



A **Bright** and Sustainable Future

2014 Sustainable
Development Report



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Environment

1.34

Million kWh

Renewable Energy
Generated

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Health and Safety

↓ 6.7%

Lost Time Injury Rate

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Business Partners

TOP 50⁺

High Risk Suppliers
Surveyed

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Community

HKD
2.9 Million

in Charitable Donations

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Over

798,000

Training Hours

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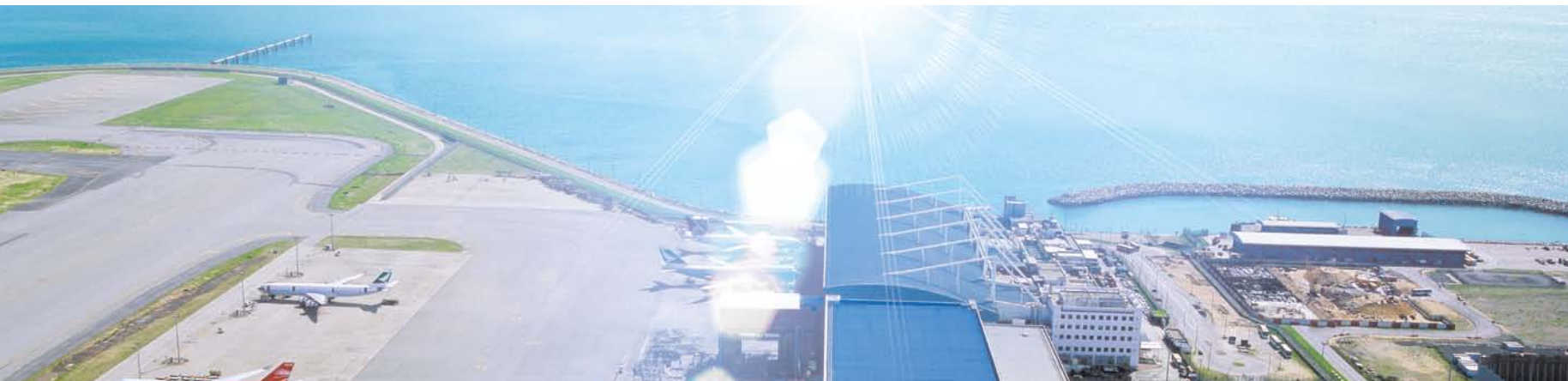
Scope of this Report

We report on the key sustainability issues of HAECO Group annually. In this year's report, we cover the activities for the 2014 calendar year for Hong Kong Aircraft Engineering Company Limited ('HAECO Hong Kong') and our five principle subsidiaries and joint venture companies — Taikoo (Xiamen) Aircraft Engineering Company Limited ('HAECO Xiamen'), Taikoo Engine Services (Xiamen) Company Limited ('TEXL'), Taikoo (Xiamen) Landing Gear Services Company Limited ('HAECO Landing Gear Services'), Hong Kong Aero Engine Services ('HAESL') and Taikoo Spirit Aerosystems (Jinjiang) Composite Company Limited ('HAECO Spirit Aerosystems'). For the first time this year, we have also started reporting on our newly-acquired company, HAECO USA Holdings, Inc. ('HAECO Americas').

This report covers the major companies in our business portfolio in which HAECO Group has a major interest and which have a significant impact on the community and the environment due to the size of their operations. It does not include companies in which we have a low percentage of ownership or start-up businesses.

The content of this report is governed by HAECO's Sustainable Development Policy and determined according to the materiality of the Group's operations and their impact. Additionally, this report covers areas of concern that were identified in our stakeholder engagement process. The report content has been approved by the Sustainable Development Committee, which was chaired by the Group Director Engineering & Operations.


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GRI Sustainability Reporting Guidelines and the HKEx ESG Reporting Guide

This report is prepared with reference to the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines (G4) and the Environmental, Social and Governance (ESG) Reporting Guide published by Hong Kong Exchanges and Clearing Limited (HKEx).

GRI is the most widely used sustainability reporting framework in the world. It facilitates the communication and understanding of sustainability performance among companies and allows direct comparison with peers using the same framework. The report has been prepared in accordance with GRI's G4 Guidelines at the 'Core level'.

Hong Kong Exchanges and Clearing Limited (HKEx) has published an Environmental,

Social and Governance (ESG) Reporting Guide for companies listed in Hong Kong with the aim of increasing transparency in their ESG reporting. The Guide is currently a recommended practice. As a listed company on the Hong Kong Stock Exchange, HAECO intends to follow this Guide on a voluntary basis with a view to meeting our stakeholders' expectations.

Details of relevance to the GRI/HKEx ESG Reporting Guide are appended to this report.

External Assurance

Assurance on compliance of the environmental, social and governance performance data for this year with the GRI G4 framework was provided by the Hong Kong Quality Assurance Agency (HKQAA) in accordance with the International Standard on Assurance Engagement (ISAE) 3000.

Recognition

CDP (formerly known as the Carbon Disclosure Project) is one of the world's most influential global environmental performance trackers. It collects and discloses environmental information from companies and motivates investors and corporations to take action on climate change. In 2014, HAECO Group was listed on the CDP Asia ex-Japan Climate Disclosure Leadership Index (CDLI) for the first time. According to the CDLI, HAECO ranked among the top 10% of all companies in Asia (excluding Japan) responding to the CDP in terms of disclosure. In addition to the CDP, HAECO Group is also monitored by Bloomberg Equities, a widely used database among financial professionals. In 2014, HAECO scored 44.21 for environmental, social and governance disclosure, placing it among the top 3 listed companies in Hong Kong's industrial sector.

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CEO's Message



Sustainability is at the heart of our business model. We are committed to growing and running our business whilst minimising our impact on the environment and maintaining a good relationship with the community in which we operate.

In 2014, we launched a new corporate identity. This new identity reflects the traits for which HAECO is known: technical expertise, operational excellence, service innovation, a can-do spirit, integrity and trust. Our unified, strategic investment in people and processes enables us to offer a portfolio of tailored and integrated services to our customers around the world.

HAECO Group recognises that the development of our staff is crucial to the sustainable development of our business. We participate in job fairs, forums, recruitment events and exhibitions, with a view to attracting potential recruits. We were delighted to see an increase in new staff joining the HAECO Group as a result of our recruitment activities as well as a reduced attrition rate among our existing workforce. We will continue our efforts to provide support for staff in terms of professional training and career development as part of our overall people development strategy.

Safety takes the highest priority in every company within the HAECO Group. We conduct our business in a manner that protects the health and safety of our employees, customers, business associates, contractors and members of the public. From 2013 to 2014, the Group's Lost Time Injury Rate decreased by 6.7%. Management teams continue to be actively engaged in regular safety walks within our operational facilities and encourage all staff to openly report potential hazards and risks related to safety. The HAECO Group will always continually to focus on enhancing its 'safety management system' processes and activities, governance, reporting and communication with staff, in order to minimise safety risks as far practically possible.

The Group also recognises the need to reduce the impact of our operations on the environment. In order to reduce our carbon intensity, we have been using alternative sources of energy and have invested in energy efficient equipment. For example, at HAECO Xiamen we have installed solar panels that generated approximately 1.34 million kWh of electricity in 2014 at their facility, and introduced more energy-efficient pumps and motors in the water treatment plant. Similarly, in Hong Kong we have invested in an efficient 'radiant cooling air-conditioning system' for the new office construction in Hangar 3. In HAECO Americas, propane powered engine has been adopted in ground support equipment.

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The Group is committed to maintaining strong relationships with the communities in which we operate and improving the opportunities and lifestyles available to members of these communities whilst showing respect for their culture and heritage. In Hong Kong, our commitment to community involvement includes support for the 'GreenPower Hike' and the Hong Kong's '24 Hour Charity Pedal Kart Grand Prix', as well as 'hangar visits' for members of the local community. HAECO Americas supports the Greensboro Sports Council's annual high school basketball tournament and the March of Dimes, an organisation dedicated to prevention of birth defects and infant mortality. In 2014, the Group donated a total of HK\$2.9 million to various community and charity organisations.

Within our supply chain, the Group favours suppliers who share our sustainability values. Suppliers are invited to demonstrate their commitment to legal compliance, running safe operations, protecting the environment and wellbeing of staff by 'signing up' to the HAECO Group's supplier Code of Conduct. Major suppliers are also invited to conduct annual 'sustainability self-assessment questionnaires'. The HAECO Group also participates in the Swire supply chain sustainability working group, which aim to promote sustainable procurement practices among Swire group companies.

The rapidly changing competitive landscape in the Maintenance, Repair and Overhaul industry is creating business challenges to the HAECO Group. Despite these challenges, we remain

committed to ensuring that our Company continues to nurture our 'sustainable approach' across all areas of our business. We will strive to continually innovate and improve our 'sustainability credentials'. We will keep up our good work in sustainability and live up to the HAECO brand to create value and provide best-in-class services to our worldwide customers.

Augustus Tang
Chief Executive Officer

Oct 2015

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About HAECO

Hong Kong Aircraft Engineering Company Limited ("HAECO") is one of the world's leading aircraft maintenance and engineering groups. Founded in 1950, we are one of the world's largest Maintenance, Repair and Overhaul (MRO) service providers in terms of capacity. In 2014, HAECO launched a new corporate identity, representing the depth of HAECO Group's capabilities, the breadth of its international network and the strength of its integrated services.

Headquartered in Hong Kong, HAECO Group has 19 subsidiaries and joint venture companies around the world employing over 17,000 people at the end of 2014. The Group offers a full spectrum of services, including airframe services, line services, component services, engine services, inventory technical management, fleet technical management, cabin integration services and interior products, private jet solutions, freighter conversion,

parts manufacturing and technical training. With the addition of HAECO Americas to the HAECO family in 2014, we have further strengthened and extended our MRO operations from the Asia-Pacific region to the United States, as well as broadening its capabilities.

