

2016 Sustainable Development Report



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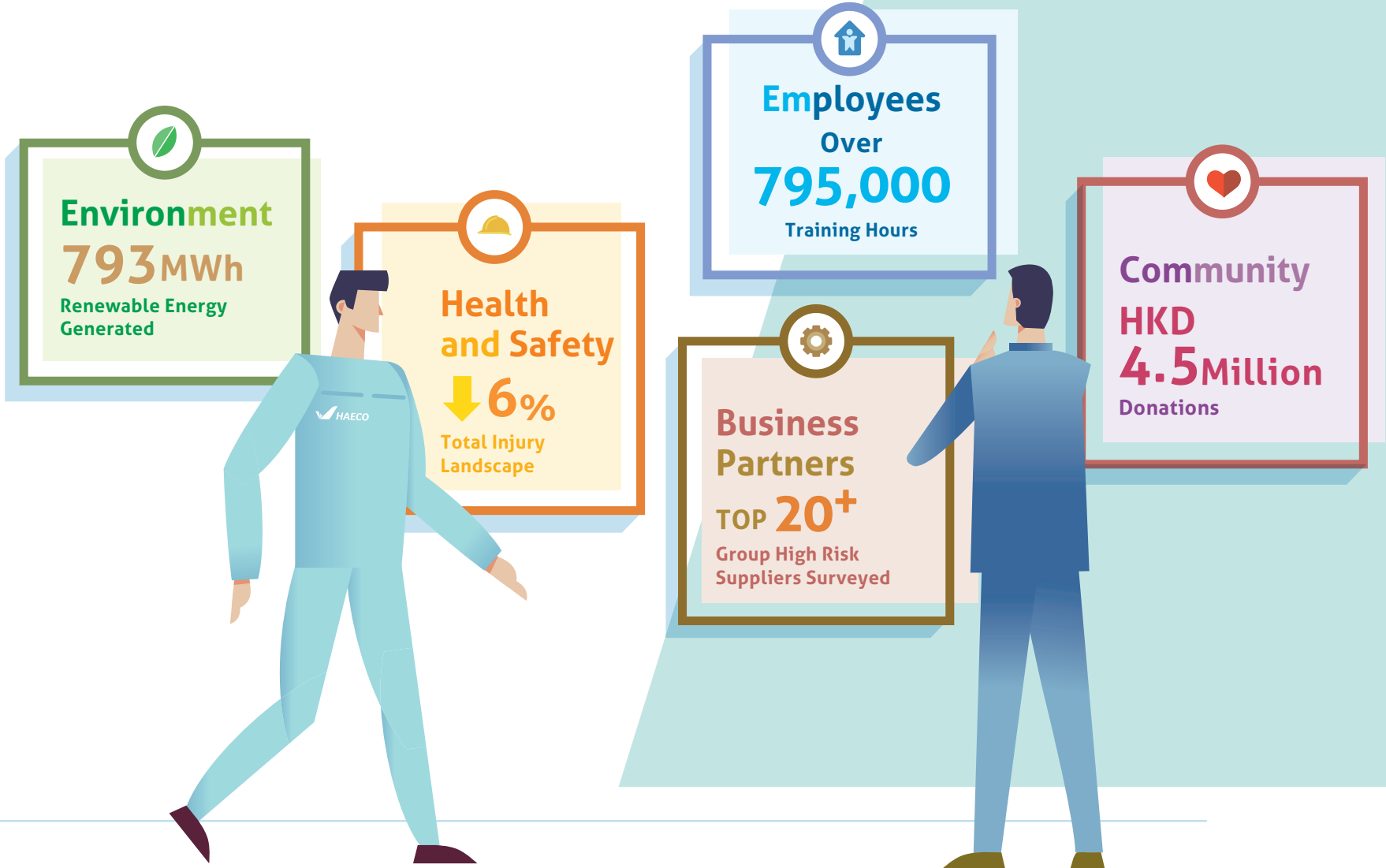
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2016 At a Glance



About this Report

This report covers the sustainability performance of HAECO Group in the 2016 calendar year. In this report, we discuss our progress and challenges since our last reporting cycle.

Scope of this Report

Across the Group, sustainable development (SD) represents the balance of economic growth, the environment and society. Our long-term commitment to sustainability is measured against the following:

- ▶ Environment,
- ▶ Health and Safety,
- ▶ Employees,
- ▶ Community,
- ▶ Business Partners.

This report covers those businesses in which HAECO Group has a major interest and that have a significant impact on the community and the environment due to their size. These include:

- ▶ Hong Kong Aircraft Engineering Company Limited ("HAECO Hong Kong"),
- ▶ 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"),
- ▶ Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited ("HAECO Spirit AeroSystems"),
- ▶ HAECO USA Holdings, Inc. ("HAECO Americas"); and
- ▶ HAECO Component Overhaul (Xiamen)



Other businesses not covered in this report include low-percentage ownership companies, as well as small and start-up companies. The content of this report is governed by HAECO's Sustainable Development Policy and determined by the materiality of the Group's operations and their impact. Report content has been approved by the Sustainable Development Committee, which is chaired by Group Head of Business Improvement and Sustainable Development. In 2016, the reporting scope was expanded to include HAECO Component Overhaul (Xiamen), which specialises in the repair and overhaul of hydraulic, mechanical, avionics and pneumatic systems.

