Sustainable sourcing matters

We work with over 1,000 suppliers globally, dealing with a vast range of purchases across the 189 destinations in which we serve, from aircraft and fuel to office supplies and uniforms. Working with our suppliers is key to delivering products and services to our customers in a sustainable fashion.

We recognise that the effort our suppliers put forward on integrating sustainable development principles and practices into their businesses plays an important role in our overall performance towards sustainability. This is closely related to our strengths within operational efficiency and aids us in managing our risks.

What do our stakeholders think

The sustainability of supply chains has grown in importance over the recent years, as businesses tend to look beyond the impacts and performances of their immediate day-to-day operations. In this business climate, stakeholders are increasingly looking for us to incorporate green purchasing guidelines into environmental and sustainability policies, and to show a more integrated view towards environmental and sustainable development management across the business value chain. We are also expected to train employees to use these sustainable procurement guidelines and gain a deeper understanding of supplier practices.
Performance update

We introduced new napkins that are made from 70% sugarcane and 30% wood pulp

Mobile boarding pass saves time and enables a paperless experience for our passengers

Our cabin crew separate waste such as bottles, cans, and cups for recycling

We use biodegradable plastic for blankets, earphones and magazine wraps and cutlery packs

Plastic cutlery, serviceware, and tea cups are sorted, washed, and re-used

We serve sustainably sourced fish on selected flights

We use sustainably sourced paper for menus, safety cards, and magazines
Sustainable sourcing

Our purchasing practices are of the highest calibre of professional and ethical standards. Most of the purchasing requirements for both Cathay Pacific and Cathay Dragon are managed by the Procurement & Aircraft Trading Department.

Building on our efforts to establish sustainable sourcing guidelines allows us to continue to examine opportunities for using alternative materials with lower environmental impacts. We aim to encourage our suppliers to improve their sustainability practices through capacity building and by sharing knowledge on best practices as part of our approach towards sustainable procurement. Our purchasing teams understand the strong need to consider sustainable purchasing and responsible supply chain practices when making decisions towards buying. We require our suppliers to provide clear, accurate and appropriate reporting of their progress in order to achieve the objectives in our Supply Chain Sustainability Code of Conduct.

Successful applications in recent years

Blankets made from recycled plastic bottles

In 2016, Cathay Pacific introduced new blankets for our Economy Class passengers that are made entirely from recycled plastic bottles. Each year we use over 450,000 blankets, and therefore this initiative enables us to contribute significantly towards the reduction of plastic waste.
Napkins made from sugarcane

We introduced a new type of napkin that is more environmentally friendly, yet does not compromise on size, thickness and overall product quality. This new cocktail napkin, introduced to customers in November 2016, is made from 70% sugarcane and 30% wood pulp.

Sustainable inflight cocktail snacks and inflight catering:

Our sustainability procedures extend to our inflight services, which is highlighted through our transition towards a new supplier of roasted peanuts. The new selected supplier follows the requirements to use sustainably produced palm oil as stated in our tender. Developed by the Roundtable for Sustainable Palm Oil, Certified Sustainable Palm Oil must meet a set of environmental and social criteria to help minimise any negative impacts such as deforestation whilst protecting the rights of indigenous people.

Our team also works with suppliers who assist us in expanding our inflight catering. They offer sustainably sourced seafood on a greater number of routes. In the long term, we aim to utilise alternatives with sustainability attributes. In addition, we aim to expand our support of products that adhere to the relevant sustainability credentials by organisations such as the Fairtrade Foundation, the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC).
Inflight carpets from waste material:

Our new Economy Class cabin, which was first introduced in 2012, features carpets produced from regenerated nylon waste materials, such as discarded fishing nets, fabric and carpets. These have been installed across Cathay Pacific and Cathay Dragon wide-bodied passenger aircraft, such as the Airbus A330 and Boeing 777.

Airport lounge

In 2014, Cathay Pacific’s passenger lounge at Charles De Gaulle (CDG) Airport, Paris, was LEED® certified to the Silver level. This was highly consistent with our commitment to consider green standards for our new buildings and refurbishments. CDG was also the first airport lounge in the world to be LEED certified.