HAECO Group Companies and their Services

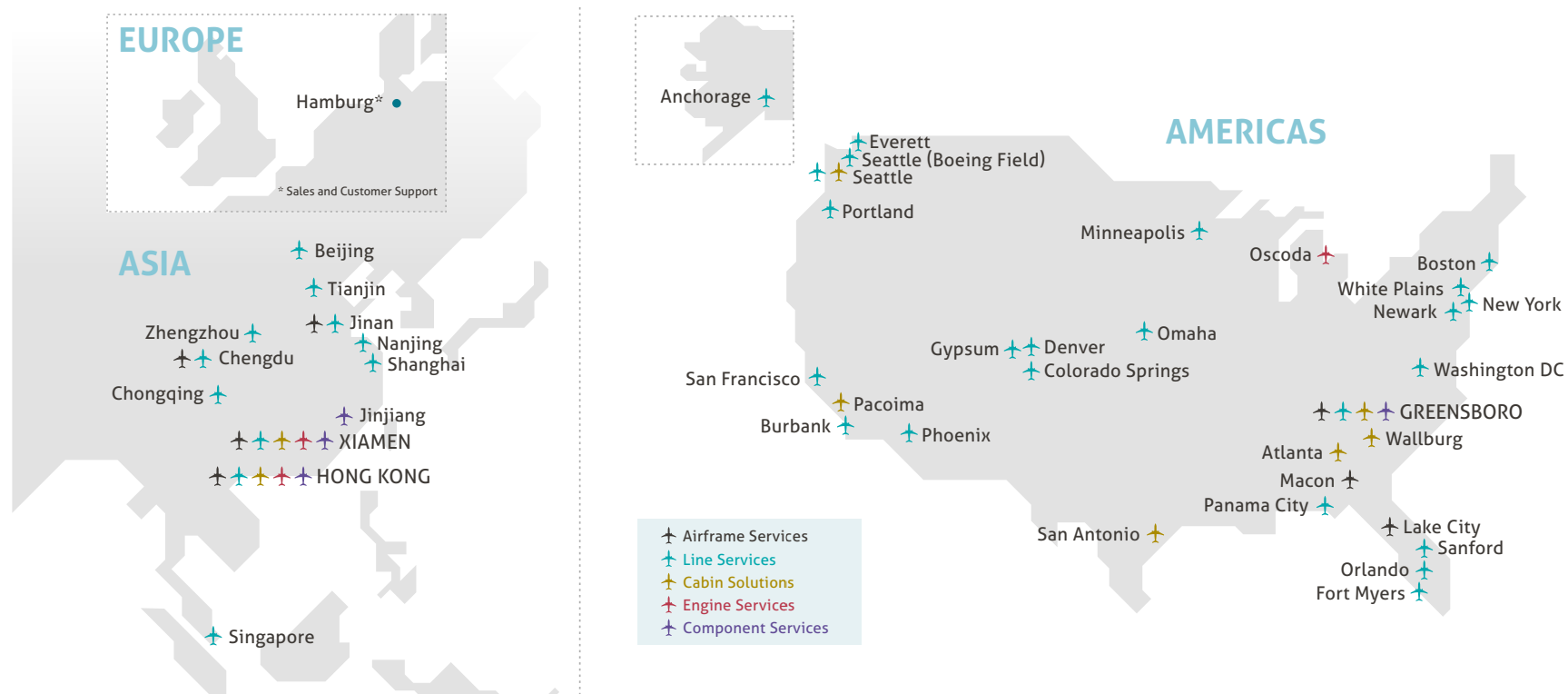


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The Group provides airlines with dedicated one-stop services and solutions that can support an aircraft throughout its entire life cycle. Our aim is to provide complete support to each of our valued customers, ensuring the unswerving quality, reliability and availability of their fleets. We strive to become the MRO of choice for airlines, building on our capabilities and expanding our service offerings in response to the requirements of new generation aircraft, changes in the aviation industry and the evolving needs of customers. The size of the Group's operations affords multiple cost savings, which are passed on to customers and provide them with excellent value for money.

Over the Group's sixty plus years of operation, HAECO has built strong and lasting relationships with its customers. Our teams demonstrate technical expertise, operational excellence and a customer-centric attitude in everything we do, offering services that are above and beyond our customers' expectations.

HAECO is publicly listed on the Hong Kong Stock Exchange (Stock Code: 00044).



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HAECO's Strategy

The strategic objective of HAECO is to provide sustainable growth in shareholder value over the long term. To achieve this aim, we will continue to increase the range, depth and quality of our aircraft engineering services, employ staff who will be committed to HAECO for the long term and provide them with career paths and training consistent with our strategic objectives. We will also remain committed to maintaining and developing strategic relationships with manufacturers of aircraft and aircraft equipment.

At HAECO, our decisions and actions are inspired by our vision, mission and core values.

Our Vision

To be the best-in-class service provider of aircraft engineering and maintenance solutions, recognised for technical expertise, operational excellence and the determination to deliver.

Our Mission

We firmly believe that delivering aircraft engineering and maintenance solutions above and beyond expectations is fundamental to safe and enjoyable skies.

Our Core Values

Operational Excellence

We put safety first and strive to set best-in-class quality standards within the maintenance, repair and overhaul industry.

Customer Centric

HAECO stands for a level of care and attention to details when it comes to working with customers and servicing their aircraft.

Service Innovation

We operate in a responsible and innovative way to continuously improve issues relating to people, performance and the environment.



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One Group Full Services



Airframe Services

HAECO Group offers airframe maintenance, cabin reconfiguration, structural modification and freighter conversion fulfilment, as well as line services covering transit checks and certification, defect clearance, cabin management, ramp services and aircraft-on-ground support across Asia and the United States.



Cabin Solutions

We provide turnkey cabin integration solutions for commercial aircraft and private jets, covering design engineering, certification and vendor management. The Group is an authorised aircraft seat and cabin interior products original equipment manufacturer.



Component Services

The Group provides component repair and overhaul services for hydraulic, mechanical, avionics and pneumatic systems across the Airbus and Boeing commercial aircraft fleets, and as well as wheels and brakes, tyres, aerostructures, landing gear and auxiliary power units through the Group's subsidiaries and joint ventures facilities.



Engine Services

HAECO operates world-class repair, overhaul and testing facilities for Rolls-Royce RB-211 and Trent engines in Hong Kong, a GE Aviation-authorized GE-90 facility in Xiamen, Mainland China, and a Pratt & Whitney JT8D facility in Oscoda, Michigan in the United States.

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Corporate Governance and Sustainability Management

Corporate Governance

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to maximise shareholder value, while taking account of the interests of those with whom the Group does business and others. The Board is led by the Chairman and comprises three other Executive Directors and seven Non-Executive Directors. The roles of Chairman and Chief Executive are separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business. More information can be found in the HAECO Annual Report 2014 under the Corporate Governance section (p. 36 - 39).

Sustainable Development Policy

The HAECO Group has a Sustainable Development (SD) Policy. We are committed to running and growing our business with a view to minimising our impact on the environment, focusing on the wellbeing of our employees and maintaining good relationships with the communities in which we operate. We strive to excel in our corporate citizenship by establishing, implementing and maintaining corporate governance with high standards of ethics. Our five sustainability pillars — Environment, Health and Safety, Employees, Business Partners and Community — indicate the key areas where the Group seeks to have a positive or neutral impact. Guided by this overarching SD Policy, the Group has developed specific policies or codes of conduct to address particular issues within these five areas. These guiding principles govern how each operating company runs their business sustainably.



The SD Policy is supported by a set of Environmental, Social and Governance (ESG) policies or codes of conduct, which govern individual sustainability areas.

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Sustainable Development Committee

In 2014, the HAECO Group established a Sustainable Development Committee comprising management representatives from each operating company. The committee was chaired by the Group Director Engineering & Operations and meets quarterly to review the Group's sustainable development strategy and specific action plans. The functions of this committee also include, but are not limited to, the following:

- ◆ ensuring sustainable development requirements are established, implemented and maintained;
- ◆ reviewing the sustainable development management system to ensure its continuity, suitability, adequacy and effectiveness;
- ◆ establishing and reviewing high priority sustainable development issues, requirements, targets and management programmes;

- ◆ driving continuous improvement of overall performance, efficiency and effectiveness of the company through the use of business planning, objectives and metrics, audit results, analysis of data, corrective and preventive actions, and management review;
- ◆ enhancing internal communication regarding sustainable matters between management and employees and promoting awareness among staff; and
- ◆ ensuring the availability of the appropriate resources.

Risk Management

The Board of Directors and the management team have a responsibility to identify and analyse any risks affecting the achievement of business objectives, and to determine how such risks should be managed and mitigated appropriately. An Enterprise Risk Register has been established to facilitate continual evaluation of the impact of such risks as well as the effectiveness of the mitigation measures implemented. The Group has a clear organisational structure that, to the extent required, delegates day-to-day responsibility for the design, documentation and implementation of procedures and the monitoring of risk.

As a subsidiary of Swire Pacific, HAECO Group reports sustainability management matters to the highest governance body — the Board of Directors at Swire. At Swire, the Board oversees sustainability issues through the Group Risk Management Committee (GRMC), which comprises the Corporate Development and Finance Director, Executive Directors and the Executive Officer in charge of the operating divisions. The committee is chaired by the Corporate Development and Finance Director. Working groups include the Sustainability Committee, the Health & Safety Committee, the Human Resource Committee, the Supply Chain Sustainability Working Group and the Corporate Social Responsibility Working Group, all of which are actively engaged with a broader group of experts in various sustainability areas. For more details on how Swire Pacific's GRMC and functional group committees operate in terms of risk management, please refer to the Swire Pacific Annual Report 2014 (p. 121).

