

We Put Safety First

At the core of our culture is always a 'safety comes first' philosophy which forms the basis of all of our activities. Our primary goal continues to be zero accidents and injuries.

Operational airline safety

Our Safety Management System (SMS) defines how we intend to manage safety as an integral part of our overall business. The SMS training and information we provide ensures that all employees understand how to manage safety and operational risk in our operations.

We capture inflight data from every flight and encourage staff to report all incidents, hazards, threats, errors and safety concerns. By analysing data we are able to manage safety on both a proactive and reactive basis. We saw a trend of decreasing risk in 2009.

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

Cathay Pacific holds IATA Operational Safety Audit (IOSA) accreditation. There are ongoing observational audit programmes in the cabin and cockpit to assist with the identification of safety issues. We carry out scheduled audits of the ports in which we operate.

Our safety management approach

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

Cathay Pacific and Dragonair share the same goals and this is demonstrated by their adoption and implementation of similar safety policies and procedures.

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

5%

lower lost time injury rate



ISAGO IATA Safety Audit for Ground Operations

Flight safety starts on the ground. ISAGO is an audit programme for ground handling companies serving airlines at airports. The audits are conducted in a globally standardised and consistent manner, using internationally recognised and accepted quality auditing principles.

ISAGO aims to improve operational safety in the airport ground environment and to reduce damage to aircraft and equipment.

Cathay Pacific is fully committed to the ISAGO programme. We have a pool of four auditors, who can conduct audits for IATA. The first 3 ISAGO audits were conducted in 2009, with more planned for 2010.

LOSA Line Operation Safety Audit

LOSA is a formal process that requires expert, trained observers to occupy the jumpseat located on the flightdeck during regular scheduled flights to collect safety-related data on environmental conditions, operational complexity, and flight crew performance.

Whilst accident and incident investigators rely on retrospective analyses of rare and dramatic events, the concept of LOSA is based on the premise that accurate analysis of daily operations can also provide a foundation upon which to define safety strategies and interventions.

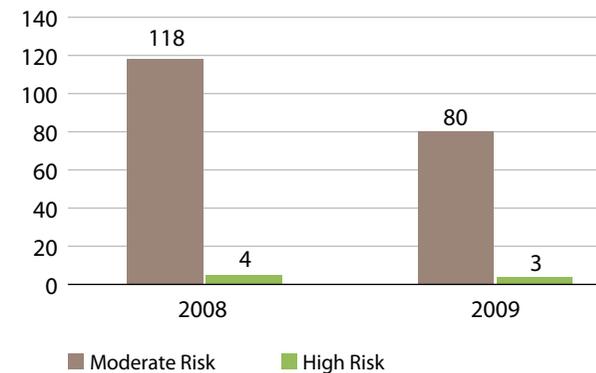
LOSA allows us to better understand the operational threats and errors that must be managed in routine operations. In 2009, Cathay Pacific conducted its third LOSA, one of a small group of airlines to have done so.



“Our major challenge is to maintain a good safety culture across the board – safety should be everyone’s concern and responsibility. We want to encourage staff to report any safety risks as well as keeping themselves safe at work.”

Kwok Chan, Head of Corporate Safety and Quality, Dragonair

Safety Incidents (Cathay Pacific)



Long-haul operations, and flying across multiple time zones can be fatiguing for crew. One of the major safety-related projects that formally began in late 2009 was the development of a Fatigue Risk Management System (FRMS). The FRMS will form an integral part of the Safety Management System, and help better manage any fatigue-related risks through education and training of crew and staff and the more effective management of crew rostering.

One of our safety goals is zero ‘high risk’ incidents. There were three ‘high risk’ safety incidents in 2009 compared to four in 2008, representing a 25% decrease. There was also a reduction in ‘moderate risk’ safety incidents from 118 in 2008 to 80 in 2009, representing a 32% decrease.



Passenger safety

There were zero passenger fatalities in 2009 and zero serious injuries to any passenger that was a result of our operations in Cathay Pacific and Dragonair.

Our aircraft are equipped with multiple first aid, medical and emergency doctor's kits, personal protective equipment as well as Automatic External Defibrillators (AEDs). Our cabin crew are trained in common first aid and cardio-pulmonary resuscitation (CPR), and in 2009 our crew's training coupled with the appropriate use of the AED, combined to save at least one passenger's life.

All Cathay Pacific aircraft are able to call upon ground-based medical assistance through the use of the Medlink system. This system ensures that, regardless of where the aircraft is flying, there is always a medical specialist that can be contacted inflight to assist with the correct diagnosis and treatment of any passenger or crew illness.

When any new cabin product or procedure is introduced into the aircraft, in addition to regulatory certification and requirements, we also conduct our own risk assessments where we may require even more stringent requirements.

Staff safety

At Cathay Pacific and Dragonair airline operations, there were zero staff fatalities in 2009, and zero serious work-related injuries.

2009 saw an emphasis on improving Occupational Health and Safety (OHS) issues, particularly for cabin crew. OHS performance indicators examining both the rate and severity of injuries are tracked on a monthly basis, with all indicators showing improvements in 2009.

This year, we exceeded our target of 5% reduction in Lost Time Injury Frequency Rate (LTIFR) for ground staff, HKIA airport staff and cabin crew. Whilst this is a very pleasing result, we will continue to work towards this goal in the next year. An annual half-day of OHS training for all cabin crew commenced in mid 2009, around half of our cabin crew completed the first year of training in 2009. The focus on this OHS training was on baggage handling and wheelchair transfer techniques. To coincide with this, a Safe Work Practices booklet focusing on baggage handling was produced for crew.

