

Stakeholder engagement is central to how we conduct our business and, in our view, is a pre-requisite for long-term sustainability.

Content

1 Stakeholder Engagement

2 Issues Materiality

1 Stakeholder Engagement

Why We Engage with Stakeholders

Our stakeholders help us define our Sustainable Development Strategy, communication strategies and how and what we report.

It is essential that we understand the issues of concern to our key stakeholders, so that our business priorities reflect theirs. Many people are interested in the way we incorporate sustainability into the business and how we plan to address certain issues. As a way to address material issues and meaningfully strengthen sustainable development performance at Cathay Pacific, we regularly and systematically meet with a range of stakeholders, including our customers, staff, sustainability thought-leaders, non-governmental organisations (NGOs), analysts, investors, suppliers, business and community partners.

Approach to Stakeholder Engagement

We started our formal stakeholder engagement on sustainability issues in 2006. From 2008 to 2012 we followed a five-year stakeholder engagement plan to ensure that through focus groups and interviews, we systematically engaged with a range of interest groups on a regular basis, at least once every two years.

During the last two years, the engagements were focused on gaining insights into stakeholders' current perceptions of Cathay Pacific, material issues as well as their expectations of the company, the material issues and areas of improvement. The findings informed two core elements: Cathay Pacific's Sustainable Development Strategy and our sustainability reporting process.

The discussion groups and interviews were facilitated by an independent organisation, guaranteeing anonymity to ensure impartiality and encourage respondents to speak frankly.

In 2012, we ran a multi-stakeholder focus group for the first time, which comprised sustainability leaders from the NGO, customer, sustainability experts and supplier communities. We were perceived as a strong airline performer in Asia in terms of sustainable development, and were recognised for our efforts over recent years. At the same time, there were high expectations to further improve our sustainability performance in certain areas, including setting climate change targets that exceeded those established by industry, and enhancing waste management practices. We were also expected to demonstrate our leadership by promoting sustainable development across our sphere of influence, by equipping employees with sustainability knowledge, raising the awareness of customers and the wider Hong Kong community.

In 2013, we began separating engagement from our reporting process, so that engagement outcomes are effectively embedded into the way sustainability is managed. We would also be able to effectively and proactively engage with our stakeholders during the year. We undertook a comprehensive survey of all our key stakeholder groups to create a baseline for monitoring and measuring stakeholder views in future years.

So far, the 2013/14 exercise highlighted that stakeholders not only expect Cathay Pacific to take a leadership role in the industry, but also to drive change. Findings reiterated the need to integrate sustainable development within the business, especially among key employee groups. Enhanced communications and engagement remains an important issue, particularly in relation to informing customers of our performance.

The table below shows the most common issues raised by the key stakeholder groups over the years.

Stakeholder Group	How We Engage	Common Issues that are Important to this Stakeholder Group
Customers	<ul style="list-style-type: none"> • Reflex passenger survey • Online feedback • Comment cards and letters • Social media • Focus groups 	<ul style="list-style-type: none"> • Safety • Punctuality and service • Customer experience • Crisis handling and customer relations • Cost of tickets • Environmental issues • Customer education on sustainability • Caring for the environment • Collaborating with the community • Transparency with sustainability information
Employees	<ul style="list-style-type: none"> • Intranet • Newsletters and briefing notes • Consultative committees and staff forums • Focus groups • Organisational alignment survey • Staff sustainability survey 	<ul style="list-style-type: none"> • Employee relations and labour standards • Staff benefits • Training and development • Education on sustainability • Reduction of inflight waste • Sustainable sourcing of inflight meals • Volunteering and community involvement • Better engagement and alignment between Hong Kong and outposts • Safety and fatigue management • Reduction of fuel burn • Moving from paper to electronic documents • Communicating environmental benefits of new fleet to the public • Adopting best international labour and contractual practices • OHS training • Enhance communication of sustainability information to improve knowledge • Be provided with channels to express thoughts and ideas

Stakeholder Group	How We Engage	Common Issues that are Important to this Stakeholder Group
NGOs/sustainability experts/the academia	<ul style="list-style-type: none"> • Stakeholder review committee • Focus groups • Strategic discussions • Event participation 	<ul style="list-style-type: none"> • Climate change and use of sustainable fuel alternatives • Strategic engagement with NGOs • Better communication of sustainability initiatives to the general public • Stronger influence on customers with carbon offsetting • Target-setting for key performance areas, e.g. carbon goals, carbon trading, offsetting and cost of emissions • Biodiversity • Investing in the next generation • Training local personnel • Staff satisfaction, retention and training • Maintaining employee relations • Community engagement, including on disaster response and relief and programme involvement • Global approach to community investment • Customer service • Safety • Having a supply chain strategy • Promoting sustainable tourism • Embedding sustainability into the workplace • Industry leadership • Innovation
Investors and shareholders	<ul style="list-style-type: none"> • Annual Report • Focus groups and interviews 	<ul style="list-style-type: none"> • Improving transparency on environmental issues and supplier management • Contextual information on reported data to help stakeholder understanding • Focus on customer service and cost, rather than just the bottom line • Clearer reporting on community investment • Providing industry and peer data for easy comparisons • Direct engagement with investors • Embedding carbon information in flight booking menu • Sustainability performance