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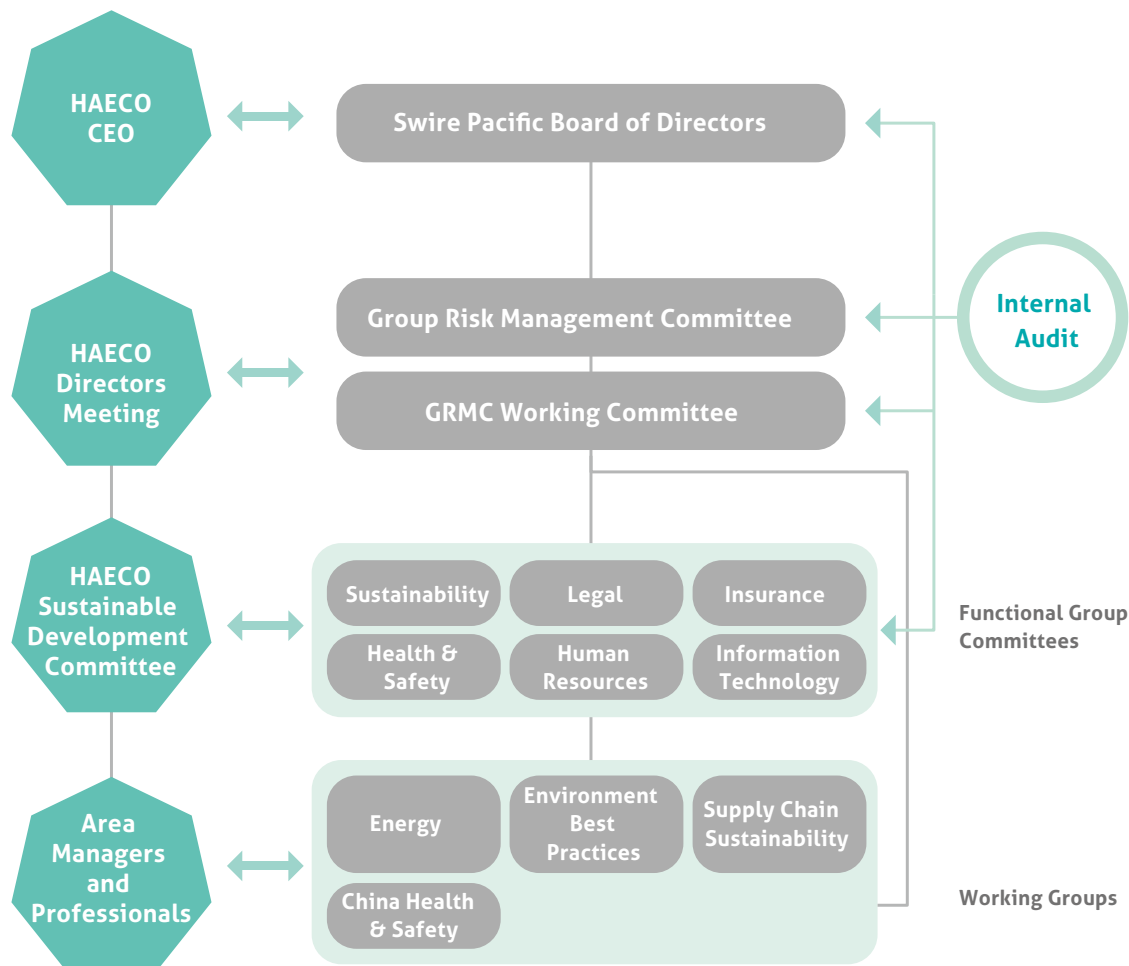
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Governance Structure for Risk Management at HAECO and Swire Pacific



Internal Review

An internal review on sustainability management is conducted through a self-assessment questionnaire (SAQ) designed by the Swire Pacific Group Internal Audit Department and the Sustainable Development Office. HAECO Group companies are required to complete the SAQ every year to report on the progress of their sustainability management strategies. To understand the role of the Internal Audit Department, please refer to the HAECO Annual Report 2014 (p.46-47).

Stakeholder Engagement

The Group understands the importance of listening to stakeholders. Engaging stakeholders is part of the process by which we formulate our business strategy and defines how and what we should report. We identify the priorities of each stakeholder according to the impact our business has on them, as well as the influence they have on us. Stakeholders are engaged in a planned and systematic manner, including, but not limited to, on-going dialogue, face-to-face meetings, questionnaires and focus group discussions. In 2014, we also undertook a comprehensive survey of all our key stakeholder groups to communicate their expectations of HAECO in the coming years.

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HAECO's major stakeholder groups and the engagement channels established:

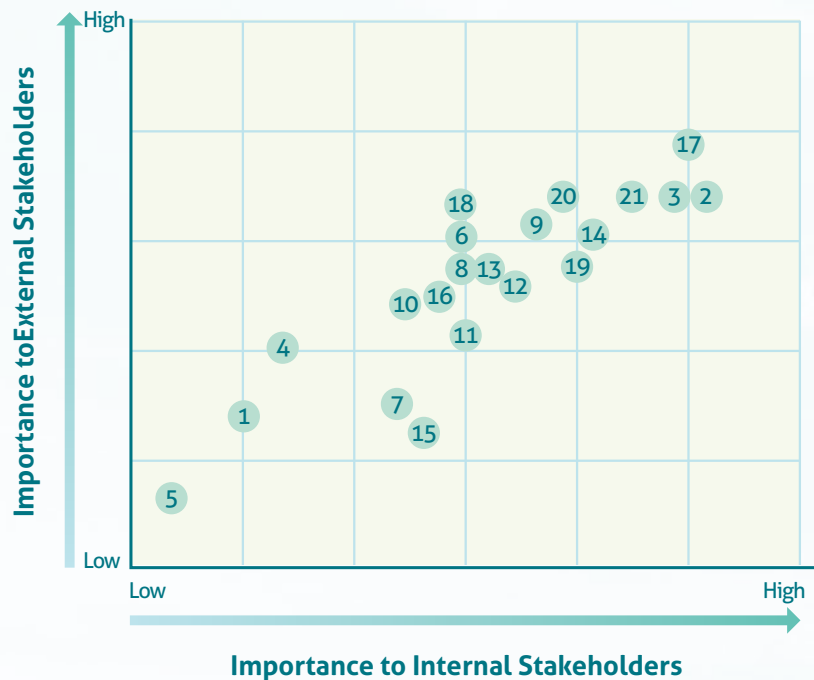
Stakeholder Groups	Engagement Channels
Shareholders/ Investors	<ul style="list-style-type: none"> ▶ Annual general meeting and notices ▶ Regular corporate publications including annual reports, financial statements, announcements ▶ E-newsletter and website ▶ Direct communication
Aviation Authorities	<ul style="list-style-type: none"> ▶ Regular audits and inspections ▶ Monthly reports ▶ Ad hoc working meetings ▶ Cases for investigation from time to time ▶ Regular meeting on regulation matters
Airport Authority	<ul style="list-style-type: none"> ▶ Close and continuous conversation ▶ Review of operational performance via working group meetings ▶ Tenant contracts
Customers	<ul style="list-style-type: none"> ▶ Customer representative offices ▶ Regular reports ▶ Liaison meetings ▶ E-newsletter and website
Employees	<ul style="list-style-type: none"> ▶ Work Consultation Committee and Staff Associations meetings ▶ Internal newsletter (Kong Gei News) and intranet ▶ Employee survey ▶ Employee Welfare Society activities
Suppliers	<ul style="list-style-type: none"> ▶ Supplier Survey on CSR Code of Conduct ▶ Site inspections or third party audit ▶ Meeting on a need basis ▶ Questionnaire for new suppliers

Materiality Assessment

The Group determines and prioritises material issues using a matrix methodology that focuses on two dimensions: risk level and impact on business, and significance and impact on stakeholders. For operations, prioritisation is conducted according to the likelihood of occurrence and potential impact of issues affecting business continuity. For stakeholders, prioritisation is conducted in relation to the level of stakeholder interest in issues and the potential influence or impact these interests have. In 2014, we continued to build our materiality matrix through a comprehensive survey involving around 100 stakeholders, including the Group's management team, different staff associations and external stakeholders from government bodies, suppliers, customers, academic professionals and local communities. Prioritisation of disclosure on key performance indicators is mapped into the G4 framework. This exercise helps us to understand stakeholders' expectations and define our future sustainability strategy. Material issues with high priority will be covered in detail in this report.

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Environment

At HAECO, we recognise the importance of managing our impact on the environment. The Group is committed to improving our operational efficiency through innovation, investing in energy efficient equipment, reducing waste to landfill and working closely with our business partners.




1.34
Million kWh
Renewable
Energy Generated

2014 Progress Update

Objectives	Progress	Remarks/Comments
Strengthen energy saving through administrative controls at HAECO	 On-going	HAECO Group will set out principles and a policy to guide business units in further improving energy efficiency.
Introduce new waste-to-energy facilities at HAECO	 On-going	HAECO Hong Kong is investigating the feasibility of a waste-to-energy facility.
Upgrade the wastewater treatment plant at HAECO Xiamen	 Completed	HAECO Xiamen upgraded its plant with new pumps and engines.

2015 Action Plans

Key Action Plans

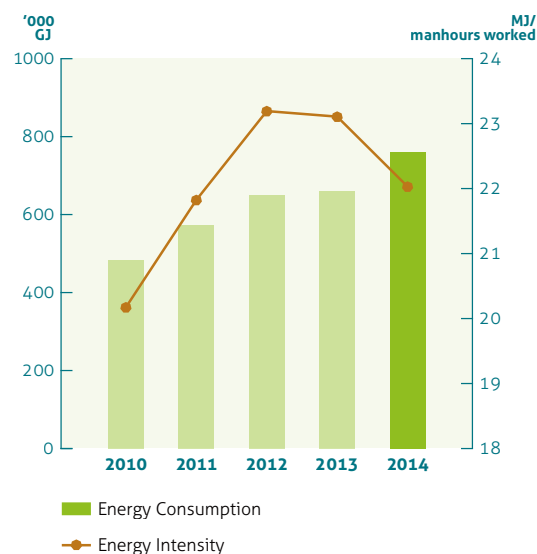
-  Review energy saving plan across the group
-  Reinforce our carbon offset policy
-  Introduce a food waste reduction programme at HAESL

Climate Change and Energy Management

In 2014, our total greenhouse gas emissions generated from energy consumption were 105,774 tonnes of carbon dioxide equivalent (CO₂e), an increase from 20,331 tonnes in 2013. The rise is mainly associated to the inclusion of HAECO Americas in reporting scope and an increase in carbon intensity of electricity from suppliers in both Hong Kong and China. Energy intensity decreased by 3% as a result of the reduction in jet fuel and town gas consumption, as well as the increase in working hours.

Electricity consumption accounts for 76% of our carbon footprint. Over the years, we have invested in the latest energy efficient equipment and incorporated the most energy efficient systems into our operations.

HAECO Group's Energy Intensity



HAECO Group's Carbon Footprint

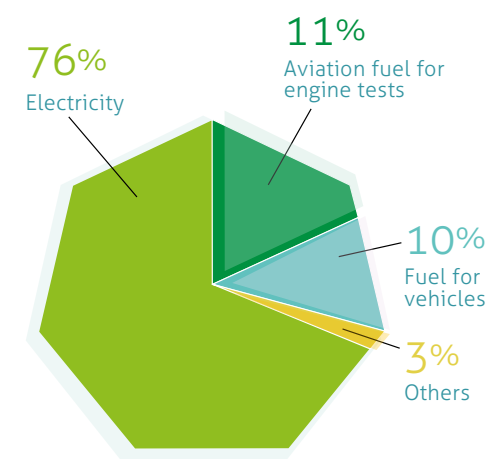


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In 2014, HAECO Hong Kong saved around 371,000 kilowatt hours ("kWh") of electricity consumption. We reduced greenhouse gas emissions by replacing conventional lights with LED lights in our hangars and standby lighting in staircases. HAECO Hong Kong also extended the use of a radiant cooling ceiling to the renovated offices in the hangars, which provided energy savings of up to 40% over traditional central air-conditioning systems.