This Report

sets out the policy and governance procedures of the Group;

provides information about the Group's impact on the economy, the communities in which it operates, and the environment; and

outlines areas of concern, new initiatives, past performance and action plans.

Reporting Standards and Assurance

This report is prepared in accordance with the "Core" option of the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines (G4) and the Environmental, Social and Governance (ESG) Reporting Guides published by the Hong Kong Exchanges and Clearing Limited (HKEx).

Reasonable assurance is provided by the Hong Kong Quality Assurance Agency (HKQAA) in accordance with the International Standard on Assurance Engagement (ISAE) 3000.

Recognition

In 2016, HAECO Group responded to CDP (formerly the Carbon Disclosure Project) and monitored Bloomberg Equities, a widely-used database among financial professionals. In 2016, HAECO scored 48.3 on environmental, social and governance disclosure. Our disclosure on environment and governance was considered to be better than previous years while our social performance was comparable.


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Message from the CEO

The HAECO Group operates in a responsible and forward-thinking way with regard to all aspects of sustainability. This means continuously improving our approach towards people, performance and the environment and striving to become the best-in-class service provider of aircraft engineering and maintenance solutions.



In this context, I am pleased to present our 2016 SD Report which will update you on our latest initiatives with regard to sustainability.

Safety remained our highest priority during the review period. We continued to strengthen our safety management system by promoting and encouraging compliance with international standards for occupational health & safety. We adopted the bow tie model as our standard tool of risk assessment and developed a proactive safety culture by driving staff engagement and implementing various safety awareness programmes. In 2016, the Group introduced a new safety performance indicator, known as “total injury landscape” which takes all injury cases (lost time injuries, medical and first aid) into

consideration. The “total injury landscape” provides a holistic view of our safety performance across the Group and, analysis of which, contributes to our stated aim of “Zero Harm”. The total injury landscape was 6.0% better compared with 2015.

Our success starts with our employees. We invest in talent and offer training and career growth opportunities consistent with HAECO’s strategic objectives. In 2016, we continued to participate in job fairs, forums, recruitment events and exhibitions, with a view to attracting potential recruits. We also invested in improving staff amenities and promoting a healthy lifestyle. As part of our people development strategy, we will continue to provide support for staff in their professional training and career development.

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Environmental protection and climate change mitigation are the shared responsibilities of all our group companies. We believe that a good environmental management system can help us improve our performance and nurture a culture of continuous improvement. Therefore, we encourage our group companies to achieve the benchmark levels set out within international standards such as ISO50001 and ISO14001. In 2016, HAECO Xiamen was formally accredited with an ISO14001 certification and is one of China's first MRO service providers to achieve this standard. Recognising the need to reduce the impact of our operations on the environment, we continue to invest in the latest energy efficient equipment and technologies. Our "energy intensity" measure (which takes into account expansion of our facility footprint) was maintained at approximately the same level as that in 2015.

The Group is committed to maintaining strong relationships with the communities in which it operates. In 2016, the Group donated a total of HK\$4.5 million to various community and charitable events and organisations. Over 700 volunteers donated 10,000 hours in support of volunteer activities.

With regard to our procurement practices, the Group favours suppliers who share our sustainability standards. Our suppliers are invited, according to the Group's Supplier Code of Conduct, to demonstrate their

commitment to legal compliance, safe operations, environmental protection and the wellbeing of their staff. Major suppliers are also invited to conduct annual self-assessment questionnaires. As a participant in the Swire supply chain sustainability working group, we help to promote sustainable procurement practices among Swire Group companies.

The prospects for HAECO Group's businesses are still mixed in 2017. Nevertheless, we will continue to widen the range of services and increase the technical capabilities. The HAECO Group is now geared up for new aircraft types Airbus A350 and Boeing 787 Dreamliner. In 2017, we will focus on integrating our group companies in order to provide superior services and to be the airlines' resourceful partner for world-class aircraft engineering and maintenance solutions and we remain committed to ensuring that our companies will continue to operate sustainably and living up to the HAECO brand's reputation and strive to be sustainable leaders within the MRO industry.

