

Hong Kong Airport Services Limited



Sustainable Development Report 2007

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Message from our Director & General Manager

Hong Kong Airport Services Limited (HAS) is committed to long-term value creation for our shareholders and the community in which we operate. We follow a sustainable development culture within the company and promote this concept with our business partners such as vendors, system providers, contractors and extend this initiative to the community we serve.

Our policies regarding Environment, Occupational Health & Safety, Employees issues, Business Partners and Communities have been developed to provide guidelines on sustainability for our business. Reducing green house gas emissions, protecting our environment and safeguarding the health and interests of our workers and community will remain our key business objectives going forward.

In 2008 we will invest in equipment with more fuel-efficient engines and introduce more electrical equipment to replace ones that use diesel. We will also improve our monitoring of suppliers and work with employees on community issues.

This, our first Sustainable Development Report, replaces our previous Environmental Management Report. It summarizes HAS' sustainable development performance and initiatives in 2007. It includes elements from the Global Reporting Initiative (GRI) www.globalreporting.org as a step towards producing a GRI compliant report next year. GRI is the world's most widely adopted sustainable development reporting framework.

Through greater transparency we hope to share our long-term vision, to demonstrate our commitments and to build trust with our stakeholders as HAS continues on the journey of sustainable development.

Clement Lam
Director & General Manager

Organization Profile and Operation Summary

HAS is a wholly owned by Cathay Pacific Airways Group and is the leading ramp handling company at the Hong Kong CLK International Airport. Its economic performance is not disclosed other than the note in Cathay Pacific Airways' Annual Report that:

- The number of flights handled by HAS crew increased by 5.4% in 2007 to a new record.
- Productivity initiatives have been successfully implemented following an operational review. This review will be expanded and will continue in 2008.

With a workforce of over 1,900 employees, a fleet of 2,563 ground support equipment (500 motorized and 2,063 non-motorized) and 23 crew buses in 2007, HAS provides flight handling services such as loading and unloading of baggage, cargo and mail as well as crew commuting services, to over 52% of all the flights serving H.K. On top of the two shareholder airlines (Cathay Pacific Airways and Dragonair), HAS served 30 other airlines in 2007. It provides the following services:

- Airbridge and passenger steps operation
- Aircraft loading and unloading
- Transportation of baggage, cargo and mail to and from aircraft
- Baggage handling
- Air mail handling
- Unit Load Device storage and administration
- Crew transportation services
- Ramp coordination
- Weight and balance

HAS employees are located in two major areas: one office in Cathay Pacific City, managed by Cathay Pacific Airways; and 5 offices within the Passenger Terminal Building at the Airport, managed by the Airport Authority Hong Kong.

Operation Summary

	2006	2007
Flight Movements	76,100	80,189
Staff Number	1,893	1,957
Ground Support Equipment	2,490	2,586
-Non Motorized Equipment	1,977	2,059
-Motorized Equipment	513	527
- Electrical Equipment	107	105
- Non Electrical Equipment	406	422
Total Customer Airlines	29	30

Sustainable Development Policy and Governance

HAS treats Work Safety, Corporate Social Responsibility (CSR) and Environmental Issues an integral part of corporate management strategy. Under its Sustainable Development Policy (Appendix 1) it follows a five Pillar Approach:

Area	Committee/ Team	Chairperson	Policy and Scope	Report
1. Environment	Environment Committee	Business Support Manager	Environmental Policy including Green Procurement (attachment 2) Compliance with Pollution Control Ordinances	Environment Management Report
2. Occupational Health & Safety (OHS)	OHS Committee	Director & General Manager and Operations Manager	Occupational Health & Safety Policy Work Safety and Health Issues Compliance with: 1) Factories & Industrial Undertakings Ordinance 2) Occupational Safety & Health Ordinance	Safety Statistics
3. Employees	1. JAC (Joint Advisory Committee) 2. OJAC (Office Joint Advisory Committee) 3. Sports & Recreation Committee 4. Sports Clubs	Personnel & Administration Manager Personnel Manager Assistant Personnel Manager Staff Members	Employee Policy Office Employment and Work Issues Staff Recreational Activities Sporting Activities	JAC Report OJAC Report HAS Newsletter HAS Newsletter
4. Business Partners	Business Partner Committee	Financial Controller	Business Partners Policy	Committee Report
5. Community	Community Committee	Commercial Manager	Community Policy Voluntary Social Work	Committee Report

