

Rapid economic development has presented our planet with myriad challenges with both environmental and social consequences. While the issues are varied and complex, the Group is committed to taking an active role in mitigating negative environmental impacts that are directly related to our operations. Developing awareness around such issues is an important way for us to make a greater impact together with the communities we serve.



Encourage diversity & inclusion in employment

Cathay Pacific is one of Hong

Kong's largest employers. We are proud to have one of the most diverse workforces in our home city. Cultivating a diverse and inclusive workplace is not only the right thing to do, but it also benefits our business in terms of talent recruitment, retention, and enables better understanding of the needs of both our people and our customers. We stand behind this value and hope to support more employers in embracing diversity and inclusion through action, advocacy and thought leadership.

Case study

World As One

Travel broadens the mind, but we are also firmly of the opinion that travel has the power to completely transform one's outlook and promote a greater understanding of the challenges faced by communities all over the world.

This is the philosophy behind Cathay Pacific's newest community engagement programme – World As One.

In October 2018, we organised a thought-provoking journey for a diverse group of young Hong Kong people. Comprising youngsters who had travelled a lot, some never travelled before, representatives from our city's ethnic minorities and a lot those who have successfully battled drug addiction, the group travelled to Cambodia where they undertook inspiring volunteer work.

The five-day trip saw the group participate in a range of activities, including demolishing old houses and building new homes for local villagers, and bringing Cambodian children to tour heritage sites for the very first time to discover more about the history of their own country. The group also visited non-profit organisations and social enterprises to learn about the needs of local communities and the solutions designed to benefit them.

Cathay Pacific jointly organised its World As One engagement experience together with Social Ventures Hong Kong, VolTra and ELIV to redefine the meaning and purpose of travel. By introducing an alternative travel experience, we hope it can be a force for positive social change.







The five-day "voluntourism" trip saw participants interacting with locals by home visits, building new homes for villagers, and bringing Cambodian children to tour heritage sites.



79 teams, 357 participants and 137 colleagues joined Hackathon 2018 in Cathay Pacific City





COMMUNITY PROGRAMMES

Hackathon 2018

The Cathay Pacific 24-hour Hackathon is an annual event where a select group of applicants will be given 24 hours to develop an innovative technology solution for travellers. In 2018, the winning "smart travel" solutions Hackathon were flexible flyer rewards, wellbeing and airport terminal internet access.

Our third annual Cathay Pacific Hackathon was our biggest event yet, with 79 teams, 357 participants and 137 of our people attending as mentors, volunteers and coaches. Attendees stayed up through the night for the 24-hour session, to build what they hoped would be the winning solutions.

In the student stream, winning team Skywalker developed a technology with machine learning that rewards flexible flyers for the risk of being off-loaded in the event of a flight being oversold. In the professional stream, winning team CXCare focused on the passenger wellbeing preflight, inflight and after the flight.

The winning Cathay people and partners team, AA2 + CX4, won their category with a concept that enables one-off registration for internet access at all major airports.

Winners will now travel to some of the world's leading tech companies as part of their prizes.

Our people

I Can Fly

Launched in January 2003 in Hong Kong, the I Can Fly programme actively recruits students who show a passion for aviation and a commitment to community service. Thousands of students have graduated from the programme since its launch.

Cathay Pacific pilots and employee volunteers lead the I Can Fly members through a series of aviation and social service activities during the programme period. The young members are given the chance to visit various aviation facilities, go through aviation-related training, participate in team-building activities, and design and implement their own social service programmes for community groups.

At the end of the programme, selected members get the opportunity to take part in an overseas trip to further explore different aspects of aviation and interact with people from various cultures. A number of former I Can Fly participants have since taken up careers within the Hong Kong aviation industry.

In 2018, we started recruitment for students joining the 2019 I Can Fly programme in Hong Kong. The programme has been adopted by many of the airline's local teams. A local programme was carried on in mainland China, with outstanding members coming to Hong Kong our headquarters for their study trip in 2018.

Cathay Pacific City visits

In 2018, we welcomed over 9,340 members of the Hong Kong public to Cathay Pacific City our headquarters. Ranging from primary school children to seniors in their 70s, participants were shown around our training and operation facilities. The tours were conducted by our own employees, so as to give visitors access to staff knowledge and a behind-the-scenes view of the airline's operations.

Asia Miles - Turn miles into good deeds

Asia Miles Limited (Asia Miles), a wholly owned subsidiary of Cathay Pacific Airways Limited, is committed to supporting local charities and underprivileged communities around the world. It has supported two of Hong Kong's leading fundraising events for more than a decade. The 100km Oxfam Trailwalker is aimed at alleviating poverty and support emergency relief projects in Asia and Africa, and the UNICEF Charity Run which that supports UNICEF's "Unite for Children, Unite against AIDS" global campaign.

Asia Miles also provides a platform for its members to share rewards with those in need of support. These social goods start from 2,000 miles, so members can easily turn miles into a positive force for change. Apart from redeeming social goods packages, members could also help charities achieve their important initiatives by donating miles. For more details, please visit the Asia Miles website.

Asia Miles Social Goods Quick facts 2018:

Total miles supported	Over 40 million
Number of charity partners participated in Social Goods Redemption	18
Number of social goods package	50+
Most popular package	UNICEF Hong Kong – A Children Learning Set
Second most popular package	MSF – Anti-Malaria Treatment For 5 Children
Third most popular package	Orbis – subsidising a cataract surgery



Asia Miles Social Goods raises fund for charity partners through 50+ social goods packages



Cathay Pacific volunteers visited UNICEF's project works

FUNDRAISING AND DONATIONS

UNICEF Change for Good

Change for Good (CFG) is an inflight fundraising programme operated by Cathay Pacific and the Hong Kong Committee for UNICEF. Since its launch in 1991, the programme has successfully converted spare change from Cathay Pacific passengers into supplies and services to improve the lives of vulnerable children worldwide.

To date, the programme has raised nearly HK\$190 million in support of UNICEF's life-saving programmes, helping deprived children and women across 190 countries and territories worldwide. In 2017*, the programme raised over HK\$11.7 million to support UNICEF's programmes. Over the years, our people have taken field trips to deprived communities supported by the programme, so they can experience the programme's positive impact first-hand.

Of the total donation in 2017, Cathay Pacific designated HK\$2.73 million to support UNICEF's Schools for Asia programme. The thematic programme, which aligns with one of the airline's key community engagement endeavours of promoting youth development, aims to provide quality and sustainable learning for disadvantaged children.