Augustus Tang

Chief Executive Officer

June 2017

Company Profile

Established in Hong Kong in 1950, HAECO is one of the world's leading independent aircraft engineering and maintenance groups. It is one of the largest Maintenance, Repair and Overhaul (MRO) service providers in terms of capacity. Through its 17 subsidiaries

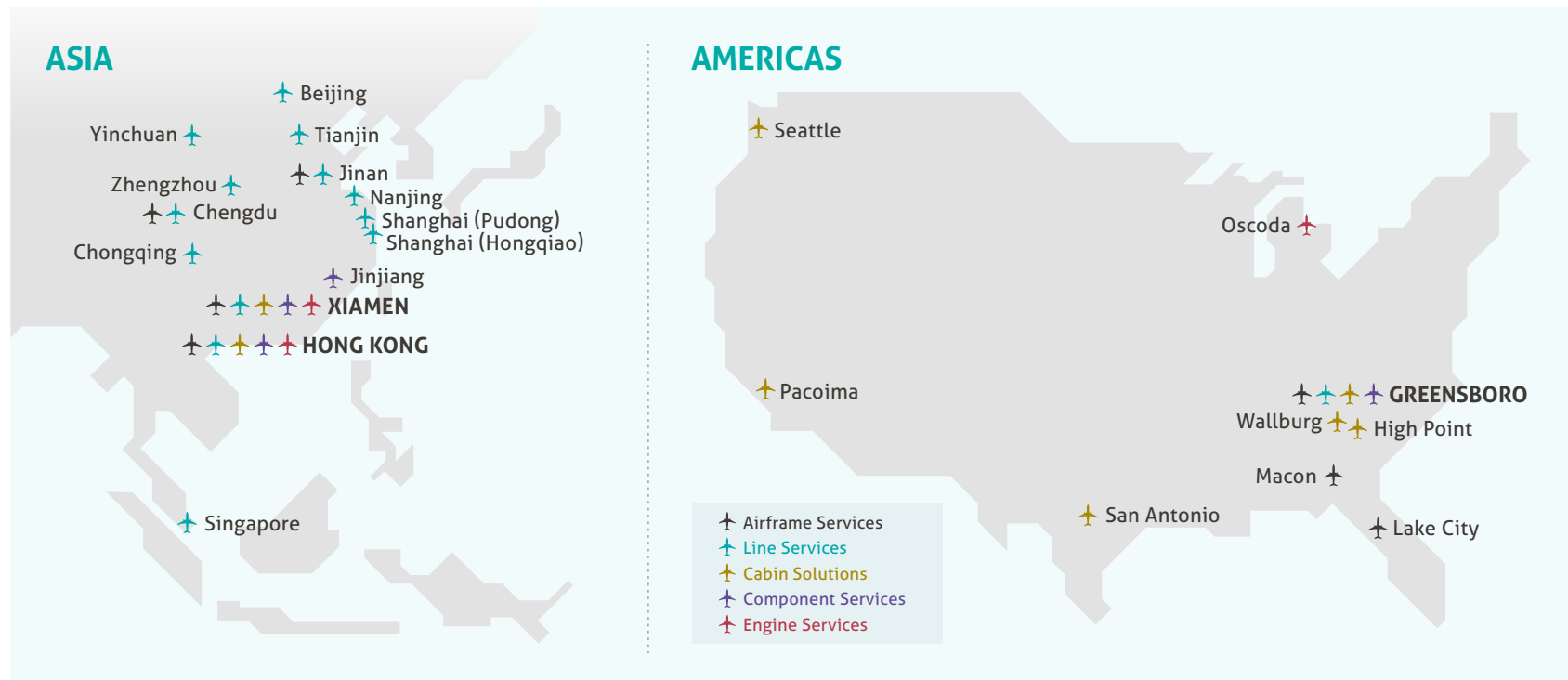
and joint venture companies around the world, the Group offers a full spectrum of services that include airframe services, line services, component services, engine services, inventory technical management, fleet technical management, cabin integration services and interior products, private jet

solutions, freighter conversion, parts manufacturing and technical training.

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

HAECO's website:
www.haeco.com

HAECO Group Companies and their Services


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One Group, Full Services



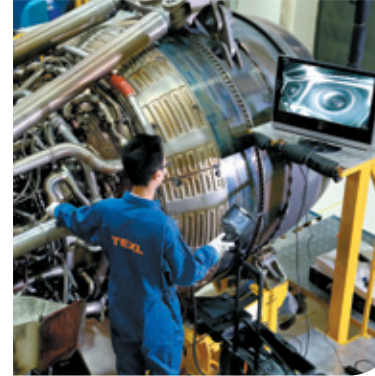
Airframe Services

HAECO Group offers airframe maintenance, cabin reconfiguration, structural modification, freighter conversion fulfilment, as well as line services covering transit checks and certification, defect clearance, cabin management, ramp services and 24/7 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 can also perform component repair and overhaul services for hydraulic, mechanical, avionics and pneumatic systems across the Airbus and Boeing commercial aircraft fleets. Wheels and brakes, tyres, aerostructures, landing gear and auxiliary power units are also provided through the Group's subsidiaries and joint ventures facilities.



Engine Services

HAECO operates world-class repair, overhaul and testing facilities for Rolls-Royce RB211 and Trent engines in Hong Kong, a GE Aviation-authorized GE90 facility in Xiamen, Mainland China, and a Pratt & Whitney JT8D facility in Oscoda, Michigan in the United States

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HAECO's strategy

The strategic objective of HAECO is to deliver 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 are committed to HAECO for the long term and provide them with training consistent with HAECO's strategic objectives; and maintain and develop strategic relationships with manufacturers of aircraft and aircraft equipment.