Protecting the Environment

Key environmental issues:

Operations:

- Green Procurement
- Energy: Diesel Fuel, Electricity for Batteries
- Waste Management
- Pollution: Air, Noise, Water

Office:

- Energy: Electricity
- Water: Canteen; Bathroom; Washroom; Battery Charging Facility
- Resources: Office Equipment; Paper; Name Cards

Green Procurement

As part of our commitment to the environment, we have a policy to practice 'green procurement', where and when practicable.

This ranges from the use of recycled papers for our business cards and letter papers, to the use of Euro 3 or better engines on our vehicles, and to the replacement of diesel engine equipment with ones operated by electricity. See Appendix 8 for details of this equipment replacement program.

We are already using ultra-low sulphur diesel as our standard fuel and are interested in the development of LPG as an alternative fuel at the Hong Kong International Airport (HKIA). Once this is approved, it is likely that HAS will bring LPG vehicles into service at the airport.

We would like our contractors and suppliers to be equally environment oriented and to make this happen, we have included the following statement in our purchase orders: "The Seller/Supplier shall perform the work under this purchase order in a manner that is safe, healthy, and environmentally acceptable and shall develop and manage a comprehensive program in support of these objectives."

We visit our major contractors and suppliers annually to discuss development of their environmental programs.

Our two ground support equipment maintenance providers are:

- a. Ground Support Engineering Limited ('GSEL')
- b. Dah Chong Hong-Dragonair Airport Ground Support Equipment Service Limited ('DAS')

These maintenance providers are responsible for repairing and servicing our equipments, buses, vehicles, batteries and spare parts in an operationally efficient and environmentally friendly manner.

HAS's main equipment and spare part supplier is Wei Hai Guang Tai Airport Equipment Company Limited. Our equipment requirements and technical specifications are given to the vendors requiring equipment to meet our environment and safety standards.

These three suppliers have comprehensive environmental management programs for inspection by HAS on a periodical basis.

Energy Conservation

The amount of energy used in HAS is closely linked to the number of aircraft that we handle and as such, we measure the intensity of our energy consumption in terms of cost per Air Traffic Movement (ATM). See Appendix 7 for consumption and number of flight movements. Comparing 2007 with 2006 our direct energy consumption (diesel and petrol) increased by 6.1% while the number of flights handled increased by 5.4%. On a per ATM basis, the increase was only 0.7% which was attributable to slightly older average engine age and greater congestion on the ramp. We therefore implemented the following actions to contain fuel consumption through the:

- Use of Euro 3 or better engines.
- Replacement of diesel operated equipment by electricity operated equipment.
- Use of self-closing press tabs to avoid water wastage.

Our electricity consumption is relatively small, mainly because the majority of our staff members work outside on the ramp area of the airport which is under the management of the Airport Authority. Despite this, we have taken general measures, such as educational posters, reminders as screensavers, etc., to maximize staff awareness and involvement in energy saving. Specific actions taken include:

- Room temperature is set at a standard of 25 degrees centigrade.
- A special staff unit is assigned to turn off lights after work.
- Use of low electricity consumption ceiling lights.

Waste Management

The HAS waste management plan involves activities with our contracted agents and suppliers.

General office waste, including that collected from the waste separation bins, is handled by our cleaning contractor, Premier Cleaning Services Limited, and is disposed at locations as specified by the Airport Authority.

Our Waste Recycle Program in 2007 collected:

1. Aluminum Cans 622 kg
2. Plastic Bottles 698 kg
3. Waste A4 Papers 7,176 kg
4. Recycled Toners 274 pieces

Chemical waste, such as engine oil, hydraulic oil and tyres, is collected by our equipment maintenance agents, GSEL and DAS, both of whom have a contract with a company that is licensed to dispose of such waste.

Used batteries are collected by EZ Wintech Engineering Limited which will sell them to other countries for extraction of usable parts for recycling purposes.