To date, Change For Good has raised almost HK\$190 million for UNICEF

Cathay Pacific Wheelchair Bank

With the support of 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 for buying specially adapted wheelchairs for children with neuromuscular diseases. An average of one month's proceeds each year from Cathay Pacific's Change For Good inflight fundraising programme was donated to Wheelchair Bank.

Change for Conservation

Since 2004, Cathay Dragon has participated in the Change for Conservation inflight fundraising campaign to raise awareness of the importance of nature conservation. So far, the campaign has raised over HK\$10 million for conservation projects in remote areas of China, such as protecting watersheds in northwest Yunnan, establishing national parks, introducing a green credit system to help preserve forests and developing economic opportunities for the local people, as well as promoting the use of alternative energy and protecting endangered species.

Donations

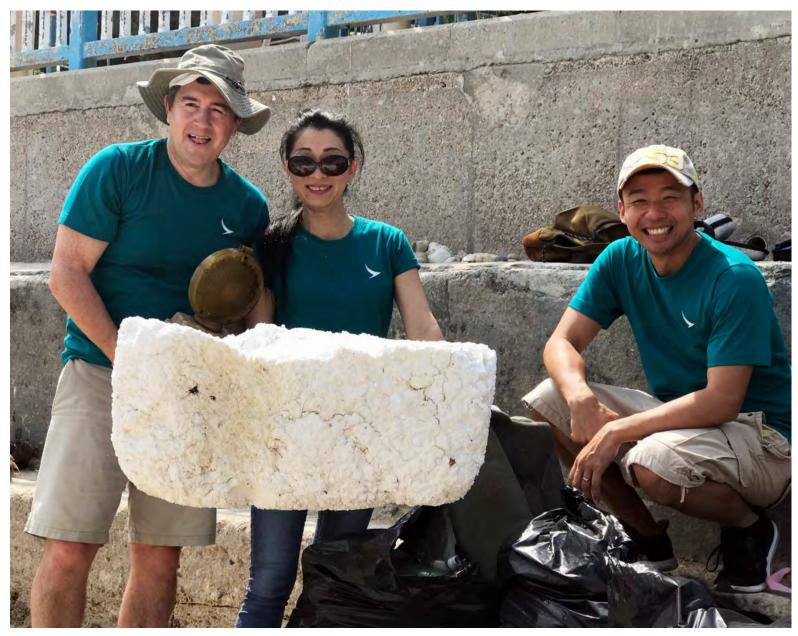
During the year, the Company and its subsidiaries made charitable donations amounting to HK\$8 million in direct payments and a further HK\$7 million in the form of discounts on airline travel.

²⁰¹⁷ is the most recent year for which data is available due to donations provided in 2018 being audited

VOLUNTEERING

A new approach to employee volunteering was introduced this year with the establishment of the Community Club – it is a section under the 'Cathay Club' that is dedicated to designing volunteering activities that help the Hong Kong community. Whether that be tackling environmental issues or helping those in need, this club will be responsible for running several activities throughout the year. This will be the new home for driving volunteering at Cathay.

The inaugural event of the Community Club was a beach clean-up that took place in Silverstrand Beach, Hong Kong in October this year. It was well attended by over 100 volunteers.



Our volunteers at a beach clean-up organized by the newly founded Community Club

OUR PERFORMANCE

2018 KEY PERFORMANCE INDICATORS

Economic indicators table*

		0040	0047
		2018	2017
		HK\$M	HK\$M
Direct economic v	alue generated		
Revenue		111,060	97,284
Finance income		343	462
Share of profits of a	ssociates	1,762	2,630
Economic value di	stributed		
Operating Expenses	s	107,465	99,563
Staff Expenses		20,211	19,962
Payment to provide	rs of capital	3,611	2,676
- Finance charge		2,457	2,223
- Dividend paid	– to the shareholders of Cathay Pacific	590	
- Dividend paid	- to non-controlling interests	564	453
Payments to govern	nment (Taxation)	466	308
Community investm	nents including charitable donation		
- Direct payment		8	9
- In the form of disc	ounts on airline travel	7	9
Economic value re	tained		
Profit/(loss) attribut	table to the shareholders of Cathay Pacific	2,345	-1,259

^{*} More detais can be found in 2018 Annual Report

Environmental indicators table - Cathay Pacific and Cathay Dragon aircraft operations

Aircraft Operations	Units	2018 [⁺]	2017⁺	2016⁺	2015⁺	2014⁺	2013⁺	1998*
Aircraft Operations (ATK)		32,387	31,439	30,462	30,048	28,440	26,259	10,857
Available tonne kilometres (ATK)	million	24,543	23,679	22,418	22,220	20,722	18,696	7,213
Revenue tonne kilometres (RTK)	-	130,630	126,663	123,478	122,330	112,257	104,571	40,679
All Flights								
Fuel Consumption	thousand tonnes	5,713	5,625	5,467	5,425	5,198	4,912	2,343
	grammes/ATK	176	179	179	181	183	187	216
E 1500 :	improvement since 1998	18.3%	17.1%	16.8%	16.3%	15.3%	13.3%	0.0%
Fuel Efficiency	grammes/RTK	233	238	244	244	251	263	325
	improvement since 1998	28.3%	26.9%	24.9%	24.8%	22.8%	19.1%	0.0%
	thousand tonnes in CO₂e	17,997 [*]	17,716	17,222	17,087	16,374	15,472	7,380
	% change from previous year	1.59%	2.87%	0.79%	4.35%	5.83%	-1.69%	-
Global CO ₂ emissions	grammes/ATK	556	564	565	569	576	589	680
GIODAI CO2 EITIISSIOTIS	improvement since 1998	18.3%	17.1%	16.8%	16.3%	15.3%	13.3%	0.0%
	grammes/RTK	733	748	768	769	790	828	1,023
	improvement since 1998	28.3%	26.9%	24.9%	24.8%	22.8%	19.1%	0.0%
NOx Emissions	% of fleet meeting <u>CAEP</u> * 6 requirements	88.6%	88.6%	86.1%	84.1%	81.9%	81.5%	N/A
	% of fleet meeting <u>CAEP</u> 8 requirements	59.4%	56.7%	52.6%	48.1%	46.8%	46.8%	N/A

Noted:



^(*) does not incorporate Cathay Dragon flights as it was before the aquisition

^{(*) 2018} data verified by KPMG

⁽⁺⁾ Fuel consumption includes testing, training, and wet-lease flights

^(*) CAEP is the environmental committee of the International Civil Aviation Organisation (ICAO). CAEP has been able to create, and periodically review, minimum standards for cleaner and quieter aircraft. The long-term target is to reduce NOx emissions by 60% below CAEP/6 by 2026. The percentages show the proportion of our fleet meeting at each CAEP level.