Stakeholder Group	How We Engage	Common Issues that are Important to this Stakeholder Group
Suppliers	<ul style="list-style-type: none"> • Supplier questionnaire • Sustainability newsletter • Focus groups 	<ul style="list-style-type: none"> • Commitment to climate change, offsetting and biofuels • Transparency around labour relations • Rising costs (e.g. fuel) and effects on the industry • Collaboration with local businesses and communities • More stringent supplier code of conduct • Supplier training • Communication on responsible procurement plan • Top level governance for sustainability
Other businesses	<ul style="list-style-type: none"> • Annual Report • Focus groups • Business forums 	<ul style="list-style-type: none"> • Active communication on sustainability initiatives • Lead on climate change and resource efficiency issues • Highest governance level takes leadership position on sustainability issues imperative • Customer and staff safety • Staff welfare

Based on an analysis of the engagement findings from the last two years, the following issues were deemed as material for CX and should be addressed in the report:

- Safety
- Climate change and fuel efficiency
- Waste management
- Supply chain and sourcing of materials
- Transparency and two-way communication
- Biodiversity

Previous Stakeholder Engagements

The table below details our stakeholder engagements since 2006:

Year	Stakeholder Groups Engaged	General Comments	Milestones
2006	<ul style="list-style-type: none"> • Staff • NGOs • Government • Business community • Shareholders/investors • Local politicians • Media 	<ul style="list-style-type: none"> • Successful company with a positive image and brand. • Community involvement, sponsorship and support for charities and NGOs are widely recognised. • Committed to sound environmental practices. • Concern about our contribution to climate change through the emissions of greenhouse gases. • Do not sufficiently communicate all our efforts and a number of them are unaware of the company's community activities. • Indicate that we are perceived to be a good employer but disputes in the past still affect our reputation for good human resource management externally. • Interested in our efforts to promote non-discrimination and diversity. • Interested in our procurement practices and responsibilities along supply chains. 	First year of formal stakeholder engagement on sustainability issues
2007	<ul style="list-style-type: none"> • Shareholders/investors • Frequent flyers 	<ul style="list-style-type: none"> • Praise for our 'I Can Fly' programme and our initiatives with the Tung Chung community. • A number of our stakeholders asked about our activities outside of Hong Kong. • Interest in Cathay Pacific's Change for Good and Dragonair's Change for Conservation programmes, and a desire to know more about how the donations to these programmes are used. • Recognised that Cathay Pacific was a safe airline but wanted to know if it was also a healthy one in terms of our inflight catering. • Suggests a need for longer term scenario planning. Indeed, some questioned whether the airline industry could continue its rapid expansion. • Ongoing challenge of inflight waste was raised. • Interested for more information on governance. 	

Year	Stakeholder Groups Engaged	General Comments	Milestones
2008	<ul style="list-style-type: none"> Environmental NGOs Staff – cabin crew 	<ul style="list-style-type: none"> Viewed as one of the leading airlines in terms of environmental performance but there is a need to develop initiatives further on reducing carbon dioxide (CO₂) emissions. Positive response to our FLY greener programme but more transparency is required on our offsetting choices. Increase environmental awareness and communication amongst our customers. Should discuss how environmental performance relates to business performance. Support for our environmental initiatives such as our inflight recycling programme. However, cabin crew stressed the need for enhanced customer involvement in such initiatives. Concerns relating to injuries caused in the cabin through overweight baggage and heavy cabin service trolleys. 	Began our 5-year stakeholder engagement strategy
2009	<ul style="list-style-type: none"> Environmental NGOs Shareholders/investors Suppliers Frequent flyers Corporate customers 	<ul style="list-style-type: none"> Genuine commitment to sustainable development and the stakeholder engagement process. Placed more emphasis on environmental initiatives than on social and community activities. Reporting on climate change, procurement and supply chain stood out as particularly impressive. Provide more transparency on inflight waste at the end of each flight and actions taken. More proactive reporting on issues such as the impact of noise and air pollution on local communities was requested. More information on our overall strategy for dealing with climate change. Engage more with our customers in relation to FLY greener and our other CSR initiatives. Responsible disposal of spare aircraft parts especially with retired fleet, and our work with subcontractors. Better engagement with suppliers. 	
2010	<ul style="list-style-type: none"> Staff – pilots, young employees Environmental NGOs Social NGOs Hong Kong business community Hong Kong university students 	<ul style="list-style-type: none"> Overall positive view of Cathay Pacific as a responsible corporate citizen. Leadership within the aviation industry and on climate change issues was recognised, as well as the company's environmental, safety and community engagement initiatives. Room for improvement in our labour relations. 	