At HAECO, our decision 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 will deliver aircraft engineering and maintenance solutions above and beyond expectations, which we believe are fundamental to safe and enjoyable skies.

Our Values

Safety – We put safety and quality first. We strive to deliver products and services that attain the highest levels of safety and quality. We believe that all injuries are preventable and we seek to achieve zero harm in all our activities.

Integrity – We are ethical and honest, we deliver on our commitments and we create trusting relationships with our people, customers and partners.

Teamwork – We work together, building strong partnerships and relationships with our colleagues, customers and partners. We respect the views of others, we encourage their input and contribution, and we believe in the power of working in teams to achieve more than we can as individuals. We nurture and develop our people, enabling them to grow in an open and trusting environment.

Excellence – We are dedicated to innovation and excellence. We are progressive and believe in investing for the long-term benefit of all our stakeholders. We embrace continuous improvement as a way of delivering value and retaining talent. We deliver services to the highest technical standards and continually look to increase the range, depth and quality of these services.

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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 due account of the interests of those with whom the Group does business and others. The Board is led by the Chairman and comprises four 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 2016 under the Corporate Governance section (p.28-30).

Sustainable Development Policy

HAECO Group aims to be a leader in the industries in which we operate. We are committed to running and growing our business with a view to minimising our impact on the environment, safeguarding the health and safety of our stakeholders, excelling as a responsible and caring company in the communities in which we operate, and improving our business to ensure our operations are as efficient and effective as possible.

We strive to maintain corporate governance with high ethical standards. Our Sustainable Development Policy encompasses our dedication towards health & safety, the environment, employment, business partnerships, community matters and the continual improvement of our business. Guided by this overarching policy, the Group has developed specific policies or codes of conduct to address these particular issues. These guiding principles govern the way each operating company pursues sustainability within its own business.



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

The HAECO Group Sustainable Development Committee comprises the management representatives of each operating company. The Committee is chaired by Group Head of Business Improvement and Sustainable Development and meets twice a year 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:

- ▶ ensure sustainable development requirements are established, implemented and maintained;
- ▶ review the sustainable development management system to ensure its continuing implementation, suitability, adequacy and effectiveness;
- ▶ establish and reviewing high priority sustainable development issues, requirements, targets and management programmes;
- ▶ drive continuous improvement in the 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;

- ▶ enhance internal communication regarding sustainable matters between management and employees and promoting awareness of these matters among staff; and
- ▶ ensure the availability of appropriate resources.

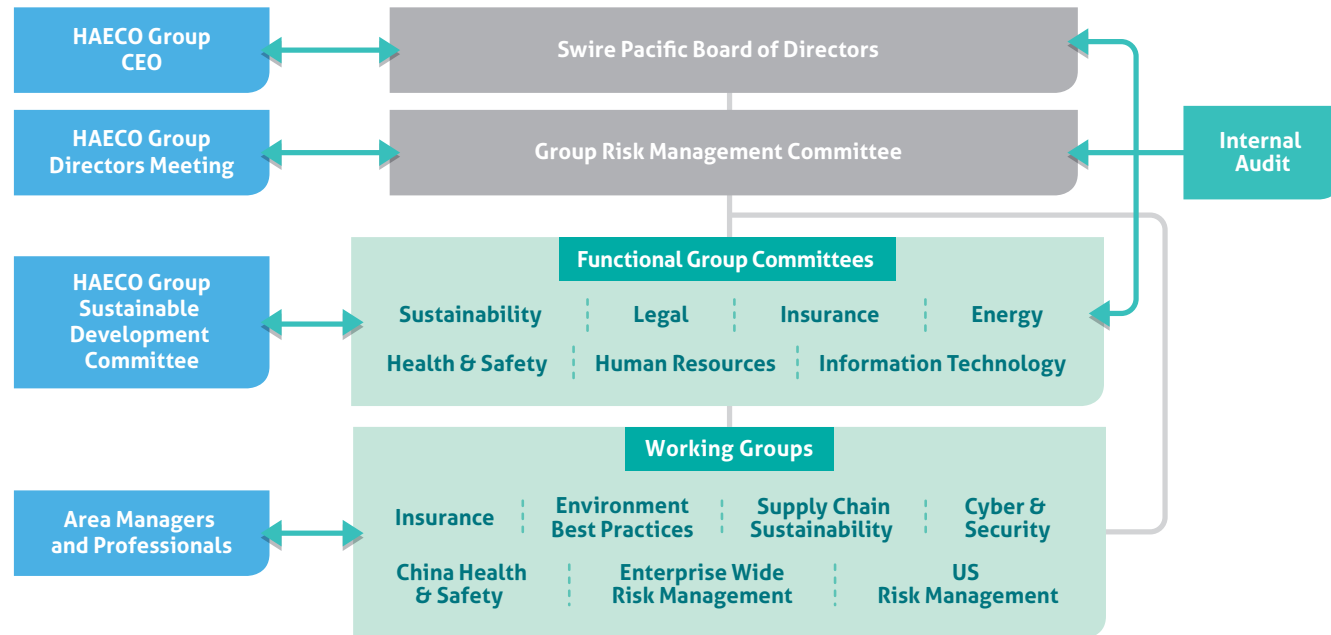
Risk Management

The Board of Directors and the management team have a responsibility to identify and analyse any risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. An Enterprise Risk Register has been established to facilitate continual evaluation of the impact of 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 monitoring of risk.

