

CATHAY PACIFIC AIRWAYS LIMITED

Corporate Governance Code

(Amended and restated with effect from 1st April 2012)

This Code sets out the corporate governance practices followed by the Company.

The Board and its responsibilities

1. The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Directors are collectively and individually responsible to the shareholders for the manner in which the affairs of the Company are managed and for promoting the success of the Company by directing and supervising its affairs.
2. The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives.
3. The Board is responsible for the Company's internal control systems and for reviewing their effectiveness to safeguard shareholders' investment and the Company's assets.
4. The Board is ultimately responsible for preparing the accounts and for presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. This responsibility extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Exchange**"), and reports to regulators and information disclosed under statutory requirements.
5. The directors shall include in the separate statement containing a discussion and analysis of the Group's performance in the annual report, an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives. The Company has a corporate strategy and a long term business model. Long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of long term objectives.
6. The Company shall disclose in the Corporate Governance Report the respective responsibilities, accountabilities and contributions of the Board and management.
7. Day-to-day management of the Company's businesses is delegated to the Chief Executive. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include: financial statements, dividend policy, significant changes in accounting policy, the annual operating budgets, material contracts, major financing arrangements, major investments, risk management strategy and treasury policies.

8. Management are given clear guidelines and directions as to their powers, in particular, where they should report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf.
9. The functions of the Board and the powers delegated to the Chief Executive are reviewed periodically to ensure that they remain appropriate to the Company's needs.

Board Composition

10. There are **five** executive directors and **twelve** non-executive directors on the Board, **four** of whom are independent. All directors (including non-executive directors) are appointed for a specific term, subject to re-election.
11. The independent non-executive directors are identified in all corporate communications of the Company that disclose the names of directors. They are high calibre executives with diversified industry expertise and serve the important function of providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.
12. An updated list of all the directors identifying their role and function and whether they are independent non-executive directors is put on the Company's website and the Exchange's website.
13. Any director appointed by the Board to fill a casual vacancy is subject to election by shareholders at the first annual general meeting after appointment.
14. All directors have to retire at the third annual general meeting of the Company following their election by ordinary resolution, but are eligible for re-election.
15. Further appointment of a retiring director is subject to a separate resolution to be approved by shareholders.
16. Where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it shall set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.
17. Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders. The circular to shareholders accompanying that resolution shall include the reasons why the Board believes he is still independent and should be re-elected.
18. The Board regularly reviews the contribution required from a director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.

19. New directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board, are identified by existing directors and submitted to the Board for approval.
20. The Company has formal letters of appointment for directors setting out the key terms and conditions of their appointment.
21. Shareholders may propose a person for election as a director of the Company in accordance with Article 95 of the Company's articles of association. As required under Rule 13.51D of the Listing Rules, the procedures for shareholders to propose a person for election as a director of the Company are set out in Schedule 1 and put on the Company's website.

Responsibilities of directors

22. Rule 3.08 of the Listing Rules provides that directors should fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Every director must, in the performance of his duties as a director:
 - (a) act honestly and in good faith in the interests of the company as a whole;
 - (b) act for proper purpose;
 - (c) be answerable to the Company for the application or misapplication of its assets;
 - (d) avoid actual and potential conflicts of interest and duty;
 - (e) disclose fully and fairly his interests in contracts with the Company; and
 - (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company.

Directors must satisfy the required levels of skill, care and diligence and they must take an active interest in the Company's affairs and obtain a general understanding of its business. They must follow up anything untoward that comes to their attention.

23. On his first appointment, every newly appointed director receives a "Brief Guide for Directors" on his duties and responsibilities to ensure that he is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Subsequently, on each occasion that revisions to these legal and regulatory requirements are introduced which may have an impact for the Company, the Company Secretary provides all directors with the necessary briefing, where necessary with the assistance of external legal consultants.
24. Every director must always know his responsibilities as a director of the Company and its conduct, business activities and development. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. Directors are provided with monthly management reports distributed for discussion at board meetings and for information between meetings and are provided in a timely manner with appropriate information to enable them to make informed decisions and to perform their duties and responsibilities.