Used equipment can be handled in various ways. Primarily they will be sold whenever a buyer can be found. They may also be sold to second-hand equipment trader. Failing this, they may be refurbished and re-deployed for other usage, or kept as reserve.

Where possible, usable parts are extracted as spares and the rest disposed of in accordance with the local law.

In 2004, HAS began participation in the Wastewi\$e scheme organized by Government's Environmental Protection Department (EPD), which is aimed primarily to reduce, reuse and recycle waste materials.

In conjunction with EPD, 2 targets were established in 2007 as follows:

- 1 To collect at least 150 pieces of all kinds of rechargeable batteries for recycling.
- 2 To purchase recycle 10,000 pieces of PP bag to replace the PVC bags used for TRM rain protector.

Upon cumulative successful achievement of 16 targets in 2007, HAS has been awarded the Gold Wastewi\$e logo since 2006.



Batteries and Rollers

HAS believes that extending the life time of equipment is part of waste management in that it does not only save costs but also helps reduce resource usage.

Whilst we have two major engineering companies to maintain our ground services equipment and a specialized company to manage and maintain our computer equipment, we have sought ways to prolong the life time of older equipment.

We have around 7,000 cells of rechargeable batteries to support our electric vehicles including electric tractors and electric conveyor belts. These batteries are recharged on average twice a day. However, after two to three years of use the batteries become less efficient at charging. In 1998, we purchased a battery discharging device. With this we are able to extend the life time of our batteries by 20 to 30%.



The Torkel 720 battery discharger

Another item of interest is the use of composite rollers to replace aluminum rollers produced by the manufacturers for our main deck and lower deck loaders. These composite rollers are cheaper but are more durable. They reduce noise level in operation and do not generate metal grains which are harmful to human eyes.



Composite Rollers

Air Pollution

We have a comprehensive maintenance program with our maintenance contractors to ensure that emissions from our vehicles and equipment are within the legally acceptable level. Additionally, all vehicles and equipment are inspected by the Airport Authority on an annual basis. The emission from each piece of equipment is a determining factor for the issuance of an airside vehicle license.

On a day-to-day basis, the Airport Authority performs spot checks on black smoke emissions and when a vehicle fails the test, it will be suspended from service. Senior members of the HAS staff will perform such checks as well.

For the past several years, HAS has entered into joint studies with commercial and scientific organizations on vehicle emission projects, including:

- Moly Slip Product 2001E – fuel additive;
- Dodwell De-Nox smoking emission control system;
- LIS-Co fuel additive; and
- Engel Hard diesel oxidation catalyst converter.

HAS will continue to participate in such studies and introduce changes when and where applicable.

Smoking is only allowed in the designated ramp area.

Noise pollution

The activities performed by HAS do not generate a lot of noise. We have, however, two programs that help in reducing noise level.

The first one is the use of electric equipment to replace diesel equipment; the former is much quieter in operation. The second is the use of composite rollers to replace aluminum rollers. Composite rollers, which are essentially made of nylon, greatly reduce the noise level when in contact with the bottom of the unit load devices, which is metal. At the same time, they do not generate metallic grains. The use of these rollers therefore protects not only the environment, but also the ears and eyes of our staff members.

Water pollution

Other than vehicle washing, HAS activities do not directly involve in the use of water. There are, however, practices in place to help prevent leakage of engine oil and diesel fuel into drainage systems including:

- Drip trays to be placed under electrical vehicles whilst being recharged;
- Extensive maintenance programmes for all equipment and plant;
- A special programme to replace hydraulic hoses on ground services equipment; and
- Washing of vehicles done on site, during maintenance.

Agenda for 2008

- To continue replacing diesel vehicles by electricity operated vehicles.
- To continue to investigate feasibility of LPG / hybrid vehicles.
- To meet targets set for the fifth phase Wastewi\$e programme in 2008.
- To continue monitoring electricity and water consumption.
- To increase staff awareness by organizing more environmental activities.

Occupational Health and Safety

HAS recognizes the importance of safety in running all aspects of its business. It has a comprehensive safety plan with associated safe working practices and procedures to help all employees create a safe working environment for themselves and others who may be affected by operations and to help all employees adopt a safe working attitude. Unsafe conditions are anticipated and mitigating action taken wherever possible. When hazardous conditions do arise they shall be corrected immediately. Safety working procedures are closely monitored and audited.