Biodiversity

Environmental indicators table

Indicators	Units	2018	2017
Hong Kong and 100% owned Hong Kong-based subsidiaries			
Scope 1°	100	18,405,994*	17,996,912
Scope 2	tCO ₂ e	74,741	79,538
Hong Kong and 100% owned Hong Kong-based subsidiaries			
Fuel/Power			
Aviation jet fuel		5,829,513	5,702,129
Aviation bio-jet fuel	tonnes –	38	159
Electricity Consumption	mWh	138,770	140,587
Ground based activities fuel consumption		·	·
- Diesel		5,284,658	5,301,570
Mobile Combustion - Unleaded Petrol	 litre	318,791	382,169
Stationary Combustion – Diesel		1,781,477	1,161,837
Purchased Towngas	unit	6,697,802	6,501,296
Total Energy used	GJ -	257,176,334	253,235,501
Energy intensity (per total no. of employees)	GJ	7,914	7,723
Water			
Seawater consumption		8,141,700	8,105,000
Potable water consumption	m³	975,104	950,363
Maintenance water consumption		61,540	81,229
Paper & Cardboard			
Paper consumed in offices	tonnes -	136	181
Paper & cardboard recycled	tornes	1,982.8	1,882
Recycled/Reused Materials			
Metal recycled		39	41
Plastic recycled	tonnes	467	612
Glass recycled		463	476
Food processing oil	litre	32,000	32,000
Hangers reused	no.	1,434,324	1,205,241
Disposed Materials			
Non-Hazardous Waste (grease trap)	tonnesww	15,029	14,066

Remarks:

- (1) GWP of CO_2 is 1; assumes that all other GHG gases are negligible as these impacts still uncertain.
- (2) Fuel consumption for our passenger flights includes the carriage of baggage and belly space cargo
- (3) Conversion Factor: 1 tonne of aviation fuel= 3.15 tonne of CO_2e
- (4) Source of emission factors and the GWP rates used: IATA Carbon Offset Program FAQ Airline Participants, Version 10.0 (2016); Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong
- (5) Standards, methodologies, assumptions, and/or calculation tools used for direct (Scope 1) GHG emissions: WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (Revised Edition)
- (6) Restatement: employee figure correction based on revised calculation. Reported as 8066 in SDR2017.

Social indicators table

			Unit	2018	2017
Workforce of the Cathay Pacific (Group				
Total employees			no.	32,496	32,789
By gender					
Male			- % -	45	45
Female			- 90 -	55	55
By employment contract					
Employees on Permanent Terms			_	88.2	90
Employees on Fixed term and temporary contract			%	11.8	11.8
By employment type					
Permanent employees	- Full-time		- % -	98.4	98.2
	– Part time			1.6	1.6
By region					
Hong Kong & Macau				82.4	81
Mainland China			_	2.4	2.6
Taiwan			%	2	2
USA			_	2.5	2.4
Others				11.1	12
By employment role					
Cathay Pacific and Cathay Dragon	Flight crew			12	11.4
	Cabin crew			39	37
	Ground staff			28	31.3
Cathay Subsidiary staff				21	20.3

	Unit	2018	2017
Voluntary Turnover Rate of Permanent Employees (%)			
By age group			
Under 30 years old		23.8	18.8
30 to 50 years old	<u> </u>	7.5	6.2
Over 50 years old	_	6.3	9.3
By gender			
Male	— % —	9.9	9.8
Female	— % —	10.9	9.7
By region			
Hong Kong & Macau		10.7	10.3
Mainland China		7.5	8.1
Taiwan	<u> </u>	7.3	4.5
USA		12.4	3.6
Others		9.6	8.3
Total Voluntary Turnover Rate of Permanent Employees (%)		10.4	9.5
New Hires Rate (%)			
By age group			
Under 30 years old		24.8	22.5
30 to 50 years old	<u> </u>	5.1	4.7
Over 50 years old	_	5.7	5.1
By gender			
Male	— % —	10.2	10.4
Female	 %0	7.6	6.7
By region			
Hong Kong & Macau		9.7	8.8
Mainland China		7.1	4.9
Taiwan		0.9	2.1
USA	_	2.4	8.9
Others	_	4.8	7.4
Total New Hires Rate (%)		8.8	7.9

		Unit	2018	2017
Training and Education				
Average hours of training				
Total training hours		bouro	1,502,800	1,195,286
Average training hours		hours -	46.2	36.5
Performance review				
No. of employees receiving performance review		0/	100	100
		% -		
Board diversity				
By gender				
Male		% -	88	88
Female		90 -	12	12
By age group				
39-47 years old (below 30 years old in 2017 SD report)		_	12.0	0.0
48-56 years old (30- 50 years old in 2017 SD report)		%	41.0	23.5
57-65 years old (over 50 years old in 2017 SD report)			47.0	76.5
Occupational Health and Safety				
No. of accidents			3	1
No. of high-risk incidents (Operational Safety)	 Cathay Pacific Group	no.	0	1
No. of work-related fatalities	_	-	2	1
Lost Time Injury Rate	Cathou Dooific and Cathou Dragon	rata	4.6	3.5
Lost Day Rate	 Cathay Pacific and Cathay Dragon 	rate -	63.9	51.3
No. of incidents of non-compliance with regulations and/or voluntary code concerning health and safety impacts of our products and services	Cathay Pacific Group	no.	0	3

OUR PERFORMANCE

REGULATIONS AND COMPLIANCE

Hong Kong Stock Exchange (HKEX) updated its guidance materials set in November 2018. Although it is not mandatory for issuers to follow the steps and procedures, Cathay Pacific Group sees it as an important step to make our ESG reporting as transparent as possible.

Laws and regulations that have a significant impact on the Group, details of our management approach and compliance with these laws, including the potential impact of non-compliance, are provided in the tables that follow.