25. All directors participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Suitable training is arranged and funded by the Company, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Directors provide a record of the training they received to the Company.
26. Every director should ensure that he can give sufficient time and attention to the Company's affairs.
27. The Company has adopted Codes for Securities Transactions no less exacting than the Model Code set out in Appendix 10 to the Listing Rules, containing rules for directors, officers and relevant employees of the Company in respect of their dealings in the securities of the Company, and all directors, officers and relevant employees are required to comply with their obligations under the relevant code.
28. All directors must disclose to the Board on their first appointment, and in a timely manner for any changes, their interests as director in other companies or organisations, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the companies or organisations and an indication of the time involved shall also be disclosed. Such declarations of interests and disclosure are also updated annually.

Responsibilities of the Chairman

29. The Company has appointed a Chairman and a Chief Executive. The roles of the Chairman and the Chief Executive are separate with a clear division of responsibilities.
30. The primary role of the Chairman is to provide leadership for the Board. He ensures that the Board works effectively and performs its responsibilities and that all key and appropriate issues are discussed by it in a timely manner. The Chairman's responsibilities comprise the following:
 - (a) ensuring that all directors are properly briefed on issues arising at board meetings;
 - (b) ensuring that directors receive, in a timely manner, adequate information which is accurate, clear, complete and reliable;
 - (c) ensuring, through the Board, that good corporate governance practices and procedures are established and overseeing the implementation of those practices;
 - (d) encouraging all directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that it acts in the best interests of the Company;
 - (e) encouraging directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;
 - (f) ensuring that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole;
 - (g) promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

Responsibilities of the Chief Executive

31. The Chief Executive is responsible for the day-to-day management of the Company's business, including:
- (a) providing leadership for management;
 - (b) implementing the policies and strategies set by the Board;
 - (c) providing such information to the Board as is necessary to enable the Board to monitor the performance of management;
 - (d) putting in place programmes for management development and succession;
 - (e) establishing and maintaining proper internal controls and systems; and
 - (f) performing such duties as may be delegated by the Board.
32. In respect of any matter put before the Board or any of its committees for approval, the Chief Executive should provide sufficient explanation and information in a timely manner to the Board/committee to enable the Board/committee to make an informed assessment of the financial and other aspects of the proposal.

Responsibilities of non-executive directors

33. The functions of non-executive directors include:
- (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (b) taking the lead where potential conflicts of interests arise;
 - (c) serving on the audit, remuneration and other governance committees, if invited;
 - (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
 - (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
 - (f) attending general meetings to develop a balanced understanding of the views of shareholders; and
 - (g) making positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.
34. An independent non-executive director, being a member of the Board which collectively bears the ultimate responsibility for corporate governance, is as equally responsible as any other member on the Board for the overall interests of the Company and not the particular interests of any specific shareholder, director, or other party.

Board meetings

35. The Board holds six regular meetings a year on dates advised to directors well in advance, normally with more than 14 days' notice. Reasonable notice is, where possible, given for any additional board meetings.
36. The regular meetings are attended by a majority of directors entitled to be present. When necessary, written resolutions are circulated to directors for approval in between regular meetings.
37. In addition, the Chairman holds meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present.
38. The Chairman is primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. All directors may ask for matters to be included in the agenda for regular board meetings by request to the Chairman at least ten days before the intended date of a meeting.
39. If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting (rather than a written resolution) attended by independent non-executive directors who, and whose associates, have no material interest in the transaction; the director who has a material interest must abstain from voting on the relevant resolution and shall not be counted in the quorum present at the board meeting. Under the Company's articles of association, this general voting prohibition does not apply in certain circumstances.
40. A director's attendance by electronic means including telephonic or videoconferencing may be counted as attendance at a physical board meeting.

Supply of and access to information

41. For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers are sent, in full, to all directors at least 48 hours before the intended time of a board or committee meeting.
42. All directors receive regular reports on the Company's performance together with board papers for discussion at regular board meetings, or distributed for information in the months when no meetings are held.
43. All directors are entitled to have access to board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.
44. In circumstances where a director requires further information to fulfil his duties properly, he shall make further enquiries where necessary. The Board and individual directors have open, separate and independent access to the Chairman, the executive

director/officer responsible for the relevant transaction or other members of the senior management who will give a prompt and full response, if possible.