As a subsidiary of Swire Pacific, HAECO Group reports on sustainability management matters to the highest governance body – the Board of Directors at Swire. In turn, the Board at Swire oversees sustainability issues through the Group Risk Management Committee (GRMC), which comprises the Corporate Development and Finance Director, the Executive Directors and an Executive Officer with responsibility for the operating divisions. Chaired by the Corporate Development and Finance Director, this committee oversees a number of other committees and working groups responsible for Sustainability, Environmental Best Practices, Health & Safety, Energy and Enterprise Risk Management, Human Resources and the Supply Chain, 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 2016 (p. 97).

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Governance Structure for Risk Management at HAECO and Swire Pacific



Internal Review

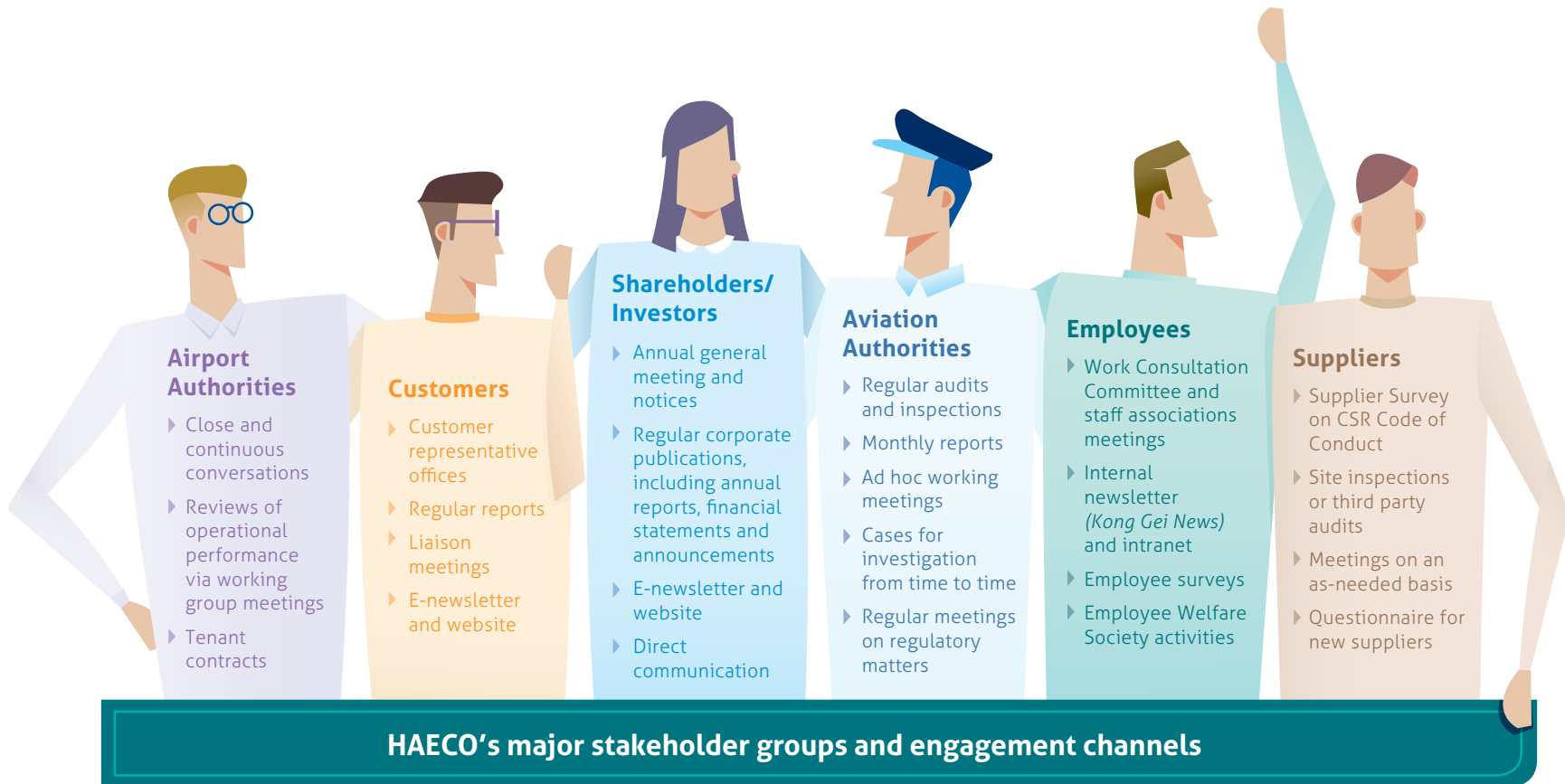
An internal review on sustainability management is conducted through a self-assessment questionnaire (SAQ) designed by the Swire Pacific Group Internal Audit Department and the Sustainable Development Office. HAECO Group companies are required to complete the SAQ every year to report on the progress of their sustainability management strategies. To understand the role of the Internal Audit Department, please refer to the HAECO Annual Report 2016 (p.40).