HAECO Xiamen upgraded its water treatment plant during the year by replacing 14 water pumps and motors with more energy efficient equipment.



Upgraded wastewater treatment facilities for electroplating in HAECO Xiamen

Other energy saving projects at HAECO included the following:

-  Installing frequency drives on air handlers to detect the need for air required downstream and thus auto-adjust the power of the fan motor ;
-  Replacing metal halide lights and T8 fluorescent tubes with LED lighting at HAESL.

As a result of these efforts, about 1,620,332 kWh of electricity was saved in 2014.

Renewable Energy

The Group strives to make maximum use of renewable energy in all daily operations. In 2014, the solar panels at HAECO Xiamen's premises generated approximately 1.34 million kWh of electricity. HAECO Hong Kong will continue to adopt solar panels in its main office, mobile planning office and the windscreen working stands as energy saving measures.

Fuel Management

To capitalise on the benefits of technology, HAECO Hong Kong adopted the Global Positioning System (GPS) to manage the vehicle fleet more efficiently. Around 400 vehicles and ground service equipment (GSE) were installed with GPS. The system allows for controlled access, speed monitoring and utilisation, which helps to minimise non-job related engine idling. It is estimated that around 4% of fuel will be saved during the initial stage following the adoption of GPS.

In the US, HAECO adopted GSE with engines powered by propane, a clean, safe and efficient fuel alternative of gasoline which could save around 12% of carbon dioxide emissions. The use of propane will also reduce turnaround times and improve efficiency.



GSE with propane powered engine in HAECO Americas

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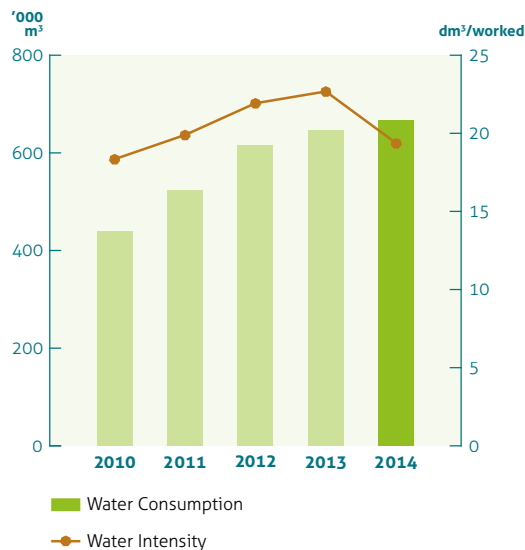
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Water Management

Our goal is to continually reduce water consumption through measures that also optimise our day-to-day operations. These include the use of machinery in many of our cleaning processes such as aircraft washing, using recaptured rainwater for toilet flushing, and dual flushing cisterns and automatic taps in the lavatories at HAECO Hong Kong. HAECO Americas has also installed touchless water-saving devices in wash sinks, toilets and urinals that have the potential to reduce water consumption by 7000m³ of water a year. In Xiamen, treated water is reused for both toilet flushing and equipment washing. As a result of these initiatives, we were able to reduce our water intensity across the Group in 2014 by 15% from 2013.

HAECO Group's Water Intensity



Waste Management

We strive to minimise the amount of waste generated by our operations. We have adopted a 'waste separation at source' and recycle whenever possible.

Waste Recycled Intensity

2014 2013

Food waste recycled

(kg/employee)



Printing cartridges recycled

(nos/employee)



Plastics recycled

(kg/employee)



Metal recycled

(kg/employee)



Paper/Cardboard recycled

(kg/employee)



In order to use paper more efficiently, HAESL launched an internal promotional campaign to encourage double-sided printing of work and maintenance orders. This campaign has enabled HAESL to save approximately 1.1 million sheets of paper each year. At HAECO Americas, a new paperless requisition system allows for online ordering and approvals during the procurement process, saving around 3,000 kg of paper per year.

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Better Air Quality

HAECO Hong Kong has installed a first-of-its-kind aircraft cabin cooling system for our airframe maintenance services. The new system connects the central water cooled chiller to the cabin through an insulated water pipe and air handling unit (AHU). Unlike traditional diesel powered air-conditioners that generate significant amounts of heat, the new system has less 'in-situ' emission and produces less noise. As this system creates a more comfortable working environment, it has been welcomed by the staff.



Previous Practice: Mobile diesel powered air-conditioning system








Current Practice: Aircraft cabin cooling system using the central air-conditioning system

Recognition and Awards

The Group received the following environmental awards in 2014:

Hong Kong received:

-  Certificate of Merit (Manufacturing and Industrial Services) of the Hong Kong Awards for Environmental Excellence, granted by the Environmental Campaign Committee;
-  Silver Medal in the Green Plus Recognition Award scheme from CLP Hong Kong;
-  Leadership Award in Evident-base New Technologies Application for Building Energy Conservation 2014 by the Hong Kong Institution of Engineers
-  Certificate of Merit award in Hang Seng Pearl River Delta Environmental Awards Year 2014
-  CarbonSmart Low-Carbon commitment Partner Carbon Less Certification



Green Plus Recognition Award Ceremony

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Health and Safety

Our aspiration at HAECO is to achieve zero harm throughout our operations. To meet this objective we place the highest priority on safety, taking into account the health and safety of our employees, customers, business associates, contractors and the public. We set safety targets, monitor our performance under the HAECO safety management system, and conduct safety training and safety audits.




↓ 6.7%
Lost Time
Injury Rate

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2014 Progress Update

Objectives	Progress	Remarks/Comments
Standardise and implement a Group Safety Management System across HAECO Group companies	On-going	A gap analysis has been carried out.
Enhance safety training for managerial and engineer grade staff	Achieved	Training has been tailored for staff at engineer and supervisory grade to enhance their safety competency.
Enhance traffic safety at HAECO Hong Kong and HAECO Xiamen	Achieved	Global Positioning System (GPS) devices were installed in vehicles in Hong Kong. A traffic safety campaign was organised at HAECO Xiamen.
Introduce a rehabilitation programme at HAECO	On-going	A Total Rehabilitation Management programme was initiated at HAECO Hong Kong to ensure faster recovery and higher rates of return to work.
Enhance electrical and fire safety at HAECO and HAECO Xiamen	Achieved	Electrical appliances used in cabins and hangar parking bay were upgraded to explosive-proof grade.

2015 Action Plans

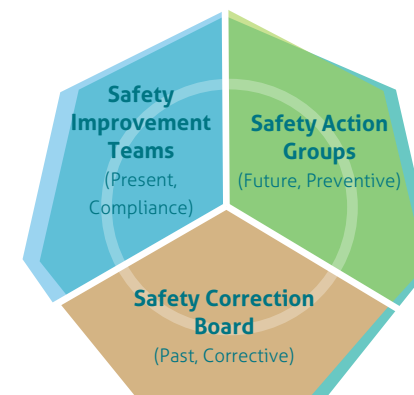
 Introduce an online system to facilitate the integration of occupational health and safety and aviation safety	 Revamp the risk assessment register and the occupational health and safety management system	 Enhance the accident investigation skills of staff across the HAECO Group
--	--	---

Safety Management

Along with the launch of our new corporate identity, we are moving toward an integrated safety management approach for aviation safety and occupational safety. This involves the standardisation of Group safety risk registers and the occupational health and safety management system so that we can apply consistent principles among all of our operating companies. To that end, we carried out a gap analysis in 2014.

HAECO Hong Kong has also developed a 3S closed loop safety management system, under which the safety action group (SAG), safety improvement teams (SIT) and safety correction board (SCB) work together to enhance safety by recommending safety risk mitigation measures, checking compliance and carrying out appropriate disciplinary measures.

3S Safety Management



With regard to the use of chemicals in the workplace, HAECO pursues a strict regime of chemical risk assessment to ensure staff safety. In 2014 HAECO Hong Kong reviewed chemical risks, including the use of flammable chemicals inside aircraft cabins. Moreover, all electrical appliances for maintenance works within the cabin have been upgraded to explosive-proof grade.

Safety Culture

HAECO Group has invested significantly in cultivating a safety culture within its operations. All employees are required to understand the company's position on safety and their own roles in making HAECO a safe place to work. To help achieve this objective, HAESL introduced a senior management safety walk in 2012. As a result of the senior management safety walks, more than 1,100 hazards were identified in 2014 when the 100th walk under this programme was conducted. This practice will be continued in order to further reduce the likelihood of Lost Time Injuries in the workplace.



Safety Walk in HAESL

Working at height can be hazardous but is unavoidable in the aircraft maintenance industry. To reflect the needs of staff working at height, HAECO Xiamen launched a safety platform design campaign that encouraged colleagues to submit designs for an engine maintenance working platform appropriate to the local working environment. The submissions received will be further assessed for feasibility and will be considered for adoption in the future.



Safety Platform Design Campaign Award Presentation in HAECO Xiamen

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Road Safety Campaign in HAECO Xiamen



To ensure a safer journey on the road when staff commute to workplace, HAECO Xiamen has introduced a road safety campaign in 2014. The programme included coordination with the Police Bureau in Xiamen to re-organise traffic lines around the HAECO Xiamen facility, position traffic helpers at the crossroads to direct traffic at peak hours after work and promote awareness through self videos and road safety booklets.

Other safety initiatives at HAECO included the following:

-  Launch of the HAECO Message Centre, a mobile app at HAECO Hong Kong, enabling safety information and the latest accident reports to be shared among staff.
-  Publication of an EHS handbook at HAECO Spirit Aerosystems to guide staff in establishing a safe, environmentally-friendly workplace.
-  A Job Safety Analysis (JSA) programme at HAESL.
-  A review of the safety agreement with contractors at HAECO Landing Gear.
-  An invitation to a local university to deliver safety culture training for department heads and senior management at HAESL.
-  An audit programme to ensure head protection PPE compliance at HAECO Xiamen.

Rehabilitation Programme

When work injuries occur, staff often have to wait for long periods of time to receive public healthcare services, which can hinder their recovery. In 2014, HAECO Hong Kong introduced a rehabilitation programme designed to enhance services for injured staff and encourage them to return to work early. This programme benefits staff, who are able to resume normal life faster, and also the company in the form of less employee compensation and better productivity.

Safety Training

To enhance safety at HAECO Hong Kong, the safety training curriculum was reviewed and a number of tailored safety training courses introduced for all supervisors and engineers. These courses were benchmarked against similar courses and adapted to the local working environment. In the US, HAECO Americas launched a new chemical identification system — the Global Harmonisation System — for which training was made compulsory for all operational and managerial staff.