In 2007, HAS organized or joined the following activities to increase the awareness of staff and safety standards:

Month	Activities
January	Effective Incident Handling Workshop (15 - 23 Jan 07)
March	Fire Manager / Warden Training 28/29 Mar JAL joint Safety Inspection
April	Safety Manual review (Apr - Dec07) Employee S & H Handbook review (Apr - Dec07) Safety Procedures review (Apr - Dec07)
May	IATA Ground OPS Safety Conference YVR 15/16 May
July	JAL Biannual Safety Campaign (1-23 July 07)
August	Health Seminar - Fitness Demonstration (8 Aug 07)
September	Health Seminar - Fitness Demonstration (5 Sep 07) Fire warden refresher training (10 Sep 07) Road Safety Talk (19 Sep 07) Video shooting for tractor improvement
October	Buddy Day (Management on stage 5 Oct 07) Safety seminar - Behavioral based safety
November	AA Airfield Safety & Health Campaign Safety Talk (Forklift Truck Safety 26 Nov 07) Basement Baggage Hall Safety Campaign (1 Nov - 14 Dec)
December	HAS Best Practice (Video Shooting by AA) Safety seminar - Defensive driving

Employees

Staff Education

To ensure the successful implementation of environmental practices and projects, the total involvement of all HAS employees is necessary. Environmental messages are passed on to staff through various channels.

Apart from the use of normal circulars to pass on information to the general staff, we also make use of our in-house newsletter, the “HAS TOUCH”, to communicate relevant information.

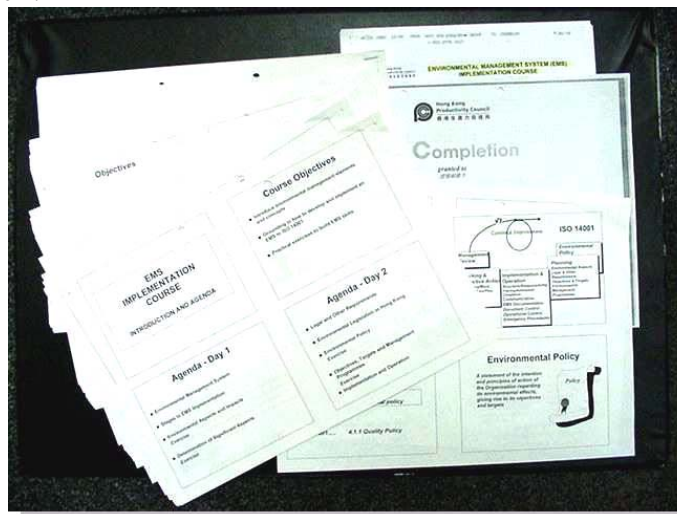
On topics that require specific attention, we produce posters and have them displayed in the notice boards around the offices.



Training

All new joiners are required to attend an induction course, included in which is a session on environment.

Staff members who are involved in environmental projects will attend an “Environmental Management System Implementation Course run by Hong Kong Productive Council.



Subsequent to this, we participated in the following conferences and workshops in 2007:

- Eco-Business Seminar (Organized by Hong Kong Productive Council);
- A Green Wheel Workshop for Drivers (Organized by Hong Kong Polytechnic University);
- Workshop on e-Documentation +DTTN (Organized by Hong Kong Productive Council); and
- Eco-Driving Seminars (Organized by Hong Kong Productive Council).

HAS and the Community

To arouse the interest of the general staff in environmental protection, and let them have some fun, HAS always encourages staff to participate in environmental activities. Most of these activities are subsidized by the company. For example, in 2007, the Tree Planting Challenge visit at Tsuen Wan Shing Mun (Organized by friends of the earth) was well received by the staff, as can be seen from their smiling faces.



Prepared by Regina Chang, Business Improvement Manager



HONG KONG AIRPORT SERVICES LIMITED

Sustainable Development Policy

Hong Kong Airport Services Limited (HAS) is committed to long term value creation for our shareholders and the community in which we operate and to excel as a corporate citizen, therefore:

Industry Leadership: We will promote sustainable development with others in the industry we operate.