Stakeholder Engagement

The Group recognises the importance of listening to stakeholders. Engaging stakeholders is part of the process by which the Group formulates its business strategy and defines how and what should be reported. The Group identifies the priorities of stakeholder groups, according to the impact our business has on them, as well as the influence they have on our business. Stakeholders are engaged in a planned and systematic manner, including, but not limited to, on-going dialogues, face-to-face meetings,

questionnaires and focus group discussions. In 2014, we undertook a comprehensive survey of all our key stakeholder groups so that we could discover their expectations of HAECO Group in the years ahead. This exercise will be carried out on a regular basis in order to update stakeholders on our progress and understand their evolving expectations.

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Materiality Assessment

The Group determines and prioritises material issues using a matrix methodology that focuses on two dimensions: i) risk level and impact of issues on the business, and ii) their significance and impact on stakeholders. For operations, we prioritise issues according to the likelihood of their occurrence and potential impact on business continuity. For

stakeholders, we prioritise issues based on the level of stakeholder interest and the potential influence or impact these interests might have.

A materiality matrix was created following a comprehensive survey of around 100 stakeholders, which included the Group's management team, different staff associations and external stakeholders from

government bodies, suppliers, customers, academic professionals and local communities. Disclosure of key performance indicators was mapped into the G4 framework. This exercise helps us to understand stakeholders' expectations and refine our future sustainability strategies (this practice will be regularly reviewed). Material issues of a high priority are discussed in detail in this report.

HAECO Materiality Survey






Environment

At HAECO, we recognise the importance of managing our impacts on the environment. As a socially-responsible organisation, we are committed to improving our operational efficiency through innovation, investing in energy-efficient equipment, working closely with our business partners and reducing our waste to landfill.






793MWh
Renewable Energy
Generated

2016 Progress Update

Objective	Progress	Remarks/Comments
Reduce electricity intensity by 10% in 2020 compared with the baseline in 2015	On-going 	HAECO is reviewing its environmental strategy in consideration of the airport move in Xiamen and the development plans of the respective group companies.
Introduce intelligent energy building management systems in facilities to measure, control and reduce energy consumption and promote proactive equipment maintenance	On-going 	HAECO Hong Kong has engaged a consultant with a view to managing its buildings better. Other principal HAECO Group companies will explore similar opportunities in 2017.
Introduce Environment Management Systems in Mainland China to manage all environmental risks and promote continual improvement	On-going 	HAECO Xiamen has achieved ISO14001 certification. Other principal HAECO Group companies in Xiamen also plan to acquire ISO50001 system certification in 2017.

2017 Action Plans

Key Action Plans

-  Set up an ISO50001 framework for all Asia Pacific principal group companies;
-  Explore opportunities to extend the application of Intelligent Energy Building Management Systems to HAECO Group's principal group companies;
-  Develop a HAECO energy efficiency Best Practice Standard.

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Our Environmental Management System and Strategy

Our aim is to embed a world-class Environmental Management System (EMS) into our operations as this will help us to achieve continuous improvement. Additionally, we are promoting and encouraging compliance with international standards, including ISO50001 and ISO14001.

HAECO supports Swire's Sustainability Strategy – THRIVE



ISO14001 Certification at HAECO Xiamen

The ISO14001 standard specifies the requirements that an organisation can use to enhance its environmental performance, fulfil its compliance obligations and achieve its environmental objectives as part of an EMS. In recognition of their high environmental management standards, HAECO Hong Kong attained ISO14001 certification for its component overhaul facility in 2012, with HAECO Xiamen following suit in 2016. HAECO Xiamen was also one of China's first MRO service providers with an EMS to achieve this standard.

In 2017, we will encourage our companies to adopt the ISO50001 framework for energy management. HAECO will also support the new Swire sustainability strategy, THRIVE, in pursuit of its long-term ambition of decarbonisation, better waste and water management, sustainable material sourcing, protection of biodiversity and building in lasting climate resilience.

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Our Improvement Process

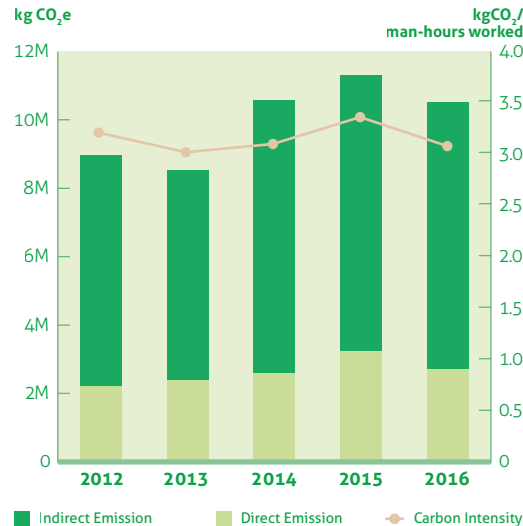
Climate Change and Energy Management

We believe that climate change poses a risk to our operations. Accordingly, we disclose our carbon footprint through the CDP and constantly work with our business partners to reduce our emissions.