Emissions

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Waste Disposal Ordinance (Cap. 354 Laws of Hong Kong) and relevant subsidiary legislation.	Hong Kong	A breach of this Ordinance can give rise to civil and/or criminal liability including fine and imprisonment.	The Group has in place an Environmental Management System to ensure ongoing compliance and is subject
This Ordinance regulates the production, storage, collection			to internal and external audit.
and disposal including the treatment, reprocessing and recycling of waste.			During 2018, there were no convictions for non-compliance of laws and regulations relating
Water Pollution Control Ordinance (Cap.358 Laws of Hong Kong).			to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and
This Ordinance regulates / controls the pollution of the waters of Hong Kong.			non-hazardous waste or other environmental issues that would have a significant impact on the Group.
Air Pollution Control Ordinance (Cap.311 Laws of Hong Kong) and relevant subsidiary legislation.			
This Ordinance regulates, prohibits and / or controls the pollution of the atmosphere.			

Employment

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Employment Ordinance (Cap. 57 Laws of Hong Kong). This is the main piece of employment legislation in Hong Kong which applies to all Hong Kong employers.	Hong Kong	A breach of this Ordinance can result in civil and/or criminal ramifications and significant impact on the Group's relationship with its work force.	The Group has implemented a number of employee-related policies such as annual leave, maternity and paternity leave and sick leave policies to ensure that their respective employees are provided with rights and benefits which are no less favourable than those provided under the Employment Ordinance.
			During 2018, there were no convictions for non-compliance of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, or other benefits and welfare that would have a significant impact on the Group.

Health and safety

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Employees' Compensation Ordinance (Cap. 282 Laws of Hong Kong).	Hong Kong	Non-compliance of this Ordinance can result in civil and/or criminal ramifications and significant impact on the Group's relationship with its work force.	The Group has implemented a number of occupational health and safety policies and manuals such as occupational health and safety policy, alcohol and
This Ordinance regulates the payment of compensation in respect of injuries sustained by employees as a result of an accident arising out of and in the course of employment or in respect of specified occupational diseases.			other drugs policy and health and safety handbook to protect the safety of employees and other persons at the workplace. Relevant insurance policies have also been taken out to cover potential liability under
Factories and Industrial Undertakings Ordinance (Cap. 59 Laws of		A breach of this Ordinance can give rise to criminal	the Ordinance.
Hong Kong).		liability including fine and imprisonment.	During 2018, there were no convictions for non-
This Ordinance provides for the safety and health protection to workers in the industrial sector including catering establishments and cargo and container handling undertakings.			compliance of occupational health and safety laws and regulations that would have a significant impact on the Group.
Occupational Safety and Health Ordinance (Cap. 509 Laws of Hong Kong).			
This Ordinance regulates the safety and health at work of all economic activities (both industrial and non-industrial establishments).			

Labour Standards

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Modern Slavery Act 2015 (MSA).	UK	The UK Secretary of State may seek an injunction against organisations which fail to comply with	The Board has approved a Modern Slavery Act Transparency Statement in compliance with the MSA,
The MSA requires an organisation wherever incorporated which		the MSA.	which is available to view <u>here</u> .
(i) supplies goods or services in the UK and			
(ii) has an annual turnover of £36 million or more, to produce a transparency statement to disclose steps taken to ensure slavery and human trafficking are not taking place within the organisation and its supply chain.			During 2018, there were no convictions for non-compliance of laws and regulations relating to child and forced labour that would have a significant impact on the Group.

Product responsibility

Product responsibility			
Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Health and safety			
Air Navigation (Hong Kong) Order 1995 (Cap. 448C Laws of Hong Kong). This order regulates aircraft crew and licensing and safety aspects relating to the operation of aircraft.	Hong Kong	A breach of this order can give rise to civil and/or criminal liability including fine and imprisonment.	It is the policy of Cathay Pacific and Cathay Dragon to ensure continuous compliance with the Air Navigation (Hong Kong) Order 1995 and all relevant publications issued by the Civil Aviation Department (CAD), including but not limited to CAD 360 Air Operator's Certificates Requirements, CAD 712 Safety Management Systems (SMS) for Air Operators, CAD 371 The Avoidance of Fatigue in Aircrews and HKAR-145 Approved Maintenance Organisations.
			In 2018, Cathay Pacific and Cathay Dragon carried 35.4 million passengers. There were no fatalities caused by operational incidents or accidents. Nor were there any convictions for non-compliance of laws and regulations relating to health and safety matters relating to products and services provided that would have a significant impact on the Group.
Prevention and Control of Disease Regulation (Cap. 599A Laws of Hong Kong). This regulation requires immediate notification to a health officer if an operator of a cross-boundary aircraft has reason to suspect that there exists on board the aircraft —		A breach of this regulation can give rise to civil and/or criminal liability including fine and imprisonment	Cathay Pacific and Cathay Dragon have implemented procedures and guidelines for frontline employees including cabin crew, customer services officers and flight crew on how to identify and manage any suspected cases of infectious disease involving passengers or crew.
(a) a case or source of a specified infectious disease; or (b) a case or source of contamination.			This includes (but is not limited to):
			 Supplying personal protective equipment inflight for cabin crew to use when providing care to individuals with suspected infectious disease.
			 Medical advice provided by MedLink for cabin crew and ground employees for gate clearances as well as managing inflight medical emergencies.
			 Procedures following notification from Health Authorities of passengers or crew members who travelled whilst infective.
			In 2018, there were no convictions for non-compliance of laws and regulations relating to health and safety matters relating to products and services provided that would have a significant impact on the Group.

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Public Health and Municipal Services Ordinance (Cap. 132 Laws of Hong Kong).	Hong Kong	A breach of this Ordinance can give rise to criminal liability including fine and imprisonment.	CPCS has adopted ISO 9001 & HACCP management system with quality policy to comply with all applicable food health & safety regulations.
This Ordinance provides for the general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, composition and labelling of food, food hygiene, seizure and destruction of unfit food.			In 2018, there were no convictions for non-compliance of laws and regulations relating to health and safety matters relating to products and services provided that would have a significant impact on the Group.
Dangerous Goods (Consignment by Air) (Safety) Ordinance (Cap. 384 Laws of Hong Kong).		A breach of this Ordinance can give rise to civil and/or criminal liability including fine and imprisonment.	Dangerous Goods Regulations and Dangerous Goods Awareness training is provided to employees.
This Ordinance controls, in the interests of safety, the preparation, packing, marking, labelling and offering of dangerous goods for carriage by air.			In 2018, there were no convictions for non-compliance of laws and regulations relating to health and safety matters relating to products and services provided that would have a significant impact on the Group.