Insurance

45. The Company has arranged for Directors' and Officers' (D&O) Liability cover for all directors and officers of the Company and its employees in a managerial or supervisory capacity.

Company Secretary

46. The Company Secretary's role is to support the Board and ensure good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman on governance matters and facilitates induction and professional development of directors.
47. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Board approves the selection, appointment or dismissal of the Company Secretary. A Board meeting is held to discuss the appointment and dismissal of the Company Secretary and the matter is dealt with by a physical board meeting rather than a written resolution.
48. The Company Secretary reports to the Chairman of the Board.
49. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures, and all applicable rules and regulations, are followed.
50. The Company Secretary or his/her deputy or assistant keeps minutes of board meetings and meetings of board committees to record in sufficient detail the matters considered by the board/committee and decisions reached, including any concerns raised by directors/members or dissenting views. Draft and final versions of such minutes are sent to directors/committee members for their comment and records within a reasonable time after the relevant meeting, except that such minutes are not sent to any director/committee member who has previously indicated that he does not wish to receive them.
51. The Company Secretary satisfies the academic and qualification requirements prescribed in the Listing Rules and takes no less than 15 hours of relevant professional training in each financial year of the Company.

Independent professional advice

52. Directors may, upon reasonable request to the Chairman, seek independent professional advice in appropriate circumstances at the Company's expense to assist them to perform their duties to the Company.

Board Committees

53. As far as practicable, all committees established by the Board adopt the principles, procedures and arrangements set out in this Code.
54. Where board committees are established to deal with matters, the Board gives them sufficiently clear written terms of reference to enable them to perform their functions properly.
55. The terms of reference of board committees require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Remuneration Committee

56. The Board has established a remuneration committee with specific written terms of reference as required under the Listing Rules. These terms of reference are put on the Company's website and the Exchange's website. The remuneration committee is chaired by an independent non-executive director and a majority of the members are independent non-executive directors. The remuneration committee determines with delegated responsibility the remuneration packages of individual executive directors and senior management.
57. A representative of the Chairman attends each meeting of the remuneration committee to provide information on the Company's remuneration policy and on the proposals relating to the remuneration of executive directors and officers.
58. Details of the remuneration paid to the Company's directors and senior management are disclosed, on an individual and named basis, in the Company's annual reports.
59. A significant proportion of executive directors' remuneration is linked to corporate and individual performance.
60. The remuneration committee is provided with sufficient resources, including the services of independent professional consultants, to perform its duties.

Audit Committee

61. The Board has also established an audit committee with specific written terms of reference as required under the Listing Rules, which include certain corporate governance duties as delegated by the Board. These terms of reference are put on the Company's website and the Exchange's website.
62. Full minutes of audit committee meetings are kept by the Company Secretary or his/her deputy. Draft and final versions of these minutes are sent to all committee members for their comment and records within a reasonable time after the meeting. Copies are also distributed to all directors.
63. The audit committee is provided with sufficient resources, including the services of external legal consultants, to perform its duties.

Internal Control and Risk Management

64. The Board reviews at least annually the effectiveness of the Company's and its subsidiaries' internal control systems and reports to shareholders that they have done so in the Corporate Governance Report. The review covers all material controls, including financial, operational and compliance controls and risk management functions.
65. The Board's annual review considers:
 - (a) the changes, since the last review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
 - (b) the scope and quality of management's ongoing monitoring of risks and of the internal control system, the work of its internal audit function and the assurance provided by the Finance Director;
 - (c) the extent and frequency of communication of monitoring results to the Board (or board committee(s)), which enables it to assess control of the Company and the effectiveness of risk management;
 - (d) significant control failings or weaknesses that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;
 - (e) the effectiveness of the Company's processes for financial reporting and statutory and regulatory compliance; and
 - (f) the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
66. The internal audit department reports to the audit committee on its assessment of the effectiveness of the internal control systems in the Company.
67. The Company has established an airline safety review committee, comprising directors and senior management of all operational departments as well as senior management from the ground handling company and the aircraft maintenance company, to review the Company's exposure to operational risks.
68. The Company has also established a board safety review committee, comprising directors and senior management, to review and report to the Board on safety issues.
69. An operational risk management manual, which is updated from time to time, provides guidance to managers on principles of risk management.
70. The Company Secretary also submits to the audit committee half-yearly a checklist on the Company's compliance with statutory and regulatory requirements, including the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance.

