

# Purchasing and Supply Chain

We actively seek to work with suppliers who share our commitment to honesty and integrity in all areas of their business. We also have a strong preference for suppliers who integrate social and environmental policies into their business processes.

## Supplier Corporate, Social and Environmental Responsibility Code of Conduct

We ensure that sustainable purchasing and responsible supply chain practices are implemented throughout our procurement process.

Suppliers to Cathay Pacific must provide clear, accurate and appropriate reporting of their progress toward achieving our Supplier Code of Conduct objectives. These include:

- Legal and regulatory compliance
- Environmental management
- No use of forced and child labour
- Appropriate compensation and working hours
- Health and safety
- No discrimination
- Upholding human rights in the workplace
- The highest standard of business ethics
- Extending social responsibility to their subcontractors and service providers
- Maintaining documentation and permitting our inspection

In 2009, we revised and published our Supplier Code of Conduct for all suppliers managed through our centralised purchasing process and we asked for their confirmation of compliance with its principles.

This approach allows us to continue to communicate with our suppliers on sustainable development matters, serving to underline the importance of the issues for us. The approach further helps us to identify any ongoing instances of non-compliance or non-response by our suppliers.

As part of our usual supplier selection process, potential new suppliers must complete our questionnaire to confirm their compliance with the standards in our Supplier Code of Conduct. Whichever supplier is eventually selected, they will be contractually committed to conform to our social and environmental standards from that point onwards.

We are currently developing a programme to roll-out the Supplier Code of Conduct requirements to the rest of our network. Responsibility for managing the roll-out will be devolved to local Cathay Pacific management and a local version of the centralised database will be developed as part of this process.

Some of our suppliers may need our support in achieving the standards required by our Supplier Code of Conduct. For these suppliers we will consider the possibility of phased in adoption of our standards. We will also consider the degree of impact on our business reputation if a supplier is unable to fully comply with our requirements. We began to implement a programme of compliance checking visits in December 2009 with a selected supplier and will expand on this in 2010. We also continued our assessment via the compliance checking form.

## Our sustainable purchasing management approach

We aim to ensure that all purchasing practices are governed by the highest professional and ethical standards. Our Airline Purchasing and Aircraft Trading Department manage most of the purchasing requirements for both Cathay Pacific and Dragonair. Our Purchasing Ethics Policy outlines our expectations from our purchasing staff, including compliance with anti-bribery regulations. Our approach on sustainable procurement has been to encourage our suppliers to improve on their sustainability practices through capacity building and sharing knowledge and best practice.

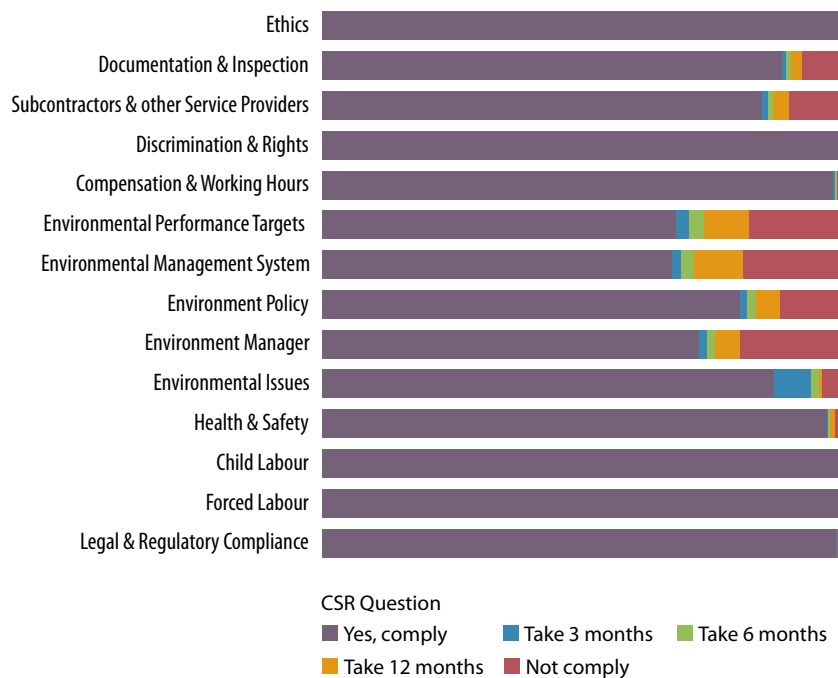
## Commitment to the environment

We demonstrate responsible supply chain leadership by letting our suppliers know that we are committed to environmental management in our daily operations. We plan to periodically publish a *Supply Chain Sustainability Newsletter*. The Newsletter may include topics such as helping suppliers to understand the importance of managing waste in their business in a responsible way.

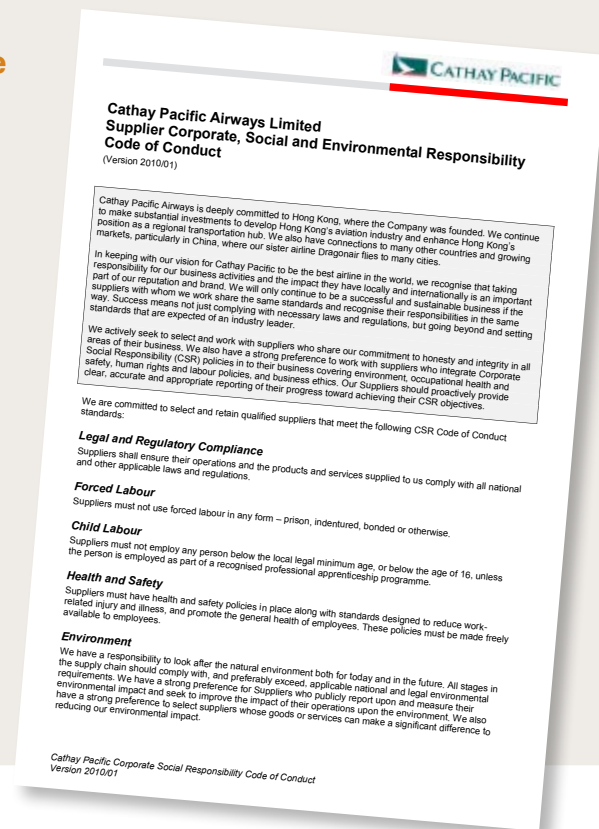
During 2009, we placed a particular emphasis on examining purchasing practices that have impacts on forestry conservation. In the future we will express a preference to work with suppliers offering products that are accredited by the Forest Stewardship Council (FSC). Currently all our office photocopy paper is FSC sourced.

We recognise the importance of sourcing inflight food from sustainable sources and we are working with relevant teams to develop and formalise our approach. At the very minimum, we require our caterers to meet all environmental legislation in their locations and this includes regulations on endangered species.

### Supplier Code of Conduct Compliance Levels



### Supplier Code of Conduct



### Progress against 2009 actions

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

### Agenda for 2010

- Develop education and briefing packs on the Supplier Code of Conduct to all Cathay Pacific staff, followed with internal briefing sessions
- Continue to inform the Swire Supply Chain Sustainability Group
- Continue active membership of the Hong Kong Green Council
- Formalise approach on sustainable sourcing of food