Advertising and labelling

Trade Descriptions Ordinance (Cap. 362 Laws of Hong Kong).

This Ordinance prohibits false trade descriptions, false, misleading or incomplete information and to prohibit certain unfair trade practices.

Hong Kong

A breach of this Ordinance can give rise to civil and/or criminal liability including fine and imprisonment.

It is the policy of the Group to comply with all applicable advertising and labelling laws and regulations.

During 2018, there were no convictions for non-compliance of laws and regulations relating to advertising and labelling practices that would have a significant impact on the Group.

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Privacy			
Personal Data (Privacy) Ordinance (Cap. 486 Laws of Hong Kong) (PDPO) of the Hong Kong SAR government, which is aimed at protecting the privacy of individuals in relation to personal data.	Hong Kong	The PDPO is likely to have a significant impact on companies who collect, hold, process or use data, for instance, customer and employee personal data. The Commissioner may serve an enforcement notice to direct the companies to remedy contravention and/or instigate prosecution action. Contravention of an enforcement notice is an offence which could result in a maximum fine of HK\$50,000 and imprisonment for 2 years. Consequence if in breach of the PDPO can cause reputational impact to the Company.	Cathay Pacific has established a Personal Data (Privacy) Policy and associated guidelines to ensure compliance with the Personal Data (Privacy) Ordinance. Cathay Pacific has rolled out personal data privacy training for HK-based employees in 2018 to refresh employees' knowledge in the area of personal data privacy. Subsidiaries have implemented their respective Personal Data Privacy Policies to ensure compliance with the Personal Data (Privacy) Ordinance. In October 2018, we announced that we had discovered unauthorised access to some of the passenger data of Cathay Pacific and Cathay Dragon. Upon discovery, we took immediate action to contain the event and to commence a thorough investigation. We have to date found no evidence that any personal information has been misused. The information systems affected were separate from our flight operations systems. There was no impact on flight safety. We contacted affected passengers and notified the Hong Kong police and relevant authorities. During 2018, there were no convictions for noncompliance of laws and regulations relating to customer privacy that would have a significant impact on the Group.
EU General Data Protection Regulation (GDPR) has come into force on 25 May 2018. The GDPR involves new provisions and enhanced rights, aimed to harmonise the framework for the digital single market, put individuals in control of their data and formulate a modern data protection governance. The GDPR is likely to have a significant impact on issuers who process personal data relating to individuals in the EU, for instance, a company with an establishment in the EU which processes personal data, or a company's business processes personal data in the course of offering goods or services to individuals who are located in the EU or monitoring individuals who are located in the EU.	EU	The GDPR is likely to have a significant impact on the Company because of offering goods or services to individuals who are located in the EU or monitoring individuals who are located in the EU. European data protection authorities have the power to enforce the GDPR by levying fines of up to 4% of an organization's global revenue or €20 million, whichever is greater. Individuals affected by a contravention of the GDPR may also take legal action against a business to recover compensation.	Cathay Pacific has revised its Customer Privacy Policy to ensure compliance with the GDPR. Cathay Pacific continues to conduct global data privacy review to ensure compliance with the data protection regimes for countries/territories where we conduct business. Subsidiaries will update their own data privacy policies as applicable by taking Cathay Pacific data privacy policy as reference. During 2018, there were no convictions for noncompliance of laws and regulations relating to customer privacy that would have a significant impact on the Group.

Anti-corruption

Significant laws and regulations	Location	Potential impact	Management approach and compliance status
Prevention of Bribery Ordinance (Cap. 201 Laws of Hong Kong) (POBO) aims to prohibit bribery in both the public and private sectors. For the latter, the POBO prohibits an agent's corrupt behaviour and fraudulent practices in relation to his principal's affairs.	Hong Kong	Under the POBO, it is an offence to offer to an agent, or for an agent (e.g. an employee), to solicit or accept an advantage when conducting the principal's affairs without the principal's permission. The maximum penalty for an offence is 10 years imprisonment and a fine of HK\$1 million.	The Group has established an Anti-Bribery Policy to reaffirm its commitment as part of a comprehensive and robust anti-corruption and anti-bribery compliance programme to provide guidance to all relevant parties about compliance with global anti-bribery laws. During 2018, there were no convictions for non-compliance of laws and regulations relating to bribery, extortion, fraud or money laundering that would have a significant impact on the Group.
UK Bribery Act 2010 makes it a criminal offence to bribe, or to offer or authorize a bribe to, another person (including a foreign official) or to be the recipient of a bribe.	UK	The Bribery Act is likely to have a significant impact on the Company because of having a presence in the UK. The Bribery Act has extra-territorial reach both for UK companies operating abroad and for overseas companies with a presence in the UK. All offences under the Bribery Act are punishable by unlimited fines for companies and individuals and, for individuals, up to 10 years' imprisonment. When a company is convicted of giving or receiving a bribe, the directors and other senior managers of the company can also be held accountable.	
US Foreign Corrupt Practices Act (FCPA) was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. The anti-bribery provisions of the FCPA applies to all US persons and certain foreign issuers of securities. These also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place with the territory of the US.	USA	The FCPA has extra-territorial effect and is likely to have a significant impact on the Company, for instance, for dealing with government officials in respect of licensing matters. Criminal penalties for violation can be severe, including fines and imprisonment for up to 5 years (for violating anti-bribery provision) and 20	

Community

SELECTED AWARDS AND MEMBERSHIPS

Climate change

Awards*/Recognition

Awards/Recognition	Organiser
Best in Environmental, Social and Governance (ESG)	
Best in Reporting (large Market capitalisation category)	BDO ESG Awards
A constituent of the FTSE4Good Index Series for the 8th consecutive year	FTSE Group
A constituent of the CDP Climate Change since 2007	CDP
A constituent of the Hang Seng Corporate Sustainability Index since index inauguration	Hang Seng Indexes Company Limited
Caring Company Award 10+ years (Cathay Dragon)	
Caring Company Award 15+ years (Cathay Pacific)	The Hong Kong Council of Social Service