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Communication and Awareness

All operating companies have established their own communication channels for conveying safety messages, including display screens, mobile applications, staff notices and regular publications.

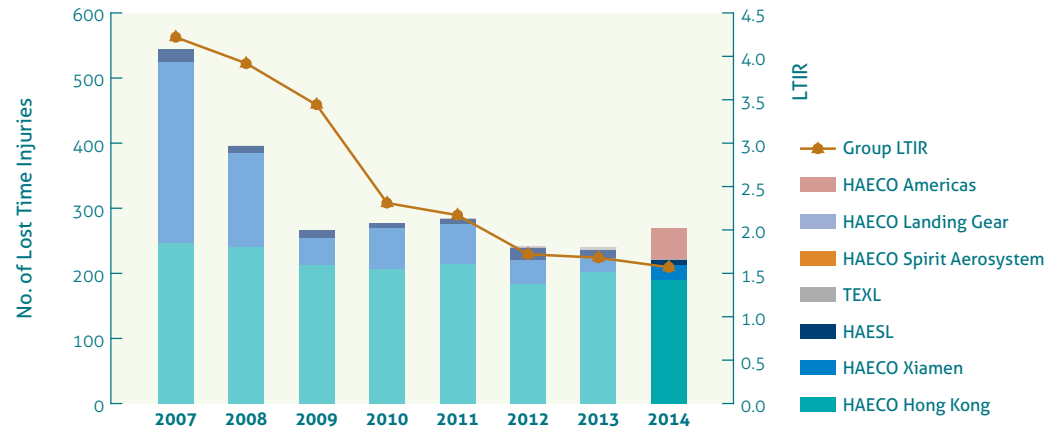
As identification of near miss cases is critical for preventing accidents, HAESL launched the I care I report programme to raise safety awareness and encourage reporting of health and safety concerns. HAECO Xiamen organised a similar campaign focusing on the staff awareness of working at height.

In line with the 3“S” management approach, HAECO Hong Kong launched a safety correction board newsletter in 2014. This newsletter has increased transparency in the senior management decision-making process and assures colleagues that incidents are being handled reasonably.

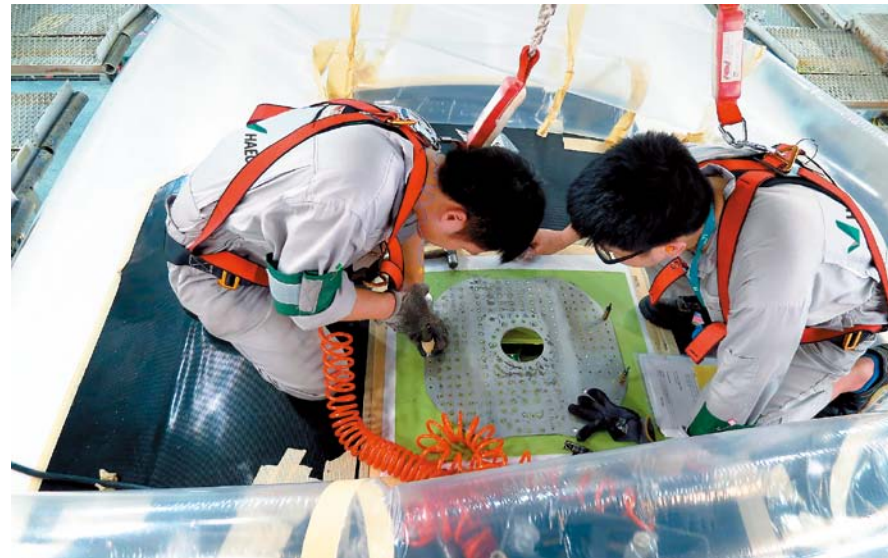
Safety Performance

Over the last seven years, the Lost Time Injury Rate decreased from 4.22 in 2007 to 1.57 in 2014 (a total of 270 work-related lost time injuries).

Lost Time Injuries Statistics (2007-2014)



Remark: The Lost Time Injury Rate represents the number of lost time injuries per 100 employees per year. It is calculated as the total of lost time injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week, for 50 weeks a year.



Staff working safely on top of the aircraft

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Customer Satisfaction and Service Responsibility

As part of our uncompromising commitment to safety and quality, we organise regular internal and external audits to ensure HAECO services meet and exceed the requirements of the regulatory authorities and our customers.

HAECO takes every incident seriously. In addition to the repair and insurance costs incurred, aircraft incidents can affect customers' satisfaction/trust levels and HAECO's brand reputation. When there are cases of nonconformities, HAECO will perform an incident investigation to identify the root causes and work with other departments to put in place corrective and preventive actions.

As well as internal audits, our customers and the aviation authorities will also carry out audits of all HAECO Group companies. On average, approximately 700+ external audits are carried out each year, or at least 2 audits per week for each company.

Recognitions and Awards



In 2014, HAECO Hong Kong received the Corporate Safety Performance Award, Role Model Safety Behaviour Award, Accident Prevention Measures Award and Merit Award in the safety poster design competition in the Airfield and Baggage Hall Safety Campaign organised by Hong Kong International Airport (HKIA).



Safety Poster with Merit Award in the design competition organised by HKIA

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Employees /

The Group strives to be an employer of choice by providing a working environment in which all employees are treated fairly, with respect, and given the ability to realise their potential. We also support, develop and motivate our staff to work towards our business goals.

Over
798,000
Training
Hours

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2014 Progress Update

Objectives	Progress	Remarks/Comments
Implement Knowledge Management project to retain knowledge from ready-to-retire staff at HAECO Hong Kong	Achieved	A series of knowledge management workshops were arranged to educate users in tools and methods to capture and retain knowledge during daily operations and from experts.
Introduce quarterly health talks to provide the latest health information at HAESL	On-going	Health talks were held on a quarterly basis as part of the employee engagement initiatives of HAESL.
Conduct team-building workshops across departments to enhance their cooperation and team spirit	On-going	Departments such as Procurement, IT and Finance arranged sessions to enhance team spirit and communication effectiveness among staff.
Conduct seminars on employee relations and employee engagement for senior staff to equip them with the skills needed to build an engaged team	On-going	A number of seminars were carried out to enhance team engagement skills.

2015 Action Plans

- To introduce the Extra/ Long Term Medication Scheme for staff
- To provide extra support to staff working in the remote airport area by introducing the transportation allowance
- To implement further team-building workshops in various departments to enhance cooperation and team spirit at HAESL
- To streamline and optimise workflow and deliverables in succession planning, staff development management and training course management
- To review the job structure and promotion/progression requirement for career development to groom and retain our talents.

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Our Workforce



The Group, including its subsidiary and joint venture companies, employed over 15,000 staff as at the end of 2014. Employee demographics are shown below:

Remarks: The figures only cover seven companies (HAECO Hong Kong, HAECO Xiamen, HAECO Americas, HAESL, TEXL, HAECO Spirit Aerosystems and HAECO Landing Gear Services) and are different from the figures shown in the HAECO Annual Report 2014

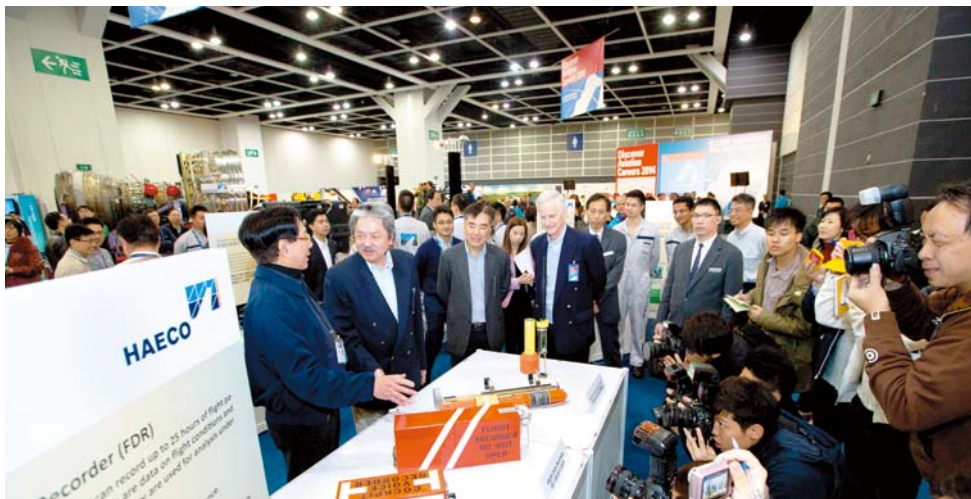
HAECO Group Employee Profile

	Male	Female	Total	%
under 30 years old	 3,954	 732	4,686	31.1%
30 and under 50 years old	 5,823	 1,411	7,234	48.0%
Over 50 years old	 2,708	 441	3,149	20.9%
Total	 12,485	 2,584	15,069	100%

Geographic Distribution of HAECO Group Workforce*

By region	HAECO Group	%
HONG KONG	 6,669	43.5%
MAINLAND CHINA	 5,741	37.4%
USA	 2,937	19.1%
TOTAL	15,347	100%




* Workforce includes all employees and supervised workers



Recruitment and Talent Retention

In 2014, HAECO focused on tackling the significant challenges associated with attracting and retaining talent. The Group participated in job fairs, forums, recruitment events and exhibitions to give potential recruits an understanding of the Group and the employment opportunities available within its businesses.

We also placed great emphasis on improving the wellbeing of our staff by reviewing our remuneration packages, career development paths and management culture with the aim of achieving immediate improvements in staff recruitment and retention. New initiatives included the following:

-  Enhancing the existing MPF scheme by introducing an employer top-up contribution.
-  Offering better medical protection to our staff and their eligible dependants by improving the inpatient medical benefits.
-  Encouraging our staff to further develop their technical competencies and qualifications through a series of measures that support our staff in acquiring certifications from Hong Kong Civil Aviation Department. These measures include examination leave, examination fee reimbursements and a new incentive scheme for acquiring an Aircraft Maintenance License and Authorisations.

The improvements mentioned above have helped the Group to maintain the turnover rate at a reasonable level and retain our most valuable staff.

Staff Development and Technical Training

At HAECO, we help to empower our people so that they can make the most of their potential. In 2014, we offered 798,203 hours of training. Although the Group's average training hours per employee decreased by 18% to 53 hours, this was principally due to some 2013 training courses not being repeated in 2014.