Through well thought-out new designs of the lounge, we were able to enhance energy efficiency by maximising the use of natural light. This was achieved through the use of used LED lighting and appliances, as well as the installation of movement sensors and meters, the incorporation of water efficient devices and the use of low-emitting materials.
Partnering with the local community

With financial support from the Hong Kong Government’s Home Affairs Department, and in association with the Hong Kong Outlying Islands Women’s Association Limited (OIWA Limited), our subsidiary CPCS collaborated with local community service centres in Tung Chung in 2009 to establish an inflight cutlery and semi-processing vegetable facility. The aims of this initiative are to support women’s development, promote harmonious families and build inclusive communities. It provides training for full-time and part-time employment near these women’s homes, enabling them also to look after their families. Feedback from the community has been highly positive, and in 2016, approximately 45 part-time housewives were hired to work at the facility. Involving local communities by leveraging on our operations on Lantau Island aligns with the suggestions raised by stakeholders during previous focus groups, as well as last year’s focus group held with our suppliers.
Procurement policies and systems

We require the procurement of all goods to be undertaken with full compliance in regards to the applicable laws, tax regimes and regulations that govern the specific transaction, with full cognisance taken for our Anti-Bribery, Anti-Trust and Data Protection policies.

We have also improved our sustainable procurement policies and systems over the years. Since the launch of our Supply Chain Sustainability Code of Conduct in 2007, we published a revision in 2009 to include our standards for business ethics, which reflect our strong preference to work with suppliers who share our commitment towards honesty and integrity and who seek to integrate principles of sustainable development into all areas of their business. We further built our strength with our Code of Conduct to align the expectations that we have of our suppliers with our Sustainable Development Policy in 2012. This policy is available internally through our intranet and shared within our existing and potential suppliers, both locally and at our outports.

Supplier Code of Conduct

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 towards issues related to the environment, health and safety, human rights, labour practices, business ethics and harmony within the community.

The Code of Conduct covers items including:

- Legal and regulatory compliance
- Environmental management
- Intolerance for the use of forced and child labour
- Appropriate compensation and working hours
- Health and safety in the workplace
- No discrimination against employees
- Upholding human rights in the workplace
- Having high ethical standards
- Extending social responsibility to their subcontractors and service providers
- Maintaining documentation and permitting our inspection
Sustainable sourcing
Procurement policies and systems

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. Compliance with the Code of Conduct is included as a contractual requirement for all of our suppliers.

Timeline for Working with our Supply Chain

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Details</th>
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<tr>
<td>2006</td>
<td>Identified the need for a more coordinated approach to sustainability in our supply chain</td>
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<tr>
<td>2007</td>
<td>Developed and launched our Code of Conduct &lt;br&gt; First questionnaires sent to Hong Kong-based suppliers</td>
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<tr>
<td>2008</td>
<td>Launched online tool for suppliers to complete questionnaire regarding their compliance with our Code. New suppliers are contractually committed to meeting our Code of Conduct</td>
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<tr>
<td>2009</td>
<td>Revised Code of Conduct to include ethics</td>
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<tr>
<td>2010</td>
<td>First publication of the Supply Chain Sustainability Newsletter distributed to local and outport suppliers &lt;br&gt; Outport-based suppliers asked to complete questionnaire for the first time</td>
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<tr>
<td>2011</td>
<td>Development of a framework for supply chain compliance checking</td>
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<tr>
<td>2012</td>
<td>The Corporate Social Responsibility Code of Conduct renamed as the Supply Chain Sustainability Code of Conduct</td>
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<tr>
<td>2013</td>
<td>Project Horizon commenced to modernise and improve procurement processes and activities</td>
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<tr>
<td>2015/2016</td>
<td>Becoming a member of SEDEX</td>
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**Sustainable sourcing**

**Procurement policies and systems**

**SEDEX sustainable supply chain platform**

As a founding member of one world, the one world Procurement Best Practises Working Group – CSR was established in 2015 to understand how each member airline currently manages sustainability risk in their supply chains and share best practices.

In 2016, we focused on expanding our SEDEX usage across the one world alliance membership group and will be leveraging the collaborative platform to gather valuable actionable corporate responsibility data from our supply chain in the near future.

**Selecting more sustainable plastics**

Following our study on plastic use back in 2012, we partnered with Business for Social Responsibility (BSR)'s Centre for Sustainable Procurement (CSP) in 2014. We worked with our Inflight, Product and Procurement teams to understand better how to procure more sustainable containers, cutlery and materials for our inflight meal service products, specifically for those items of single use. Our aim for this exercise was to create the tools and procedures that will help steer our procurement decisions towards plastics with a much lower environmental impact for our immediate future.