To assist with both of these training initiatives, we have engaged a medical consultant with ergonomic expertise to review and make recommendations on crew service procedures to guard against musculo-skeletal injuries.

In 2010, an OHS e-learning module will be launched for cabin crew. The training will be used for future cabin crew induction and Inflight Services Manager training.

HAS bus accident

HAS is the largest ramp handling company in Hong Kong, and is one of our 100% owned Hong Kong-based subsidiaries. It is with sincere regret that we have to report that on 28 August 2009, a fatal accident in Hong Kong involving a HAS bus saw three HAS staff lose their lives and another 22 injured. HAS provided support to the families of those who died and to those who were injured and hospitalised. In addition to the legally required compensation, HAS made an additional insurance payment to the Mandatory Provident Fund of the deceased staff. HAS will continue to lend support to the families of the deceased and injured staff. The company also made a counselling service available to all employees. We have reminded our staff about the importance of safe driving and emphasised that safety is always our first priority.

In April we launched a new Work Injury Care Programme partnering with a well-known company with expertise in rehabilitation and claims management. We aim to provide post-injury rehabilitation and facilitate timely return to work for injured crew. In 2009, over 1,200 work injury cases participated in the Work Injury Care Programme. The programme has received very positive feedback from crew and has successfully assisted crew in their return to work.

Achievements against Cathay Pacific safety performance targets*:

• Zero accidents	✓
• Zero high risk or severe incidents	3 high risk incidents were recorded
• Regulatory report rates below four per 1000 flights	✓
• 100 % IATA Operational Safety Audit (IOSA) conformance	✓

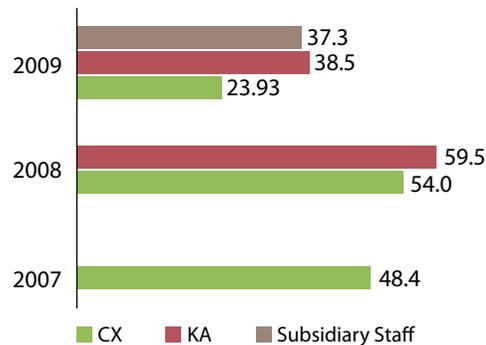
• Reduce LTIFR by 5% per year	✓
• Conduct a LOSA at least once every four years	✓
• Produce a departmental and corporate risk register on an annual basis	✓
• Simulate an aircraft accident in each port once every 24 months	✓

*Relates to Cathay Pacific airline operations, whilst subsidiaries have their own targets.

HKIA's initiatives to reduce work injuries

In order to reduce potential injuries and hazards to a minimum, our team at HKIA embarked on a programme to disseminate safety-related information with the aim of creating a "Safety Culture" amongst the team. As a result of these initiatives, our team at HKIA has significantly reduced their work injury rates.

Lost Time Injury Frequency Rate



Public health

We employ a number of precautionary measures to safeguard the health of our passengers and frontline employees against infectious diseases. In accordance with guidelines of international health agencies and aircraft manufacturers, our aircraft are thoroughly cleaned and disinfected after every flight. Fresh air mixed with filtered air continuously circulates in the aircraft and the entire cabin air volume is replaced every few minutes. We have been a member of the IATA's Medical Advisory Group for the past five years and share best practices for the airline industry in dealing with passenger health and medical issues and communicable diseases outbreaks.

In April 2009, the World Health Organisation (WHO) declared the Pandemic Influenza A (H1N1) situation a Public Health Emergency of International Concern. We rapidly initiated a number of preventive measures to address the threat:

- A Pandemic Influenza Task Force was convened;
- Guidelines were issued in accordance with regulatory agencies and health authorities;
- We made regular communications to staff, passengers and associate companies;
- Specific safe handling guidelines were provided for frontline staff;
- The health message broadcast on all flights was updated;
- Public health alert advisory notices were posted at check-in counters;
- Additional supplies of personal protective equipment (PPEs) such as gloves, face masks, antiseptic supplies and tissues were provided;

- We initiated a health education promotion focusing on good personal hygiene measures, proper cough etiquette, mask use and self-health monitoring; and,
- Additional and specialised hygiene and sanitation for aircraft interior and office facilities were introduced.

In 2010, we will be offering a special subsidy scheme for eligible staff wishing to undergo vaccination against H1N1.



Food safety

At Cathay Pacific and Dragonair, we continue to do our utmost to serve meals that meet the very highest levels of food safety and hygiene. We work with our caterers to create well-balanced meals, to minimise the use of trans-fats and follow our policy on monosodium glutamate (MSG). Our policies on food safety and hygiene are based on recognised standards, such as that of the International Flight Services Association (IFSA) and the Association of European Airlines (AEA) World Food Safety Guidelines. Our caterers must always comply with our strict food safety requirements.

Progress against 2009 actions

Cabin crew to attend a half-day training session on baggage handling skills	ongoing
Release a Company Alcohol and Other Drugs Policy	ongoing
5% improvement in lost time injury rates for Cathay Pacific	✓
Launch of new Work Injury Rehabilitation Programme for cabin crew	✓
Ensure all cabin crew complete a new e-learning module related to OHS	ongoing
Develop a comprehensive programme on assisting passengers with disabilities	✓

Agenda for 2010

Introduce a Fatigue Risk Management System
Measure the safety culture of cabin crew
Launch of new Work Injury Rehabilitation Programme for HKIA airport staff
Develop SMS Company handbook and e-learning for all staff