Training hours per employee

Year	Hours
2014	52.97
2013	65.33

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The Group operates trainee schemes designed to equip new recruits with the knowledge and experience needed to become skilled professionals in the aircraft maintenance industry. These include an Aircraft Maintenance Craftsman Trainee Scheme, an Aircraft Engineering Licence Trainee Scheme, Graduate Licence Trainee Scheme and an Aircraft Maintenance Mechanics Trainee Scheme. In 2014, the induction period for HAECO Hong Kong new aircraft maintenance trainees was extended from six weeks to six months.



We support staff in their professional development and life-long learning. In Hong Kong, HAECO provides examination leave for candidates taking the HKCAD Aircraft Maintenance License Examinations and reimburses their examination fees on passing the examinations.

HAECO Group Technical Training has a long history of providing maintenance training for the Airbus fleet, and we have formed a partnership with Airbus to provide maintenance training to their customers for the Airbus A320, A330, A340 and A350.

Diversity and an Ethical Corporate Culture

HAECO believes that promoting equal opportunities is vital to establishing an environment that fosters the best possible performance. Equal opportunities are provided, regardless of race, gender, pregnancy, marital status, family status or disability, in line with the provisions of the Race Discrimination Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance.

HAECO is committed to providing a working environment free from discrimination. All staff members must observe the relevant requirements, ensuring that their own conduct does not cause offence and keeping a watchful

eye out for unlawful discriminatory acts committed by others.

HAECO further recognises the importance of fair dealing and integrity in the course of achieving commercial success. Our Corporate Code of Conduct sets out expected standards of behaviour for our employees and anti-bribery compliance procedures. All staff members who start work with HAECO are required to take training in anti-corruption and bribery as part of our induction programme.

All staff members have the right to raise their concerns/complaints via established procedures. We are committed to addressing each concern/complaint raised properly and fairly, in the strictest confidence.

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Employee Relations, Compensation and Benefits, Work-life Balance

To promote loyalty and staff engagement, HAECO Xiamen provides residential facilities to its staff at minimal cost. Approximately 65% of HAECO Xiamen's employees are housed in company-provided properties, and about 96% belong to a union with which management maintains a constructive relationship. There is also a staff benefits committee, comprising senior managers, middle managers and lower grade staff.

A medical scheme has been established for all HAECO staff and their family members. The Group's in-house clinic offers advice on health issues, provides rehabilitation services for injured workers and organises preventive health programmes. We also review our compensation and benefits policies regularly so that our remuneration is sufficiently competitive to recruit and retain high quality staff.

HAECO Hong Kong continued to fulfil its Happy Employees priority by working closely with staff committees to improve staff welfare and communication. For example, when the Employee Bus Contract came to an end, HAECO Hong Kong quickly arranged for a new transportation service to ensure uninterrupted bus services for our employees.

HAECO Hong Kong also organised a variety of sports and recreational activities for both existing staff and retirees in cooperation with the Employees' Welfare Society and Veterans Club. These activities helped our staff to achieve work-life-balance, enhanced staff unity and raised morale. At HAESL, health talks were organised on a quarterly basis as an employee engagement initiative.



Health Talk organised by HASEL

At HAECO, we understand that communication is a two-way street and encourage our staff to voice their opinions and exchange views about their jobs. One of the main channels for employee feedback is the annual staff survey, in which staff members can express their thoughts about their aspirations and career paths. In 2014, results from the HAECO Hong Kong survey showed an increase in the average satisfaction score from 2013 by 10.6%. These



Basketball Competition

results confirmed that management is headed in the right direction with regard to staff welfare. At HAESL, communication with senior management is undertaken through a bi-annual briefing session during which all employees could raise questions and make suggestions directly to the senior management team.

Recognitions and Awards

HAECO Hong Kong and HAESL again received the Manpower Developer award from the Employee Retraining Board (ERB) in recognition of their significant commitment to manpower training and development as well as their contributions to the promotion of a learning culture within the company.

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Business Partners

We value those suppliers who share our sustainability goals. We invite all suppliers to demonstrate their commitment to legal compliance, safe operations, environmental protection and the wellbeing of their staff.

Supplier CSR
Code of Conduct:

TOP **50+**
High Risk
Suppliers
Surveyed

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2014 Action Plans

Objectives

Prepare new Environmental, Social and Governance (ESG) reporting requirements for HAECO's business partners in 2015

2015 Action Plans

-  Formulate a Group Procurement Policy to standardise best practices in vendor management to promote sustainability
-  Conduct Sustainability risk assessment on HAECO's business partners

Supply Chain Sustainability

To ensure a shared approach to corporate social responsibility, all registered suppliers are requested to submit a declaration confirming compliance with our Supplier CSR Code of Conduct when registering with us. Key suppliers are also invited to carry out a self-assessment survey on CSR periodically as part of an ongoing review.

The CSR Code of Conduct was included in all tender documents, and compliance with the Code has become one of the key factors in selecting suppliers. Additionally, compliance with the CSR Code of Conduct has become the major term and condition in all agreements.

The Group is an active member of the Swire supply chain sustainability working group, which promotes sustainable practices in procurement among Swire group companies.



Formulating a Group Procurement Policy is a key action plan for 2015, under which all Group companies must standardise best practices in vendor management and promote sustainability to suppliers.

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Community

The Group is committed to maintaining strong relationships with community members, helping to improve their daily lives and the opportunities available to them while respecting their culture and heritage.

HKD
2.9 Million
in Charitable
Donations



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2014 Progress Update

Objectives

Reform HAECO Hong Kong's volunteer services organisation

Progress

 On-going

Remarks/Comments


HAECO Hong Kong formed a Corporate Social Responsibility committee to support, review and promulgate the Group's CSR strategy. The team allocated resources for this initiative, monitored the implementation of CSR programmes, and took steps to ensure adequate communication and promotion of the CSR strategy throughout the company.

Introduce incentive programme to encourage staff to participate in company volunteer services at HAECO Hong Kong and HAESL

 On-going

HAESL established a volunteer service leave programme to encourage volunteerism. HAECO Hong Kong plans to carry out a similar programme in 2015.

2015 Action Plans

 Review HAECO Hong Kong's CSR strategy

 Introduce an incentive programme to encourage staff to participate in volunteer services at HAECO Hong Kong



Flying results for Pedal Kart Event

Fundraising for Charitable Organisations and the Community

In 2014, the Group contributed HK\$2.9 million in donations to charities and the community. Among the causes we supported were care for minority groups, education for teens, medical research and environmental protection. Over 600 volunteers committed their time to 60 charitable events. These included the 24-hour Charity Pedal Kart Grand Prix 2014 in support of the Hong Kong Round Table; the I Can Fly programme; Adventure Race for Outward Bound Hong Kong; March of Dimes in support of lifesaving research and programmes to address birth defects and infant mortality, and the Greenpower Hike in support of environmental conservation and education.

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Child and Youth Development

Since 2011, HAESL has been supporting the Innovation Technology Scholarship Award Scheme, which helps to develop future engineering professionals. Launched by the Hong Kong Federation of Youth, the programme provided support to twenty-five outstanding local undergraduates in 2014. The awardees received scholarships and opportunities to become attached to a technology company, or a university or government department.

Since the beginning of 2014, HAECO Hong Kong has been participating in the Future Stars – Upward Mobility Formula programme, initiated by the HKSAR Government's Commission on Poverty's Societal Engagement Task Force. The programme gives youths from less privileged backgrounds the opportunity to explore a range of occupations, broaden their horizons and think about their future career paths. In conjunction with Hong Kong International Airport, we co-organised four hangar visits and career talks for about 140 secondary school students, who learned about aircraft maintenance work at HAECO Hong Kong.



Guiding less privileged youth on career path

As physical development is also very important in whole-person development, HAECO Americas supported an annual high school basketball tournament in Greensboro, North Carolina. The tournament featured men's and women's high school teams representing eight Guilford County high schools. Proceeds from the tournaments were donated to local charities and the participating schools. In acknowledgment of HAECO's continuous support, the event is now named the HAECO Invitational and has become one of North Carolina's most widely recognised high school basketball tournaments.



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Caring for Minority Groups

In November 2014, HAECO Americas announced its official support for the March of Dimes — an organisation dedicated to the prevention of birth defects and infant mortality. Through education, specialised treatment and clinical research, the March of Dimes helps mothers have healthy full-term pregnancies. Friends and families of HAECO Americas raised over HKD\$100,000 in 2014 by joining walks for babies, holding raffles and sponsoring a comedy night. HAECO Americas also supported Purple Heart Homes, an organisation that builds or refurbishes homes for disabled veterans returning home from military services. In 2014, staff volunteers at HAECO Americas spent over 600 hours working on six homes for veterans.



HAECO supports the March of Dimes

In Hong Kong, we continued our support of the I Can Fly programme of Cathay Pacific. This annual CSR programme had a different spin this year, as it was organised for youngsters from less-privileged backgrounds as part of the Hong Kong Government's Bless Hong Kong campaign



HAECO supports 'I Can Fly' Programme 2014

launched by the Commission on Poverty. Over 500 participants in this programme joined a fun-filled educational tour of HAECO where they were able to get a close-up look at aircraft under maintenance.

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Protecting the Environment

Mangroves are vital to the overall health of coastal areas and act as a natural absorber of carbon dioxide. Along the Jiulong River in Xiamen, HAECO Xiamen has been collaborating with Xiamen University to help replant mangroves. Since the start of the project in 2009, over 29,000 mangroves have been planted in a 38,000 square metre area, turning the river bank originally filled with trash and weeds, into a thriving mangrove forest. The mangrove planting activity has now become a signature Sustainable Development activity for HAECO Xiamen.



Mangrove planting – a signature SD activity at HAECO Xiamen

HAECO Xiamen is also a keen supporter of Earth Hour organised by the World Wide Fund for Nature. Under this initiative, households and businesses are encouraged to turn off non-essential lights for one hour in order to raise awareness about climate change and the need for action. This year, HAECO Xiamen incorporated the message of waste reduction into the programme. To reduce the use of disposable utensils in the company, colleagues who committed to the programme, received a set of stainless steel chopsticks.

In June 2014, a total of 1,600 pandas made from recycled paper arrived in Hong Kong for a three-week exhibition tour to remind the public that only 1,600 wild pandas are left on earth. This “paper army” landed at HAECO’s hangar at Chek Lap Kok aboard Cathay Pacific’s The Spirit of Hong Kong. All profits from the exhibition were donated to WWF’s Hong Kong branch.