Membership/Signatory

Organisation	Position
Airport Authority Hong Kong – Carbon Pledge	Pledge
Association of Asia Pacific Airlines Environmental Working Group	Member
Environmental Protection Department, HKSAR Government – Food Wise Charter	Signatory
Sustainable Aviation Fuel User Group	
Roundtable on Sustainable Biomaterials (RSB)	
Commercial Aviation Alternative Fuels Initiative (CAAFI)	Member
ICAO Global Market-Based Measure Technical Task Force (GMTF)	
ICAO Alternative Fuel Task Force (AFTF)	
United for Wildlife Transport Taskforce Buckingham Palace Declaration	Signatory
WildAid Global Shark Pledge	Pledge
World Wildlife Fund – Hong Kong	Corporate member (Pearl)

^{*} Other awards can be found in the Cathay Pacific <u>Annual Report 2018</u> on p.11 and p.26

Climate change

EXTERNAL ASSURANCE

We have engaged independent assurance provider KPMG to provide an independent assurance on our greenhouse gas emissions data for the aforesaid reporting period. The scope and statement of assurance are provided as follows. The verified data with external assurance is marked with "\$" throughout the report. The assurance report is as follows:



KPMG 8th Floor, Prince's Building Central, Hong Kong G P O Box 50, Hong Kong Telephone +852 2522 6022 Fax +852 2845 2588 Internet kpmg.com/cn

Independent Limited Assurance Report to the Board of Directors of Cathay Pacific Airways Limited

We were engaged by Cathay Pacific Airways Limited ("the Company") to provide limited assurance on selected sustainability information listed below and marked with the symbol \(\phi\) ("the Selected Sustainability information") in the Sustainable Development Report of the Company for the vear ended 31 December 2018 (further referred to as "the Report").

Selected Sustainability Information

The Selected Sustainability Information subject to assurance as presented in the Report is identified below:

- Total greenhouse gas emissions (Scope 1)
- Amount of offsets contributed by individual customers under the Fly Greener programme in 2018

Reporting Criteria

The criteria used as the basis of reporting are set out in the section "About this report" of the Report ("the Reporting Criteria").

Directors' responsibilities

The directors are responsible for the preparation and presentation of the Report in accordance with the Reporting Criteria. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Report that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have compiled with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and notessional behaviourly, objectivity, professional competence and due care, confidentiality and notessional behaviourly.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

> KPMO, a Hong Kong partnership and a member firm KPMO natural of independent member firms affiliate MPMO International Congertative ("KPMO Internations & Swiss entity."

KPMG

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed and the evidence obtained. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410, Assurance on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform the engagement to ottain limited assurance about whether the Selected Sustainability information is free from material misstatement.

Summary of procedures performed

A limited assurance engagement on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of the Selected Sustainability Information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Conducting interviews with relevant staff responsible for the collection and review of the Selected Sustainability Information;
- Inquiring about the design and implementation of the systems and methods used to collect and process the Selected Sustainability Information, including the aggregation of data into information as presented in the Report;
- Agreeing the Selected Sustainability Information, on a sample basis, to underlying calculations and supporting schedules;
- Performing analytical review procedures over the Selected Sustainability Information;
- Comparing the definitions as included in the Reporting Criteria against the definitions used by the Company to prepare the Selected Sustainability Information; and
- Reading the information presented in the Report to determine whether it is in line with our
 overall knowledge of the sustainability performance of the Company.

The procedures performed in a limited assurance engagement vary in nature and liming from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

KPMG

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Selected Sustainability Information of the Report of the Company for the year ended 31 December 2018 is not prepared, in all material respects, in accordance with the Reporting Criteria.

Certified Public Accountants

8th Floor, Prince's Building 10 Chater Road Central, Hong Kong 12 June 2019

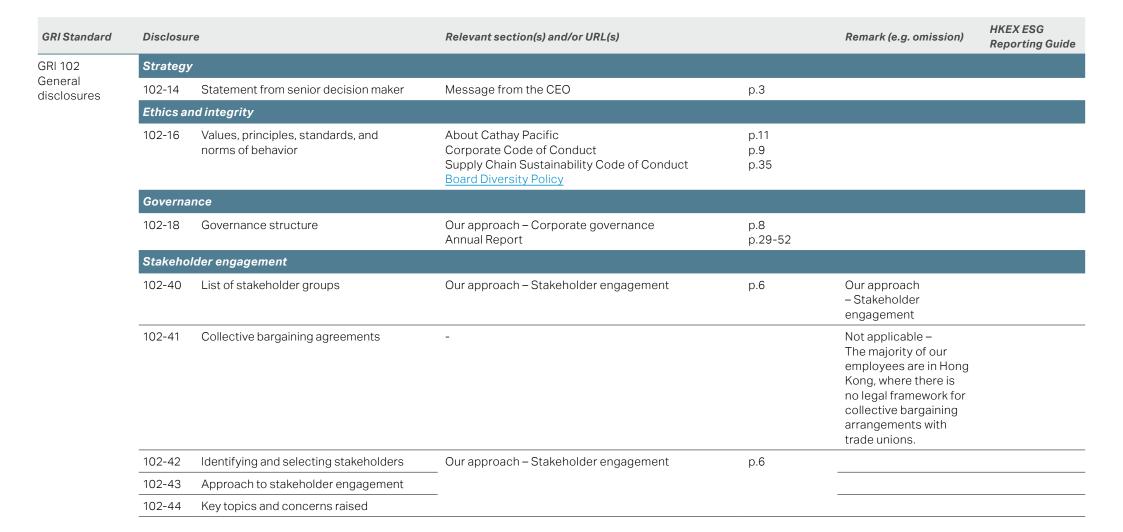
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Community



GLOBAL REPORTING INITIATIVE (GRI) AND HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING INDEX TABLE

GRI Standard	Disclosu	re	Relevant section(s) and/or URL(s)	Remark (e.g. omission)	HKEX ESG Reporting Guide					
GRI 102	Organizational profile									
General disclosures	102-1	Name of the organization	About Cathay Pacific Annual Report	p.11 p.2-3						
	102-2	Activities, brands, products, and services	About Cathay Pacific Annual Report	p.11 p.2-3; p.6-7; p.103-104						
	102-3	Location of headquarters	About Cathay Pacific Annual Report	p.11 p.2-3						
	102-4	Location of operations	About Cathay Pacific Annual Report	p.11 p.2-3; p.10-13						
	102-5	Ownership and legal form	About Cathay Pacific Annual Report	p.11 p.2-3						
	102-6	Markets served	About Cathay Pacific Annual Report	p.11 p.2-3; p.10-13						
	102-7	Scale of the organization	About Cathay Pacific Economic indicators table Social indicators table Annual Report	p.11 p.67 p.70-72 p.2-3; p.10-13; p.19-24						
	102-8	Information on employees and other workers	Our people Social indicators table	p.50 p.70-72						
	102-9	Supply Chain	Sustainability in operations – Sustainable sourcing	p.35						
	102-10	Significant changes to the organization and its supply chain	Message from the CEO Safety Sustainability in operations – Sustainable sourcing Our people Annual Report	p.3 p.13 p.35 p.50 p.9-15						
	102-11	Precautionary principle or approach	Our approach Annual Report	p.5 p.25-27						
	102-12	External initiatives	About Cathay Pacific – Selected awards and membership Our approach – United Nations Sustainable Development Goals	p.79 p.7						
	102-13	Membership of associations	About Cathay Pacific – Selected awards and membership	p.79						







