

Hong Kong Dragon Airlines Limited

Supply Chain Sustainability Code of Conduct

Dragonair's sustainable development Policy commits the Company to high standards on environmental, health & safety, human rights & labour policies, business ethics and community issues. It also commits us to preferring to work with suppliers who share the same standards and promote sustainable development.

This is the third publication of our Code of Conduct, which has been renamed in this version to more closely reflect the goal that we share with all of our suppliers – to make our businesses sustainable.

We actively seek to select and work with suppliers who not only comply with laws and regulations, but go beyond by setting standards that are expected of an industry leader. We also have a strong preference to work with suppliers who share our commitment to honesty and integrity and who seek to integrate principles of sustainable development into all areas of their business.

Our supply chain sustainability Standards describe our minimum requirements for,

- Legal and Regulatory compliance
- Not employing under-age workers
- 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 the Standards with sub-contractors
- Having high ethical standards
- Communicating openly and effectively with employees

The Standards are:

Legal and Regulatory Compliance

Suppliers shall ensure that their operations and the products and services supplied to KA comply with all national and other applicable laws and regulations.

Child Labour

Suppliers must not:

- employ any person under the local legal minimum employment age, or
- employ any person in a manner which conflicts with completion of their compulsory schooling, or
- employ any person below the age of 14 years on a full time basis.

Additionally, all young employees must be protected from performing any work that is likely to be hazardous, or likely to interfere with the child's education, or that may be harmful to the child's health, or their physical, mental, social, spiritual or moral development.

Suppliers should also adhere to legitimate workplace apprenticeship programmes and comply with all laws and regulations governing child labour and apprenticeship programmes.

Forced Labour

Suppliers must not use forced, coerced, bonded, or indentured labour or involuntary prison labour.

All work, including overtime work, shall be voluntary. Employees should be free to leave employment upon giving reasonable notice. Suppliers should not require employees to hand-over government-issued identification, passports or work permits as a condition of employment.

Health and Safety

Suppliers must have in place, or agree to adopt in a reasonable timeframe, health and safety management systems and standards designed to reduce work-related injury and illness, and promote the general health of employees. Suppliers must ensure information regarding health and safety systems and standards are made readily available to employees.

Suppliers should ensure that employees are aware, through newsletters, training or other effective and frequent means of communication, of the suppliers' obligations with regard to site safety and their own obligations of ensuring the safety of themselves and other employees.

Suppliers should provide for employees as a minimum, reasonable access to potable water and sanitary facilities, fire safety, emergency preparedness and response, industrial hygiene, adequate lighting and ventilation, occupational injury and illness prevention and machine safeguarding. Suppliers will also ensure these same standards apply to any dormitory or canteen facilities.

Suppliers should have in place a Policy regarding alcohol and other drug abuse prevention, and testing for such, and should communicate appropriately to employees.

The Environment

Suppliers should have in place an effective system for managing environmental issues including measuring and reporting on their environmental impact, seek to improve the impact of their operations upon the environment, and take a precautionary approach to environmental matters. We will have a strong preference for Suppliers whose goods or services can make a significant difference to reducing their environmental impact.

Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal.

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterised, monitored, controlled and treated as required prior to discharge.

All types of waste, including water and energy, should be reduced or eliminated at source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

Compensation and Working Hours

Suppliers must provide each employee with at least the local legal minimum wage and benefits. Suppliers must pay their employees promptly, providing each with clear and written accounting for every pay period. Wages should be paid regularly, on time and be fair in respect of work performance. Payment should not be made more than one month in arrears and deduction should not be made from employee pay for disciplinary reasons. Employees should be compensated for overtime according to the law and within legal working hour limits.

Employees should be granted their stipulated annual leave and sick leave without any repercussions, and should be permitted to take their stipulated maternity or paternity leave in accordance with national laws.

Discrimination and Employee Rights

All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics or beliefs. Suppliers must not discriminate on the basis of race, colour, national origin, age, gender, sexual orientation, religion, disability or other similar factors.

Employees shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse, nor is there to be the threat of such treatment.

Suppliers shall have in place communications mechanisms and grievance procedures that allow employees to raise concerns and complaints with management.

Suppliers shall respect employees' rights to choose whether to be represented by third parties and to bargain collectively in accordance with local law. Harassment, intimidation, penalties, interference or reprisal should not be used to interfere with such legitimate activities.

Subcontractors and other Service Providers

Suppliers should work with their own service providers and subcontractors to ensure that they also strive to meet the principles of this Code. This should be integrated within the supplier's business processes to select and manage the performance of subcontractors and other service providers.

Your own suppliers and subcontractors should be paid accurately and on time.

Ethics

Suppliers must commit to the highest standards of moral and ethical conduct in their businesses. All forms of corruption, extortion, fraud and bribery should be prohibited, including those for the suppliers' own benefit or for the benefit of their relations, friends or associates.

Suppliers should disclose to us any situation that may appear as a material conflict of interest. They are also expected to disclose if any of our officials or Consultants working with us has a material interest of any kind in the supplier's business or any kind of economic ties with the supplier.

Communication, documentation and Inspection

Suppliers are responsible for communicating the requirements of this Code to their employees. The Code should be made freely available to employees in their local language and in a readily accessible place.

Suppliers must maintain records of all relevant documentation necessary to demonstrate compliance with this Code and related laws, and where requested should agree to make these documents available for us or our designated auditor as evidence of compliance. Where appropriate, suppliers may be asked to permit inspections of their sites and facilities for verification purposes in line with this Code.

Hong Kong Dragon Airlines Limited publishes this Code of Conduct and relevant Policies on its website at www.dragonair.com