We recognise that the degree to which our suppliers integrate Sustainable Development principles and practices into their businesses plays an important role in our overall sustainability performance.

We published our most recent Supply Chain Sustainability Newsletter in October 2012. It aims to help both staff and suppliers understand the importance of sustainable purchasing and responsible supply chain practices, and encourage suppliers to share with us how they are responding to their own sustainability impact challenges. The newsletter provides suppliers with information on what matters to us, and in return we invite them to share what matters to them.

Our second Supply Chain Sustainability Newsletter

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1 Engaging with Our Suppliers

Our aim is to enhance the sustainability of our supply chain through encouraging and applying ongoing compliance with our Supply Chain Sustainability Code of Conduct, and with continued engagement and collaboration with our suppliers. We manage our sustainable development risks related to our supply chain by actively working with suppliers who share our standards for issues related to the environment, health & safety, human rights and labour practices, business ethics and the community.

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2 Sustainable Sourcing

Building on our efforts to establish sustainable sourcing guidelines, we continue to examine opportunities for using alternative materials with lower environmental impacts. Some examples of successful applications in recent years include switching from plastic to corn starch and cellulose in manufacturing the toothbrushes and shoehorns in our inflight amenity kits. We are currently conducting a review of the use of one-trip plastic items throughout our supply chains, and will replace, remove or reduce these items wherever practical. Our teams are also working with suppliers to expand our inflight catering offering of sustainably sourced fish to a greater number of routes. In the long term, we aim to utilise more alternatives with sustainability attributes and expand our support of products that adhere to relevant sustainability credentials by organisations such as the Fairtrade Foundation, the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC).

In 2012, we trialled the implementation of selected items contained in the HKSAR Government’s green purchasing guidelines. While these guidelines were developed specifically for the HKSAR government’s use, we found it a useful reference for our procurement specifications. In 2013, we anticipate adopting the relevant parts of these guidelines in the design of our new airport lounges and purchase of new IT equipment.

The Premium Economy amenity kit for Cathay Pacific, designed by home-grown brand G.O.D. in collaboration with Watermark Products, is made from at least 90% recycled plastic bottles. The design took inspiration from the vibrant culture of Hong Kong, where East meets West and age-old traditions blend with cutting-edge technology. The toothbrush in this kit is made mainly from corn starch and cellulose, which is biodegradable, recyclable and uses less resource in its production.
Making Our Airport Lounges Sustainable

As the first Cathay Pacific branded passenger lounge in the United States, the San Francisco lounge was also our first to pursue Leadership in Energy and Environmental Design (LEED) certification, integrating energy and environmental principles into its design and operations. This was made possible in partnership with our architectural and engineering contractors. By engaging our suppliers, we are leveraging on their expertise in design and construction to assist us in building a lounge that is more energy and water efficient, with reduced material usage, wastage, and improved indoor air quality for our customers. Using the San Francisco lounge as an example, we plan to adopt a similar approach for new or refurbished lounges in the future.
3 Involving the Local Community

With financial support from the Hong Kong Government’s Home Affairs Department, and in association with the Outlying Islands Women’s Association (OIWA), our subsidiary CPCS collaborated with local community service centres in Tung Chung in 2009 to establish an inflight cutlery, headset-packing and vegetable semi-processing facility. The aim of the initiative is to support women’s development, promote harmonious families, and build inclusive communities. It provides training and full or part-time employment near these women’s homes so they can also look after their families. Feedback from the community has been positive, and in 2012, 40 to 45 part-time housewives were hired and worked at the facility. Involving local communities by leveraging on our operations on Lantau Island aligns with suggestions raised by stakeholders during previous focus groups, as well as last year’s focus group with our suppliers.
4 Applying the Supplier Code of Conduct

Since the launch of our Supplier Code of Conduct in 2007, we published a revision in 2009 to include our standards for business ethics to reflect our strong preference to work with suppliers who share our commitment to honesty and integrity. Along with our Sustainable Development Strategy, we reviewed the Code of Conduct to align the expectations we have of our suppliers with our Sustainable Development Policy. The Supply Chain Sustainability Code of Conduct was revised and published in March 2012. It is available internally through our intranet and shared with our existing and potential suppliers, both locally and at our outports.

The Code of Conduct forms part of the supply tenders and contracts managed by our local offices. Suppliers, both new and existing, are expected to confirm their compliance with the standards described in our Code by completing a self-assessment questionnaire. Compliance with the Code of Conduct is also included as a contractual requirement for all suppliers.

We continue to refine and develop our approach to the compliance checking process. Using an internally developed risk matrix, we classify our suppliers based on the impact and likelihood of the risks each of them poses to our business. Each risk ranking will carry varying levels of follow-up actions ranging from supplier initiated self-assessment for low risk suppliers, background checks of publicly available documents, to a comprehensive site visit for suppliers deemed to be in the highest risk category. We expect that this approach will allow us to more systematically monitor and manage our sustainable development risks relating to our supply chain.

Proposed New Supply Chain Sustainability Compliance Process

In 2012, we completed a public search of our top 200 suppliers based on total contract value in 2011. What we wanted to understand was how many of our suppliers actually make public statements as to their own standards for Sustainability. What we found was quite surprising, as a very high number of suppliers do not make any reference to sustainability or Corporate Social Responsibility on their websites, and only two suppliers had a published Code of Conduct that matched perfectly with our own Code.

Based on the findings of this study and on our existing risk process, we will re-assess our suppliers and identify those that are considered high-risk and recommend that they undergo a detailed compliance check.

In 2012, we also developed two detailed checklists for our Purchasing Managers to use as a supplement when assessing whether there are any sustainability risks associated with a particular supplier or the purchase of an item. We will roll this out fully in 2013 and will report about outcomes then.