GRI Standard	Disclosu	re	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
GRI 102	Reportin	g practice				
General disclosures	102-45	Entities included in the consolidated financial statements	Annual Report	p.53, p.58-117		
	102-46	Defining report content and topic boundaries	Our approach – Stakeholder engagement About this report	p.6 p.12		
	102-47	List of material topics	Our approach – Stakeholder engagement	p.6		
	102-48	Restatements of information			Age categories for board diversity have been revised to align with our Annual Report 2018. Lost Time Injury Rate and Lost Time Day Rate use new reporting numbers based on separation of airlines and subsidiaries.	
	102-49	Changes in reporting			There are no significant changes in material topics and boundaries.	
	102-50	Reporting period	About this report	p.12		
	102-51	Date of most recent report				
	102-52	Reporting cycle				
	102-53	Contact point for questions regarding the report				
	102-54	Claims of reporting in accordance with the GRI Standards				
	102-55	GRI content index	Global Reporting Initiative Content Index and Hong Kong Stock Exchange Environmental, Social and Governance (ESG) Content Index	p.81-91		
	102-56	External assurance	About this report	p.12, p.80		

Sustainability in operations

GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
MATERIAL TOP	cs					
GRI 200 ECONC	MIC STAN	DARDS SERIES				
Economic perfo	rmance					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Message from the CEO Annual Report	p.3 p.6-17		
Approach	103-2	The management approach and its components				
	103-3	Evaluation of the management approach	_			
GRI 201: Economic	201-1	Direct economic value generated and distributed	Economic indicators table Annual Report	p.67 p.58-62		
Performance	201-2	Financial implications and other risks and opportunities due to climate change	Climate change	p.21		
	201-3	Defined benefit plan obligations and other retirement plans	Our people Annual Report	p.50 p.72-76		
Procurement p	actices					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Sustainability in operations – Sourcing	p.6 p.35		
Approach	103-2	The management approach and its components	_			
	103-3	Evaluation of the management approach	_			
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	-		Quantitative data unavailable. Most of the procurement budgets were spent on aircraft and fuel which are from non-local suppliers.	
Anti-corruption						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Corporate governance Corporate Code of Conduct	p.8 p.9		Aspect B7: Anti-corruption:
Approach	103-2	The management approach and its components	Anti-Bribery Policy Whistleblower Policy Annual Report	p.10 p.10 p.29-52		General Disclosure KPI B7.1
	103-3	Evaluation of the management approach		, , , , , , , , , , , , , , , , , , , ,		KPI B7.2
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Regulations and Compliance	p.10, p.78		

Climate change

Our performance

GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Anti-competitive	e behavio	r				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Corporate governance Corporate Code of Conduct	p.8 p.9		Aspect B7: Anti-corruption:
Approach	103-2	The management approach and its components	Antitrust Policy	p.10		General Disclosure KPI B7.1
	103-3	Evaluation of the management approach				KPI B7.2
GRI 206: Anti-competitive Behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Regulations and Compliance Annual Report	p.73 p.92		
GRI 300 ENVIRO	NMENTA	L STANDARDS SERIES				
Materials						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Sustainability in operations – Sourcing —	p.35	Packing material is not considered	Aspect A2: Use of Resources: General Disclosure
Approach	103-2	The management approach and its components			a material aspect in our stakeholder engagement. Quantitative data unavailable.	
	103-3	Evaluation of the management approach				KPI A2.5
GRI 301: Materials	301-1	Materials used by weight or volume	Sustainability in operations – Sourcing Environmental indicators table	p.35 p.68-69		
Energy						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Climate change	p.6 p.21-32	I -	Aspect A2: Use of
Approach	103-2	The management approach and its components	_			Resources: General Disclosure
	103-3	Evaluation of the management approach				KPI A2.1; KPI A2.3
GRI 302: Energy	302-1	Energy consumption within the organization	Environmental indicators table	p.68-69		
	302-3	Energy intensity				_
	302-4	Reduction of energy consumption	Climate change – Aircraft emissions Climate change – Ground emissions	p.27-29 p.30-32		
	302-5	Reductions in energy requirements of products and services	Climate change – Aircraft emissions	p.27-29		

GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Water						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	-		Water is not considered a material aspect in our	Aspect A2: Use of
Approach	103-2	The management approach and its components	-		stakeholder engagement.	Resources: General Disclosure
	103-3	Evaluation of the management approach	-			KPI A2.2; KPI
GRI 303: Water	303-1	Water withdrawal by source	Environmental indicators table	p.68-69		- A2.4
Biodiversity						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Biodiversity	p.6 p.44-49	Water is not considered a material aspect in our	Aspect A3: The Environment
Approach	103-2	The management approach and its components			stakeholder engagement.	and Natural Resources General
	103-3	Evaluation of the management approach	-			Disclosure
GRI 304: Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity	p.44-49		- KPI A3.1
Emissions						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Climate change	p.6 p.21-32		Aspect A1: Emission: General Disclosure KPI A1.1; KPI A1.2; KPI
Approach	103-2	The management approach and its components	-			
	103-3	Evaluation of the management approach	-			A1.5
GRI 305:	305-1	Direct (Scope 1) GHG emissions	Climate change	p.22		_
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Environmental indicators table	p.68-69		
	305-4	GHG emissions intensity	-			
	305-5	Reduction of GHG emissions	-			
	305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	-			



GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Effluents and w	/aste					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Sustainability in operations – Waste management	p.6 p.33-43		Aspect A1: Emission:
Approach	103-2	The management approach and its components	_			General Disclosure KPI A1.3; KPI A1.4;
	103-3	Evaluation of the management approach				KPI A1.6
GRI 306: Effluents and waste	306-2	Waste by type and disposalt	Sustainability in operations – Waste management Sustainability in operations – Waste management – Retired aircraft Environmental indicators table	p.37-43 p.43 p.68-69	Hazardous waste is not considered a material aspect in the stakeholder engagement. Quantitative data unavailable.	
Environmental	complianc	e				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Climate change Sustainability in operations – Sourcing – Supply Chain Sustainability Code of Conduct	p.6 p.21-32		Aspect A1: Emission:
Approach	103-2	The management approach and its components		p.35		General Disclosure
	103-3	Evaluation of the management approach				
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Regulations and Compliance	p.73-78		
Supplier enviro	onmental a	ssessment				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Sustainability in operations – Sourcing	p.6 p.35		Aspect B5: Supply Chain
Approach	103-2	The management approach and its components	_			Management
	103-3	Evaluation of the management approach	_			
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Sustainability in operations – Sourcing – Supplier scorecard Sustainability in operations – Sourcing	p.35 p.35	All new suppliers were screened using environmental criteria through our procurement process in 2018.	

Sustainability in operations



GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
GRI 400 SOCIAL	STANDAI	RDS SERIES				
Employment						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Our people	p.6 p.50-58		Aspect B1: Employment:
Approach	103-2	The management approach and its components				General Disclosure KPI B1.1; KPI B1.2
	103-3	Evaluation of the management approach				
GRI 401: Employment	401-1	New employee hires and employee turnover	Social indicators table	p.70-72		
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our people – Employee welfare	p.50-58		
Labour/Manage	ment rela	tions				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our people	p.50-58		
Approach	103-2	The management approach and its components				
	103-3	Evaluation of the management approach				
GRI 402: Labour/ Management Relations	402-1	Minimum notice periods regarding operational changes	-			
Occupational he	alth and s	safety				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Safety	p.6 p.13-20		Aspect B2: Health and
Approach	103-2	The management approach and its components	_			Safety: General Disclosure KPI B2.1;
	103-3	Evaluation of the management approach	_			KPI B2.2;
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Safety – Occupational health and safety Social indicators table	p.20 p.70-72		─ KPI B2.3

Climate change

GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Training and edu	cation					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Our people	p.6 p.50-58		Aspect B3: Development
Approach	103-2	The management approach and its components	_			and Training: General Disclosure
	103-3	Evaluation of the management approach				_
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Our people Social indicators table	p.50-58 p.70-72		
	404-2	Programs for upgrading employee skills and transition assistance programs	Our people – Attracting and developing talent	p.56		
	404-3	Percentage of employees receiving regular performance and career development reviews	Social indicators table	p.70-72		
Diversity and eq	ual oppoi	rtunity				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our people Board Diversity Policy	p.50-58		Aspect B1: Employment:
Approach	103-2	The management approach and its components				General Disclosure
	103-3	Evaluation of the management approach	-			
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Our people Social indicators table	p.50-58 p.70-72	Our age categories for Board diversity have been aligned with our Annual Report 2018.	
Child labour						
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our people Sustainability in operations – Sourcing – Supply Chain	p.50-58 p.35		Aspect B4: Labour
Approach	103-2	The management approach and its components	Sustainability Code of Conduct Corporate Code of Conduct	p.9		Standards KPI B4.1
	103-3	Evaluation of the management approach	_			
GRI 408: Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	Our people – Human resources management Sustainability in operations – Sourcing – Supply Chain Sustainability Code of Conduct	p.53 p.35		_

Our performance

GRI Standard	Disclosu	ıre	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Forced or comp	ulsory lab	oour				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our people Sustainability in operations – Sourcing –	p.50-58 p.35		Aspect B4: Labour
Approach	103-2	The management approach and its components	Sustainability Code of Conduct Corporate Code of Conduct	p.9		Standards KPI B4.1
	103-3	Evaluation of the management approach	_			
GRI 409: Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Our people – Human resources management Sustainability in operations – Sourcing – Supply Chain Sustainability Code of Conduct	p.53 p.35 p.35		
Local communit	ties					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Community	p.6 p.59-66		Aspect B8: Community
Approach	103-2	The management approach and its components				Investment: General Disclosure
	103-3	Evaluation of the management approach				KPI B8.1; KPI B8.2
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development program	Community	p.59-66		
Supplier social	assessme	nt				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Sustainability in operations – Sourcing	p.6 p.35		Aspect B6: Product
Approach	103-2	The management approach and its components	_			Responsibility: General Disclosure
	103-3	Evaluation of the management approach	_			2.00.000.0
GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	Sustainability in operations – Sourcing – Supplier scorecard Sustainability in operations – Sourcing	p.35 p.35	All new suppliers were screened using social criteria through our procurement process in 2018.	



GRI Standard	Disclosu	ire	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Customer health	and safe	ty				
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Our approach – Stakeholder engagement Safety	p.6 p.13-20		Aspect B6: Product
Approach	103-2	The management approach and its components	_			Responsibility: General Disclosure
	103-3	Evaluation of the management approach	_			2,00,000.0
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Social indicators table Regulations and Compliance	p.70-72 p.73-78		_
Marketing and la	belling					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Governance	p.8		Aspect B6: Product
Approach	103-2	The management approach and its components				Responsibility: General Disclosure
	103-3	Evaluation of the management approach	_			2.00.000.0
GRI 417: Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	Regulations and Compliance	p.73-78		_
	417-3	Incidents of non-compliance concerning marketing communications	_			
Customer privac	у					
GRI 103: Management	103-1	Explanation of the material topic and its Boundary	Governance	p.8		Aspect B6: Product
Approach	103-2	The management approach and its components	_			Responsibility: General Disclosure
	103-3	Evaluation of the management approach	_			KPI B6.5
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Regulations and Compliance	p.73-78		_

GRI Standard	Disclosu	re	Relevant section(s) and/or URL(s)		Remark (e.g. omission)	HKEX ESG Reporting Guide
Socioeconomic	complian	ce				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	Governance Antitrust Policy	p.8 p.10		Aspect B6: Product
	103-2	The management approach and its components	Anti-Bribery Policy Whistleblower Policy Personal Data (Privacy) Policy	p.10 p.10 p.9		Responsibility: General Disclosure
	103-3	Evaluation of the management approach		μ		
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Regulations and Compliance Annual report	p.73-78 p.88		Aspect B7: Anti-corruption: General Disclosure