Compliance: We will meet or exceed all legal requirements and:

- Be a good steward of natural resources under our influence and to identify and manage all potential adverse impacts of our operations on the environment.
- Safeguard the health and safety of all our stakeholders as much as possible in our operation.
- Be an employer of choice where employees are treated fairly and with respect and can realize their full potential.
- Favor suppliers and contractors who encourage and promote sustainable development.
- Promote good relationships with the community of which we serve.

Our staff members will be empowered and encouraged to act proactively on sustainable development matters both at work and in the community.

Our action plans for applying this policy will be reviewed regularly. We will also monitor and report our performance. Our suppliers will be asked to implement similar policies



HONG KONG AIRPORT SERVICES LIMITED

Environmental Policy

Hong Kong Airport Services Limited (HAS) is committed to protecting the environment. All services offered to our customers will be performed in an environmentally responsible manner. The same principle will apply to all internal processes and procedures. This will be achieved by:

- Compliance with all applicable environmental legislation and, where practicable, exceed legally required minimum standards.
- Formulation of effective environmental strategy to maintain and improve all environmental aspects of our business activities.
- Implementation of measures to control pollution, minimize energy consumption and reduce wastage in our work practices through numerous reduce, reuse and recycle initiatives.
- Development of annual environmental improvement target to enhance our environmental performances.
- Engagement of stakeholders including suppliers, customers, communities and staff members to ensure awareness and promotion of environmental issues within and outside the organization.

We will seek internationally recognized certification to ascertain our standard of performance in environmental activities. Our management will regularly review this policy in the light of changing internal and external factors.



HONG KONG AIRPORT SERVICES LIMITED

Occupational Health and Safety Policy

Health and Safety is our number-one priority at **Hong Kong Airport Services Limited (HAS)**. We are firmly committed to providing a safe working environment and promotion of health practices to our staff for the long term business viability of the company.

We will meet or exceed all relevant legal and industrial requirements and:

- Safeguard the health and safety of all employees, customers, visitors, contractors and the wider community in so far as it is reasonably practical.
- Implement a Safety Management System to ensure all safety procedures are followed and safety standards are met.
- Establish work procedures and select ground support equipment with due consideration to safety.
- Promote Occupational Health & Safety awareness to staff through safety programs, in-house training, safety audits and health seminars.
- Ensure our staff only operates equipments and vehicles they are trained and authorized to do.

Cultures of a 'safety comes first' philosophy, a 'non-punitive' and prompt reporting of potential hazards as well as a learning attitude to mistakes by ourselves and others will be fostered throughout the organization.

We will measure and review our Occupational Health & Safety performances and practices regularly with an aim of eliminating accidents and staff injuries at work place. To recognize our standard of performance, an internationally acclaimed certification will be sought.

We will ensure everyone within HAS recognizes that safety and health is an integral part of operation.



HONG KONG AIRPORT SERVICES LIMITED

Employees Policy

Our people are key to our core element of corporate competitiveness, so we place high importance in effective human resources management. To provide a safe, healthy and fulfilling work environment for our employees so that they will take pride in their jobs and their belonging to HAS. We :

- Foster harmonious employee relations under an atmosphere of open communication, mutual understanding, trust and respect.
- Reinforce employee wellness program to achieve work-life balance.
- Provide resources for employees to develop their professional and technical competence.
- Engage employees in organizational goals.
- Boost caring culture, team work and cohesion.
- Reward and recognize good work.



HONG KONG AIRPORT SERVICES LIMITED

Business Partners Policy

Hong Kong Airport Services Limited (HAS) works with its business partners to create a sustainable value chain by:

- Maintaining open communication with our customers
- Encouraging the responsible use of our services by our customers and collaborate efforts to minimize resources consumption.
- Favoring suppliers and contractors who promote sustainable development.
- Respecting our business partners and working with them through long-term relationships to foster mutual benefits.
- Being open and fair in selection of suppliers and encouraging fair competition.