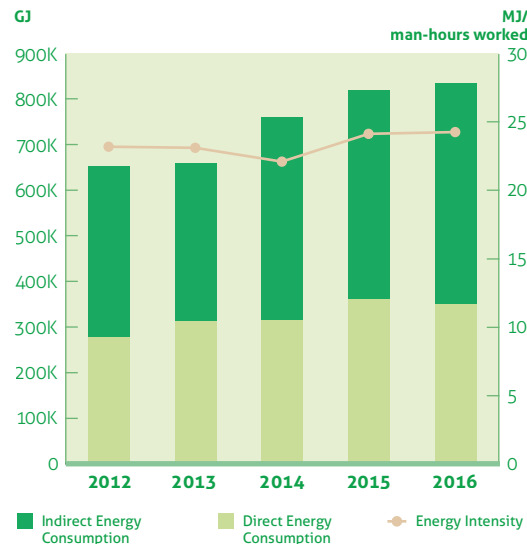
In 2016, our total greenhouse gas emissions generated from operations amounted to 105,000 tonnes of carbon dioxide equivalent (CO₂e), a 7% reduction compared with 2015's total due to reduced fuel and refrigerant consumption. We measure our impact on the environment based on energy consumed per man-hour worked. Total emissions in 2016 were equivalent to 834,000 GJ of energy consumed, with the energy intensity averaging 24.26MJ per man-hour worked. Energy intensity was maintained at approximately the same level as that in 2015.

Electricity consumption accounts for approximately 74% of our carbon footprint. Over the years, we have been investing in the latest energy-efficient equipment and systems for our operations. To manage their impact on the environment and look for opportunities to save energy, the principal companies in the HAECO Group are required to carry out energy audits every five years.

GHG Emission and Carbon Intensity of Operation

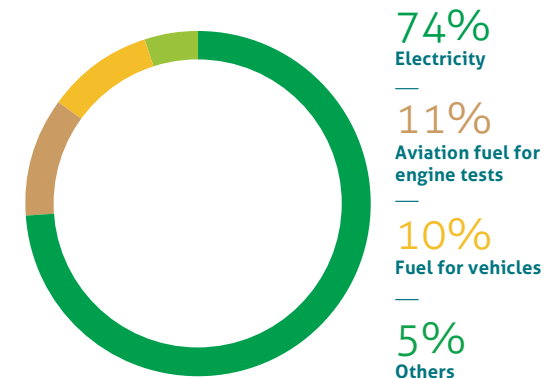


Total Energy Consumption and Intensity



What's more, HAECO Hong Kong has engaged a consultant with a view to managing its buildings better. The study will identify and prioritise energy management opportunities (EMOs) through evaluation of current energy usage pattern. A new cloud-based platform will be introduced for continuous monitoring. Just two examples of how we are making progress in managing our electricity consumption include the automatic cleaning of tubes in TEXTL's chillers by introduction of the sponge-ball automatic internal tube cleaning system and replacing an air compressor with a variable frequency drive compressor at HAECO Americas. We are using more LED lights and motion sensors in group companies.

HAECO Group Carbon Footprint


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Renewable Energy

The Group's objective is to maximise the use of renewable energy in all daily operations. In 2016, however, the solar panels at HAECO Xiamen's premises generated only about 793 MWh of electricity, or 34.7% less than the total generated in 2015, due to damage sustained in a typhoon. Nevertheless, HAECO Hong Kong will continue to adopt solar panels in its main office, mobile planning office and windscreen working stands as energy saving measures.



Reference: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

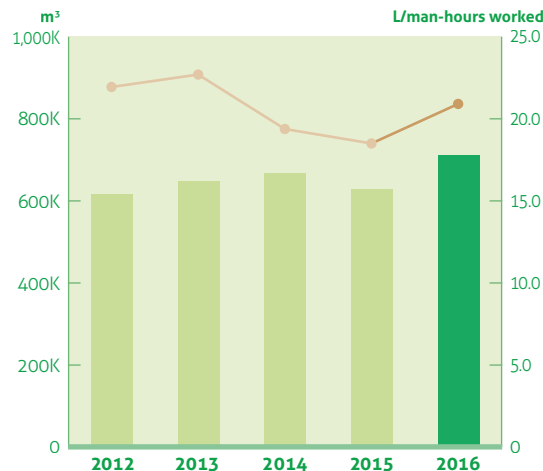
Water Management

We continually strive to reduce our water consumption through the optimisation of our day-to-day operations. This includes the introduction of specialised machinery for many of our cleaning processes such as aircraft washing. At HAECO Hong Kong, we minimise water consumption by capturing rainwater for use in toilet flushing and have installed dual flushing cisterns and automatic

taps to reduce water usage. HAECO Hong Kong, HAESL and HAECO Xiamen have all installed water-saving nozzles on water taps to reduce water consumption, while HAECO Americas has installed a touchless water saver for its wash sinks, toilets and urinals. In 2016, HAECO Xiamen modified the flushing method in their male toilets, saving approximately 20% of its total water consumption. TEXTL's more efficient chemical cleaning saves both energy and approximately 30% of the volume of solvents and water required.