Supporting Volunteerism

To encourage staff commitment to volunteer services, HAESL launched the Volunteer Service Leave scheme, which allows staff to exchange a day off (up to a maximum of 2 days per year) for every 10 hours of volunteer work approved or organised by HAESL.

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Supporting Arts and Culture

During the year, HAECO Hong Kong was invited by the University of Hong Kong to participate in the Hong Kong Memory project. The project showcases local history and our cultural heritage through a digital media platform. In support of this meaningful project, HAECO Hong Kong provided valuable photographs of Kai Tak airport and invited HAECO veterans to tell their stories about Hong Kong's former airport. After two-and-a-half years of preparation, the Memories of HAECO Veterans website (www.hkmemory.org/haeco/en/home/) finally went online for sharing heartfelt, little-known stories of Kai Tak with the people of Hong Kong.



Memories of HAECO Veterans website

Recognition and Awards

Hong Kong received:

5 Years Plus Caring Company awarded by the Hong Kong Council of Social Service



Drive for Corporate Citizenship by the Hong Kong Productivity Council



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Performance Data Collection and Calculation Method

Our general approach is to request data owners to confirm the accuracy of their data either through documented evidence or past operational performance. The data was approved and checked for any material errors both internally and externally.

Table 1 – Economic Performance

	HAECO Group	
	2014 HK\$'M	2013 HK\$'M
Economic value generated = (1)	12,277	7,996
Turnover	11,927	7,387
Interest income	30	21
Other net gains	6	87
share of after-tax results of JCC	314	501
Economic value distributed = (2)	11,980	7,797
Operating costs	6,848	4,151
Employee wages and benefits	4,573	3,053
Payment to providers of capital		
– dividend to company shareholders (previous yr's final div paid and current yr's interim div paid)	324	466
– dividend to non-controlling interest	38	31
– interest expenses	100	59
Payment to government (Taxation)	94	33
Community investments including charitable donations	3	4
Economic value retained = (1) - (2)	297	199

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Table 2 – Environmental Performance

		HAECO Group							HAECO Group Total	
	unit	HAECO	HAECO Xiamen	HAESL	TEXL	HAECO Spirit Aerosystems	HAECO Landing Gear	HAECO Americas	2014	2013
Energy Consumption										
Direct energy consumption	GJ	117,957	13,460	101,270	59,164	513	314	20,911	313,589	312,191
Indirect energy consumption	GJ	132,899	77,789	103,642	16,808	4,771	5,216	105,541	446,665	346,958
Total energy consumption	GJ	250,846	91,249	204,912	75,972	5,283	5,531	126,451	760,255	659,149
Greenhouse Gas Emission (Note 1)										
Direct emission (Scope 1)	kg CO ₂ e	10,230,372	1,304,563	8,465,966	4,244,790	101,305	22,190	1,567,278	25,936,464	23,929,235
Indirect emission (Scope 2)	kg CO ₂ e	23,295,607	17,172,927	18,143,760	3,710,592	1,053,179	1,151,593	15,310,752	79,838,414	61,514,566
Other indirect emission (Scope 3) by business air travel	kg CO ₂ e	521,482	831,486	156,308	83,991	34,700	16,622	–	1,644,590	1,794,297
Total GHG emission	kg CO ₂ e	34,047,461	19,308,976	26,766,035	8,039,374	1,189,184	1,190,405	16,878,030	107,419,464	87,238,098
Ozone Depleting Substances										
Ozone depleting substances emitted	kg CFC-11e	7,636	30	–	–	1,351	–	54	9,070	16,175
Fuel										
Jet kerosene	Tonnes	–	–	2,295	1,340	–	–	101	3,736	4,092
Diesel	L	2,926,268	323,000	–	–	24	428	263,135	3,512,855	3,224,678
LPG	kg	14,996	30,942	–	–	–	–	12,814	58,752	54,179
Unleaded petrol	L	275,555	13,157	–	10,083	15,600	9,110	196,613	323,505	307,185
Towngas	MJ	3,102,408	–	515,280	–	–	–	–	3,617,688	4,124,256
Electricity										
Total electricity consumed	kWh	36,916,317	21,607,961	28,789,515	4,668,880	1,325,170	1,449,000	29,316,902	124,073,745	96,377,175

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Table 2 – Environmental Performance (con't)

						HAECO Spirit Aerosystems	HAECO Landing Gear	HAECO Americas	HAECO Group Total	
	unit	HAECO	HAECO Xiamen	HAESL	TEXL				2014	2013
Refrigerant/Fire Extinguishing Agent										
Refrigerant/fire extinguishing agent consumed	kg	2,005	790	930	10	176	–	71	3,981	3,058
Water										
Potable water used	m³	203,778	265,731	118,498	22,970	3,054	8,888	43,144	666,063	646,966
Water discharged to sewer	m³	191,978	132,032	118,498	–	2,235	–	–	444,743	513,557
Materials										
Paper and paper products consumed	kg	201,079	56,376	18,583	6,110	1,704	–	2,502,250	2,786,103	198,903
Printing cartridges purchased	No.	1,163	748	458	213	50	–	1,363	3,995	2,524
Vehicle tyres consumed	kg	48,341	3,526	–	13	–	–	–	51,880	48,421
Solid Waste Management										
Industrial/commercial waste disposed of	kg	1,654,840	1,054,000	380,750	225,000	14,923	–	979,008	4,308,521	3,263,345
Grease trap waste disposed of	kg	264,000	25,510	84	–	384	–	–	289,978	178,902
Vehicle tyres disposed of	kg	48,019	3,526	–	–	–	–	–	51,545	45,111
Food Waste recycled	kg	83,438	69,616	–	–	520	–	–	153,574	250,825
Paper/cardboard recycled	kg	21,080	70,252	5,713	2,490	520	1,636	192,019	293,710	165,776
Plastics recycled	kg	166	70,000	588	–	388	88	199,961	271,191	54,521
Metal recycled	kg	21,656	7,100	8,992	–	140	8,813	333,428	380,129	96,857
Printing cartridges recycled	No.	307	748	183	–	50	–	1,082	2,370	1,353

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	unit	HAECO	HAECO Xiamen	HAESL	TEXL	HAECO Spirit Aerosystems	HAECO Landing Gear	HAECO Americas	HAECO Group Total	
									2014	2013
Hazardous Waste Management										
Solid chemical waste disposed of	kg	196,806	302,028	14,044	470	360	–	81,040	594,029	671,480
Liquid chemical waste disposed of	L	224,374	12,650	117,408	3,032	2,335	–	35,022	394,821	261,726
Significant chemicals/oil spills	No.	–	–	–	–	–	–	–	–	1
Compliance										
Significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No.	–	–	–	–	–	–	–	–	–

Note

1. We adopted an operational control approach according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) in calculating our Group's GHG footprint, which covers the GHG emissions of our subsidiaries, and where we have control of their operating policies, our associated companies and jointly controlled entities. In this report, we only cover HAECO Hong Kong, HAECO Xiamen, HAESL, TEXL, HAECO Spirit Aerosystems, HAECO Landing Gear, HAECO Americas' GHG emission in 100% and intend to cover other Group's operations in the future.

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Table 3 – Social Performance

	unit	HAECO	HAECO Xiamen	HAESL	TEXL	HAECO Spirit Aerosystems	HAECO Landing Gear	HAECO Americas	HAECO Group Total	
									2014	2013
Occupational Health & Safety										
Manhours worked (Total attended hour by all staff)	No.	14,375,183	10,469,814	2,046,055	482,962	317,014	316,259	6,387,679	34,394,966	28,524,624
Work-related fatalities (employees)	No.	–	–	–	–	–	–	–	–	–
Lost time injuries (Note 1)	No.	190	22	8	1	–	–	49	270	240
Minor injuries/ first aid cases	No.	251	351	2	3	1	–	256	864	960
Total lost day	No.	5,111	1,171	333	4	-	–	1,047	7,666	7,349
Lost time injury rate (Note 2)		2.64	0.42	0.78	0.41	–	–	2	1.57	1.68
Lost day rate (Note 3)		71.11	22.36	35.48	1.66	–	–	33	44.57	51.53
Training and Education										
Total average hours of training	No. of hours	47.3	87.2	38.0	95.6	9.0	124.2	6.2		
Breakdown by employee category										
– Top/senior management	No. of hours	25.1	47.3	31.8	36.7	–	31.8	3.1		
– Middle/junior management & supervisory	No. of hours	11.8	98.3	167.3	73.8	29.5	167.3	6.4		
– Customer facing staff	No. of hours	8.3	98.1	–	–	–	–	2.1		
– Non-customer facing/ operational/ technical staff	No. of hours	6.7	23.9	118.6	114.6	6.9	118.6	6.9		
– Others	No. of hours	1,457.2	7.9	–	25.5	11.1	–	5.2		

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Table 3 – Social Performance (con't)

	By age group			By gender		By region			Overall
	under 30 years old	30 to 50 years old	over 50 years old	Male staff	Female staff	Hong Kong & Macau	Mainland China	USA	
Employee Turnover Rate									
HAECO Group	15%	10%	10%	14%	15%	11%	6%	23%	11%

Note

1. **Lost time injuries** are defined as work-related injuries which result in lost time of a minimum of one scheduled working day.
2. **Lost time injury rate** represents the number of injuries per 100 employees per year. It is calculated as the total lost time injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
3. **Lost day rate** represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total lost time injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

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Table 1 – General Standard Disclosures

Material Aspects	HKEx	GRI Indicators	Description	Reference	External Assurance
Strategy and Analysis	–	G4.1	Statement from the most senior decision-maker of the organisation	CEO's Message (p.6)	✓
Organisational Profile	–	G4.3	Name of the organisation	About HAECO (p.8)	✓
	–	G4.4	Primary brands, products and services	About HAECO (p.8)	✓
	–	G4.5	Location of the organisation's headquarters	About HAECO (p.8)	✓
	–	G4.6	Countries where the organisation operates	About HAECO (p.8)	✓
	–	G4.7	Nature of ownership or legal form	About HAECO (p.8)	✓
	–	G4.8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	About HAECO (p.8)	✓
	–	G4.9	Scale of the organisation	About HAECO (p.8)	✓
	A1.1	G4.10	Employee analysis (contract, gender, employment type, region, self-employed or supervised employees of contractors)	Employee (p.28) Performance Data – Social performance (p.45)	✓
	–	G4.11	Percentage of employees covered by collective bargaining agreements	Employee (p.28)	✓
	C1.1 ,C1.2	G4.12	Description of supply chain	Business Partners (p.33)	✓
	–	G4.13	Significant changes during the reporting period in size, structure, ownership or supply chain	About this report (p.4)	✓
	–	G4.14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Health and Safety (p.22)	✓
	–	G4.15	Externally developed charters, principles, etc. to which the organisation subscribes	To support energy conservation, we have signed the energy saving charter on indoor temperature. HAECO also supports the no shark fin initiative from WWF and has developed a sustainable food policy to encourage consumption of sustainable food	✓
	–	G4.16	Memberships in associations and national/international advocacy organisation	Community (p.35)	✓