Year	Stakeholder Groups Engaged	General Comments	Milestones
2011	<ul style="list-style-type: none"> Staff – outports in Bangkok, London & Vancouver Environmental NGOs Social NGOs Corporate customers Suppliers 	<ul style="list-style-type: none"> Continued to be perceived as one of the safest airlines globally. Found the engagement sessions useful, and expected the company to respond to their comments. Staff, especially those at the outports, do not think they are familiar with the company's sustainability strategy and performance. More transparency on the company's operational impacts, with clear long term goals, performance indicators, action plans and measurement of impacts. Should develop a supplier audit system. 	
2012	<ul style="list-style-type: none"> Staff – pilots, young employees & cabin crew Environmental NGOs Corporate customers Shareholders/investors 	<ul style="list-style-type: none"> Perceived as a strong sustainable development performer in Asia, and are recognised for our efforts over recent years. High expectations to further improve our sustainability performance in certain areas, including setting climate change targets that are higher than the industry ones, and enhancing waste management practices. Expected to exert our leadership by promoting sustainable development across its sphere of influence, by equipping employees with sustainability knowledge, raising the awareness of customers and the wider Hong Kong community. 	<p>Last year of the 5-year engagement strategy</p> <p>Began developing future years' engagement plan</p>
2013	<ul style="list-style-type: none"> CX & KA staff – pilots, cabin crew, ground and airport staff, both in Hong Kong and outports Customers – including corporate travelers, frequent travelers, cargo forwarder and shippers External stakeholders (non-customers) – investors/shareholders, NGOs, local and global sustainability influencers, academics and experts, industry influencers, and local authorities 	<ul style="list-style-type: none"> Carbon emissions and climate change remain an issue of increasing importance. Other important issues include fuel and labour relations. The remaining top tier issues are customer safety; staff OHS, benefits, training and retention; contingency planning; and air quality. Dedicated programmes and communications are key ways to address these issues. Sustainable development is increasingly important to customers, and is one of their considerations in assessing a company's performance. CX is perceived to perform better than its competitors, but still needs to work harder to reach a leader's performance level in sustainability. Areas of improvement include: tailored communication to each stakeholder group; integration of sustainable development across the organisation; effecting change by taking a leadership role; and educating passengers and staff around sustainable development. 	<p>First comprehensive survey of all key stakeholder groups in the same year, by means of interviews and a 3-week online staff survey. This created a baseline for monitoring stakeholder views in future years and obtaining actionable feedback.</p>

2 Issues Materiality



Want to find out more?
Go to our **company's risk matrix**.

We have been incorporating sustainable development risks into the [company's risk matrix](#) to enable us to gain a more comprehensive perspective, identify significant issues, risks or 'material' issues. We have also been developing a materiality matrix on sustainability issues since 2009. An issue is considered 'material' when it may substantially affect our long term commercial and operational viability. This matrix combines the Swire Group approach on identifying the risk concerns of our stakeholders and our own materiality scoring methodology, which follows the principles outlined in international standards such as the Global Reporting Initiative (GRI) and the AA1000APS social standard.

Our most recent stakeholder engagement research which commenced at the end of 2013 showed that all issues raised were important to stakeholders, albeit to differing degrees. The level of importance of an issue is relative to others being discussed, and a lower-scoring issue does not necessarily mean they are of 'low' priority to stakeholders. As a result, we have renamed our criteria from high/medium/low to Tier 1/2/3 to better reflect these views.

Our assessment criteria of the identified risks are shown in the following tables:

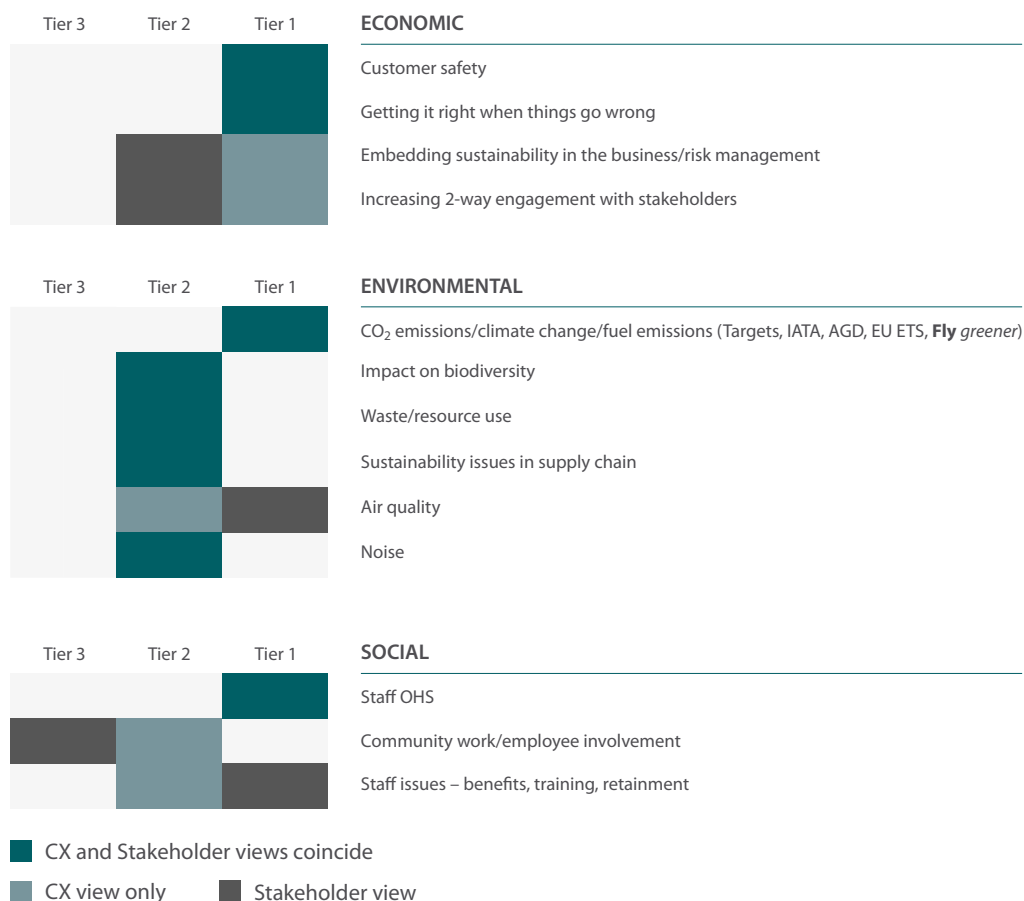
Criteria for Assessing Materiality

Assessing 'Level of Concern to Cathay Pacific's Key External Stakeholders'	
TIER 1	<p>The issue is understood to be of concern to key stakeholder groups at an international or national level and meets two or more of the following criteria:</p> <ul style="list-style-type: none"> • Has a high impact on society or the environment • Is known to be of high priority to stakeholders • Is strongly related to the activities of CX and others in the sector • Is particularly important in enabling judgments to be formed about CX's CR performance
TIER 2	<p>The issue is understood to be of concern to key stakeholder groups at a national level and meets one or more of the following criteria:</p> <ul style="list-style-type: none"> • Has a moderate impact on society or the environment • Is known to be of moderate priority to stakeholders • Is related to the activities of CX but also many other industry sectors • Is fairly important in enabling judgments to be formed about CX's CR performance
TIER 3	<p>The issue is understood to be of concern to key stakeholder groups at a national or local level and meets one or more of the following criteria:</p> <ul style="list-style-type: none"> • Has a low impact on society or the environment • Is known to be of low priority to stakeholders • Is only indirectly related to the activities of CX • Is not very important in enabling judgments to be formed about CX's CR performance

Assessing 'Current or Potential Impact on Cathay Pacific'

TIER 1	<ul style="list-style-type: none"> High current or future financial impact Potential for some impact (positive or negative) on brand, reputation and key stakeholder relationships and international media attention Some potential for legal non-compliance and fines Some potential for positive or negative impact on operations and customer orders Is part of stated strategy, policy or voluntary commitment
TIER 2	<ul style="list-style-type: none"> Limited current or future financial impact Potential for some impact (positive or negative) on brand, reputation and key stakeholder relationships and national media attention Low potential for legal non-compliance and fines Low potential for positive or negative impact on operations and customer orders Is part of stated strategy, policy or voluntary commitment
TIER 3	<ul style="list-style-type: none"> No or low current or future financial impact Potential for positive or negative local media attention, with no impact on brand, reputation and key stakeholder relationships No potential for legal non-compliance and fines No potential for positive or negative impact on operations and customer orders

The graphic below is a summary of ongoing work in developing a well-defined materiality matrix for the Sustainable Development Strategy.



Since 2008, our top three material issues have been: safety, customer relations and climate change/fuel efficiency – this is consistent with the main concerns of all our stakeholders and has subsequently been reflected in our reporting. Please refer to our [GRI content index](#) for more information on our material aspects.