Communication with shareholders

71. For each substantially separate issue at a general meeting, a separate resolution is proposed by the chairman of that meeting. “Bundling” of resolutions is avoided unless the resolutions are interdependent and linked forming one significant proposal, in which case the reasons and material implications will be set out in the notice of meeting. The Company arranges for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days before the meeting for all other general meetings.
72. The chairman of the Board, of the audit committee, remuneration committee or other committees (as appropriate), or in the absence of any of them, his appointed delegate, attend the annual general meeting to answer questions from shareholders. The chairman of any independent board committee appointed to advise on any transaction requiring independent shareholders’ approval also attends the general meeting called for this purpose. The external auditors also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence.
73. The Board has established a shareholders’ communication policy and reviews it on a regular basis to ensure its effectiveness.
74. An up to date consolidated version of the Company’s memorandum and articles of association is put on the Company’s website and the Exchange’s website.

Voting by Poll

75. All resolutions proposed at general meetings of the Company are voted on by poll except where the chairman of such meetings, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Votes cast are properly counted under the scrutiny of the scrutineer, and recorded. The Company ensures that shareholders are familiar with the detailed procedures for conducting a poll.
76. The chairman of a general meeting ensures that an explanation is provided of the detailed procedures for conducting a poll and answers any questions from shareholders on voting by poll.

Appointment and removal of auditor

77. The Company appoints at each annual general meeting an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The Company would not remove its auditor before the end of the auditor’s term of office without first obtaining shareholders’ approval at a general meeting. The Company would send a circular proposing the removal of the auditor to shareholders with any written representations from the auditor, not less than 10 business days before the general meeting. The Company would allow the auditor to attend the general meeting and make written and/or verbal representations to shareholders at the general meeting.

Corporate Governance Report

78. The Company prepares a Corporate Governance Report each year for inclusion in the annual report which as a minimum contains the information required under paragraphs G to P of Appendix 14 to the Listing Rules regarding the accounting period covered by the report.

(Amended and restated with effect from 1st April 2012.)

Procedures for shareholders to propose a person for election as a director

Article 90 of the Company's articles of association provides that subject to the provisions of the Company's articles of association and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the Company may by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the Board.

Article 95 of the Company's articles of association provides that no person, other than a retiring director, shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting, unless during a period of seven days commencing on and including the day after the despatch of the notice of the meeting there shall have been left at the registered office of the Company:

- (a) notice in writing signed by some member (not being the person to be proposed) duly entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election; and
- (b) notice in writing signed by that person of his willingness to be elected.

In addition, the notice in (a) above should be accompanied by the biographical details under Rule 13.51(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") of the person being proposed for election as director. The person being proposed for election should also provide his written consent to the publication by the Company of his personal data together with the notice in (b) above and his written confirmation of the accuracy and completeness of his personal particulars to be disclosed under Rule 13.51(2) of the Listing Rules.

Upon receipt of the above notices, the Company shall publish an announcement in accordance with the Listing Rules, or issue a supplemental circular to members of the Company, in each case containing the particulars of the proposed director.

Provided that the formalities of the meeting have been complied with, a member proposing that person for election may, during the relevant meeting, put an ordinary resolution to the meeting to such effect.

In addition, (a) any number of members representing not less than one-fortieth of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (b) not less than 50 members holding shares in the Company on which there has been paid up an average sum, per member, of not less than \$2,000, is entitled to requisition the Company to give to members notice of a resolution which is intended to be moved at the next annual general meeting by following the requirements and procedures set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).