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Table 1 – General Standard Disclosures (Con't)

Material Aspects	HKEx	GRI Indicators	Description	Reference	External Assurance
Identified Material Aspects and Boundaries		G4.17	Entities included in the organisations consolidated financial statements	About HAECO (p.8) Performance Data – Economic performance (p.41)	✓
		G4.18	Process of defining report content and aspect boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	Corporate Governance and Sustainability Management (p.12)	✓
		G4.19	Material aspects defined as part of defining report content	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.20	The Aspect Boundary within the organisation for each material Aspect	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.21	The Aspect Boundary outside the organisation for each material Aspect	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	No restatement of information from earlier reports	✓
	–	G4.23	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About this report (p.4)	✓
Stakeholder Engagement		G4.24	List of stakeholder groups engaged by the organisation	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.25	Basis for identification and selection of stakeholders with whom to engage	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.26	Approach to stakeholder engagement	Corporate Governance and Sustainability Management (p.12)	✓
	–	G4.27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Corporate Governance and Sustainability Management (p.12)	✓
Report Profile	–	G4.28	Reporting period for information provided	About this report (p.4)	✓
	–	G4.29	Date of most recent previous report	About this report (p.4)	✓
	–	G4.30	Reporting cycle (e.g. annual or biennial)	About this report (p.4)	✓
	–	G4.31	Contact point for questions on the report	Contact us (p.54)	✓
	–	G4.32	The GRI G4 'in accordance' option the organisation has chosen	About this report (p.4)	✓
	–	G4.33	Practice on seeking external assurance for the report	Verification statement (p.53)	✓
Governance	–	G4.34	The governance structure of the organisation, including committees of the highest governance body	About this report (p.4) Corporate Governance and Sustainability Management (p.12)	✓
Ethics and Integrity	–	G4.56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Governance and Sustainability Management (p.12)	✓

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Aspect	HKEx	GRI G4 Parameters	Description	Reference	External Assurance
Economic					
Economic Performance	D1.2	EC1	Direct economic value generated and distributed	Performance Data – Economic Performance (p.41)	✓
Environmental					
Materials	B2.5	EN1	Materials used by weight or volume	Performance Data – Environmental Performance (p.42)	✓
Energy	B2.1	EN3	Energy consumption within the Organisation	Performance Data – Environmental Performance (p.42)	✓
		EN5	Energy Intensity	Environment (p.17)	✓
		EN6	Reduction of energy consumption	Environment (p.17)	✓
Water	B2.2,2.4	EN8	Total water withdrawal by source	Performance Data – Environmental Performance (p.42)	✓
		EN15	Direct greenhouse gas (GHG) emission (Scope 1)	Performance Data – Environmental Performance (p.42)	✓
Emissions	B1.1, B1.2	Greenhouse gases included in the emissions calculation included CO ₂ , CH ₄ and N ₂ O as a result of the consumption of jet fuel, diesel, petrol, LPG and town gas. Fugitive emissions in CFCs and HCFCs from the consumption of refrigerants were also included in the calculations. All greenhouse gases are reported in CO ₂ equivalents			
		EN16	Energy indirect greenhouse gas (GHG) emission (Scope 2)	Performance Data – Environmental Performance (p.42)	✓
		EN17	Other indirect greenhouse gas (GHG) emission (Scope 3)	Performance Data – Environmental Performance (p.42)	✓
		EN20	Emission of Ozone- depleting substances (ODS)	Performance Data – Environmental Performance (p.42)	✓
		B1.5	Description of measures to mitigate emissions and results achieved	Environment (p.17)	✓

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Table 2 – Performance Indicators (Con't)

Aspect	HKEx	GRI G4 Parameters	Description	Reference	External Assurance
Effluents and Waste		EN22	Total water discharge by quality and destination	Performance Data – Environmental Performance (p.42) HAECO established its own waste water treatment plants to process trade effluents. We also carried out waste water sampling to make sure the quality of water released to main sewerage system would fulfill the regulatory requirement	✓
	B1.3-1.4	EN23	Total weight of waste by type and disposal method	Performance Data – Environmental Performance (p.42)	✓
		EN24	Total number and volume of significant spills	Performance Data – Environmental Performance (p.42)	✓
	B1.6		Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environment (p.17)	✓
	B2.5		Total packaging material used for finished products (in tonnes) and if applicable, with reference to per unit produced	Environment (p.17)	✓
Environment and Natural Resources	B3.1		Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment (p.17)	✓
Compliance		EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Performance Data – Environmental Performance (p.42)	✓

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Table 2 – Performance Indicators (Con't)

Aspect	HKEx	GRI G4 Parameters	Description	Reference	External Assurance
Social: Labour Practices and Decent Work					
Employment	A1.2	LA1	Total number and rate of employee turnover by age group, gender, and region	Performance Data – Social Performance (p.45)	✓
Labour/Management Relations		LA4	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	In the case of any significant operational changes that would substantially affect our employees, we keep them informed well in advance	✓
Occupational Health and Safety	A2.1, A2.2	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work- related fatalities, by region and by gender	Performance data – Social Performance (p.45)	✓
	A2.3		Description of occupational health and safety measures adopted and how they are implemented and monitored	Health and Safety (p.22)	✓
Training and Education	A3.1, A3.2	LA9	Average Hours of Training per year per employee by gender and by employee category	Performance data – Social Performance (p.45)	✓
		LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee (p.28)	✓
Labour Standard	A4.1		Description of measures to review employment practices to avoid child and forced labour	HAECO Group does not operate in circumstances and environments with high exposure to risk concerning child or forced labour	✓
	A4.2		Description of steps taken to eliminate such practices when discovered		✓
Diversity and Equal Opportunity	A1.1	LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Employee (p.28)	✓

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Aspect	HKEx	GRI G4 Parameters	Description	Reference	External Assurance
Social: Human rights					
Non-discrimination		HR3	Total number of incidents of discrimination and actions taken	We did not receive any such report in 2014	✓
Social: Society					
Local Communities	D1.1, D1.2		Focus areas of contribution (e.g. education, environment concerns, labour needs, health, culture etc.	Community (p.35)	✓
		SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community (p.35)	✓
Anti-corruption		SO4	Communication and training on anti-corruption policies and procedures	Employee (p.28)	✓
Compliance	C3.1	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No case concluded in 2014	✓
	C3.2		Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Whistle-blowing Policy is available in Swire Corporate Code of Conduct	✓

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Aspect	HKEx	GRI G4 Parameters	Description	Reference	External Assurance
Social: Product Responsibility					
Customer Health and Safety and Compliance	C2.1	PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Health and Safety (p.22)	✓
	C2.2		Number of products and service related complaints received and how they are dealt with	The Commercial Department of the HAECO Group companies maintains a strong relationship with our customers. Whenever complaint is received, the Commercial Department of the HAECO Group companies will liaise with the customers actively and sort out the solution with our engineering team to meet the customers' expectation	✓
	C2.3		Description of practices relating to observing and protecting intellectual property rights	Every staff in the HAECO Group companies is responsible for observing and protecting intellectual property rights. Relevant guidelines are available in the Admin. Manual of the company	✓
	C2.4	PR2, PR9	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	The Dedicated Quality Department of the HAECO Group companies ensures the HAECO services meet and exceed the requirement of regulatory authorities and our customers. The HAECO Group holds approvals from national aviation authorities in 33 countries. At HAECO, every staff member is responsible for building quality into our products and services	✓
	C2.5		Description of consumer data protection and privacy policies, how they are implemented and monitored	Customer data protection and privacy policies are well described in the Admin. Manual of the company. HAECO is committed to the policy of respecting and safeguarding the data privacy with the requirements under the Personal Data (Privacy) Ordinance	✓

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Scope and Objective

Hong Kong Quality Assurance Agency (HKQAA) was commissioned by Hong Kong Aircraft Engineering Company Limited (hereinafter referred to as "HAECO") to undertake an independent verification of the HAECO Group Sustainable Development Report 2014 (hereinafter called "the Report"). The Report stated the overall sustainability performance and efforts made by HAECO Group for the period from 1st January 2014 to 31st December 2014. Quantitative data regarding the economic, environmental and social performance such as greenhouse gas emission, number of lost time injury and average training hours of employees is verified based on the methodology described below. The verification team did not partake in the compilation of the data and information of the Report.

The aim of this verification was to provide assurance on the completeness and accuracy of the information stated in the Report. The Report covers the standard disclosures defined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (G4) with "Core" option and the Key Performance Indicators that defined in the Environmental, Social and Governance (ESG) Reporting Guide of the Hong Kong Exchanges and Clearing Limited ("HKEx").

Methodology

The process used in this verification was based on current best practices. The Report was reviewed based on the following criteria:

- International Standard on Assurance Engagement 3000 (ISAE 3000) – "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board;
- The Global Reporting Initiative (GRI) G4 Guidelines; and
- ESG Reporting Guide published by HKEx

The verification procedure included reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying the selected representative sample of data and information consolidated in the Report. Raw data and supporting evidence of the selected samples were thoroughly examined.

Conclusion

Based on the outcome of the verification process, it is opined that the Report is in accordance with the GRI G4 Guidelines – "Core" option and covers the Key Performance Indicators of the ESG Reporting Guide.

The information presented in the Report provided a structured, balanced and consistent representation of the performance of HAECO Group in the context of sustainable development. We are satisfied that the Report includes factual statements and the data contained within the Report is accurate and reliable. It is a fair and honest representation of initiatives, targets, progress and performance on the sustainable development achievements of HAECO Group.

Opportunities for improvement on the reporting structure and content are separately submitted to HAECO for their consideration on the compilation of future sustainable development reports. It does not affect our opinion on the Report.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam
Assistant Director, Strategic Business
November 2015

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Contact us

Thank you for reading this report.

Request for Feedback

We welcome your views on how we may further our environmental and social commitments or improve our reporting.

Please contact us via our website or email.

Contact information

Environmental, Health and
Safety Department
ehs@haeco.com
80 South Perimeter Road,
Hong Kong International Airport,
Lantau, Hong Kong

www.haeco.com