Our actions:

1. We will gain understanding of the practice, in regard to sustainable development, adopted by business partners in the supply chain.
2. We will encourage other companies in the supply chain to implement similar sustainable development policies to our own.
3. We will monitor our performance and report regularly.
4. We will review this policy periodically through interactions with business partners.



HONG KONG AIRPORT SERVICES LIMITED

Community Policy

Hong Kong Airport Services Limited (HAS) is committed to act in a socially responsible manner to provide customers quality service and create a positive impact in the community in which we operate,

This can be achieved by:

- Sponsoring, helping organize and encouraging employee participation in selected charity work and voluntary activities which are relevant to our business.
- Fostering and cultivating relationship with the community and being sensitive to the community needs.
- Encouraging staff and their families to engage in staff recreational activities and community programs together.
- Supporting and participating the Airport Authority activities such as promoting safety at work, environment protection at the airport.

HAS will align corporate social responsibility strategies and goals with organizational objectives.

Appendix 7

HAS Environmental Statistics

Statistic	Quantity for the year				Quantity per unit of production			Change	
	Ref	Unit	2006	2007	Unit	2006	2007	Total	per ATM
Business Volume Indicators									
Air Traffic Movements (ATM)		No.	76,100	80,189				5.4%	
Average headcount		No.	1,893	1,957				3.4%	
Energy and Fuel Use									
Vehicle fuel									
GSE - deisel		L	1,986,111	2,108,853	L/ATM	26.1	26.3	6.2%	0.8%
Vehicle - deisel		L	851,191	903,307	L/ATM	11.2	11.3	6.1%	0.7%
Vehicle - petrol		L	59,866	62,860	L/ATM	0.8	0.8	5.0%	-0.4%
Total			2,897,168	3,075,020	L/ATM	38.1	38.3	6.1%	0.7%
Electricity consumed									
Ground Support Equipment		kwh	1,532,445	1,618,952	KWh/ATM	20.1	20.2	5.6%	0.3%
Office		kwh	1,221,275	1,290,158	KWh/ATM	16.0	16.1	5.6%	0.3%
Total		kwh	2,753,720	2,909,110		36.2	36.3	5.6%	0.3%
Greenhouse Gas (GHG)									
CO2 equivalent emissions by type									
SCOPE 1 CO2 from diesel and petrol		kg	7,600,694	8,067,501	kg/ATM	99.9	100.6	6.1%	0.7%
SCOPE 1 from HFC		kg	0	0	kg/ATM	-	-	0.0%	0.0%
SCOPE 2: Electricity		kg	1,569,620	1,658,193	kg/ATM	20.6	20.7	5.6%	0.3%
Total		kg	9,170,314	9,725,694	kg/ATM	120.5	121.3	6.1%	0.6%
Water									
Potable water consumed			9338	9,886	m3/ATM	0.12	0.12	5.9%	0.5%
Waste Water discharged		m ³	9338	9,886	m3/ATM	0.12	0.12	5.9%	0.5%
Ozone depleting substances									
		kg	500	480	kg/ATM	0.0065703	0.00598586	-4.0%	-8.9%

Ground Support Equipment Replacement Program

Since 2000, we have brought electric conveyor belts to replace the diesel ones where and when practicable and by end of 2007, we had 24 of them, representing 50% of all our conveyor belts.



	2001	2002	2003	2004	2005	2006	2007
Conveyor Belt (Diesel)	28	27	26	24	24	24	24
Conveyor Belt (Electric)	13	13	14	17	20	24	24
% of Electric	32%	33%	35%	42%	45%	50%	50%

Similar to conveyor belt loaders, all our passenger steps were diesel operated when we started operation. To reduce our environmental impact, and at the same time reduce our operating costs, we introduced non-mobilized passenger steps into our fleet in the year 2002.



	2001	2002	2003	2004	2005	2006	2007
Mobilized	22	17	17	12	12	12	12
Non-Mobilized	0	12	12	12	12	12	12
% of Non-Mobilized	0%	41%	41%	50%	50%	50%	50%

It is encouraging to note that other companies in HKIA are now ordering similar non-mobilized passenger steps.

The program also included replacement of diesel with electric pallet pushers since 1999. In 2007, all of these vehicles are now operated by electricity.