

Opening Statement to the Joint Panel Meeting
John Slosar, Chairman – Cathay Pacific Airways

14 November 2018

Mr Chairman, Honorable members - good morning.

I am struck by the fact that, as I sit here today in the chamber of the Legislative Council, I am speaking to you all first and foremost as the Honorable members of that Council but, at the same time, I know that I am also speaking to passengers of Cathay Pacific and Cathay Dragon as I am sure that many to most of you have been passengers, possibly even frequent passengers, on our airlines for many years.

Thus, may I first thank you for your support. It is sincerely appreciated and never taken for granted. We at Cathay Pacific and Cathay Dragon value the relationship that we have shared and we respect that you always have a choice.

The fact that you are my passengers also makes it particularly difficult and painful for me and the Cathay Pacific team to be here today. In this regard, I must personally apologise directly to you and to the people of Hong Kong for the fact that, in this hacking incident we will discuss today, some of your personal data was improperly accessed and or stolen from our computer systems. And despite our good intention to provide each and every one of our affected passengers with a true and accurate account of the compromised data that applied to him or her so that possible risks could be clearly understood and mitigated, we were not able to do this as quickly as we would have liked. We can understand that all of our affected passengers - and even those unaffected I think - can have been justifiably alarmed and concerned at potential risks to them as a result of this data loss.

We at Cathay Pacific and Cathay Dragon understand the importance of keeping your data secure and we accept our accountability for that. As we are a Hong Kong airline, we so deeply regret that this incident has impacted so many Hong Kong people.

I am especially concerned at the damage this incident may have done to our passengers' confidence and trust in us. I spoke earlier of the relationships we try to build with our passengers. We really do invest time and effort in this. At the same time, I am well aware that all relationships have as their foundation confidence and trust. I think this incident is better described as a crisis, and I see it as one of the most serious crises that our airlines have ever faced not only because of the challenges in responding to this type of threat but more importantly the impact on the confidence and trust of our passengers.



I would like to discuss how we will respond to this crisis. Let me start with the point we make at the end of our submission to this panel today - that we have many lessons to learn and that we will learn them. I think it would not be wrong to say that we have many hard lessons to learn but, hard or not, we will still learn them. Certainly, these lessons learned already include: improvements to our IT security infrastructure and capabilities; more training and awareness of IT security risks; earlier involvement of the HK authorities and police in support of our internal efforts; better public communications; improvements to internal reporting structures and communications; and augmenting Board governance and risk management visibility as it pertains to cybersecurity. There will be many other lessons as well but we are listening clearly and with an open-mind to all comments and suggestions.

A very short comment on the size and complexity of our IT systems. We are, along many dimensions, the largest IT users in Hong Kong, and along some dimensions, the largest in the Asia Pacific region. Our systems include 1.3 billion files that we backup, 470 databases, 4,500 servers, an enormous network, about 600 applications and we send and receive some 4.5 million emails per day. Significantly, we also block about 16,000 external emails containing viruses every month.

I offer this information not as an excuse but only to help to set out some context as this complexity ultimately played a significant role in frustrating our attempts to do what we thought was the best thing for our passengers, which was to provide true and accurate information to them on a timely basis.

In conclusion, we all read the news of attacks and data breaches. They seem to happen to companies and other organisations almost every day. We at Cathay Pacific and Cathay Dragon take no comfort from that. Cybersecurity is an important issue and we have to continue to improve ourselves going forward. We will make necessary changes to ensure that our future performance reaches the high standards we set for ourselves.

We welcome comments from the Honourable Members and our team, led by the CEO Rupert Hogg, will be happy to answer your questions.