Although we have strived to reduce our water consumption, our water intensity in 2016 still increased by 13% when compared with 2015. Water consumption at HAECO Americas

HAECO Group Water intensity



Wastewater treatment testing equipment at HAECO Spirit AeroSystems

has increased by 44% due to introduction of new facilities.

Treated waste water must meet or exceed legal requirements before it is returned to the environment. All principal HAECO Group companies have wastewater treatment plants to handle wastewater generated from their work processes. In 2016, HAECO Spirit AeroSystems installed a storage tank to avoid overflow and accidental discharges. HAECO Xiamen and HAECO Spirit AeroSystems purchased heavy metal monitoring equipment and a portable heavy metal detector for compliance check of all effluents against Chinese national standards GB21900-2008 and GB8978-1996 prior to discharge.

HAECO Group also encourages the recycling of wastewater. HAECO Xiamen uses treated wastewater for green field irrigation, car cleaning, toilet flushing and watering the apron to lower temperatures during summer, while TEXTL makes use of treated water for flushing and greening.

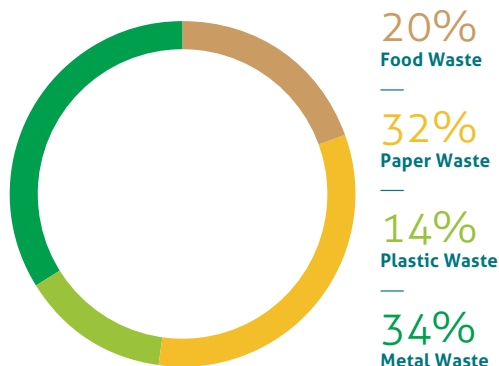
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Waste Management

To minimise the amount of waste generated by our operations, we have adopted waste separation at source and recycle whenever possible. In 2016, we disposed of a total of 4,744 tonnes of waste, 13% of which was recycled. The waste diversion rate was similar to that in 2015.

HAECO Hong Kong has undertaken a review of its waste management system to maximise waste diversion from landfill and reduce the cost of waste management. As a result, in 2017 we expect to increase recycled waste to approximately 15%. During the year, HAESL carried out a waste audit to identify opportunities to increase the quantity of recyclables collected, and HAECO Hong Kong and HAESL both continue to recycle food waste.

Solid Waste Recycled by HAECO Group



Environmental Awareness at HAECO

In order to raise environmental awareness among our staff, all of our operating companies have established their own channels of communication, including mobile applications, staff notices and regular publications. We also provide a number of training programmes for staff to enhance their skills and awareness.



Promotional Materials for Environmental Campaign at HAECO Xiamen

Recognition and Awards

- ▶ Environmental award at the 2016 World Energy Engineering Congress in Washington, DC, USA.
- ▶ Silver award at the 2016 Hong Kong Awards for Environmental Excellence
- ▶ EcoChallenger 5+ Award at the Bank of China (Hong Kong) (BOCHK) Corporate Environmental Leadership Awards
- ▶ Carbon Reduction Certificate Award
- ▶ Clean Air Charter

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Health and Safety

Safety is an absolute priority at HAECO. Guided by “Safety First” as one of our three missions, we promote safety as an integral part of our business and have affirmed our commitment to health and safety in order to provide a more sustainable, safer and healthier workplace for our staff. We strive to set best-in-class quality standards within our industry and, in line with this commitment, have implemented Group safety strategies with measurable objectives and targets.

↓ 6%
Total Injury
Landscape





2016 Progress Update

Objectives	Progress	Remarks/Comments
Acquire OHSAS 18001 accreditation for HAECO Group companies in Xiamen and Hong Kong	On-going 	HAECO Hong Kong and HAESL have obtained OHSAS18001 certification in 2016. HAECO Group companies in Xiamen have completed the gap analysis.
Conduct a safety culture survey	On-going 	
Introduce an occupational health programme at HAECO Hong Kong to prevent musculoskeletal illness	On-going 	HAECO Hong Kong has organised a health and safety week to raise staff awareness of musculoskeletal illness. It has engaged a manual handling expert to provide awareness programme to its staff. The programme was launched in 2016 and training will be started in 2017.
Continue to develop a cloud-based safety management system in Xiamen	Completed 	HAECO Xiamen and TEXTL have adopted a cloud-based safety management system for incident reporting, risk management and document control.

2017 Action Plans

Key Action Plans

-  Acquire OHSAS 18001 accreditation for HAECO Group companies in Xiamen ;
-  Standardise accident investigation methodology ;
-  Carry out manual handling training for staff at HAECO Hong Kong.

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Safety Management System

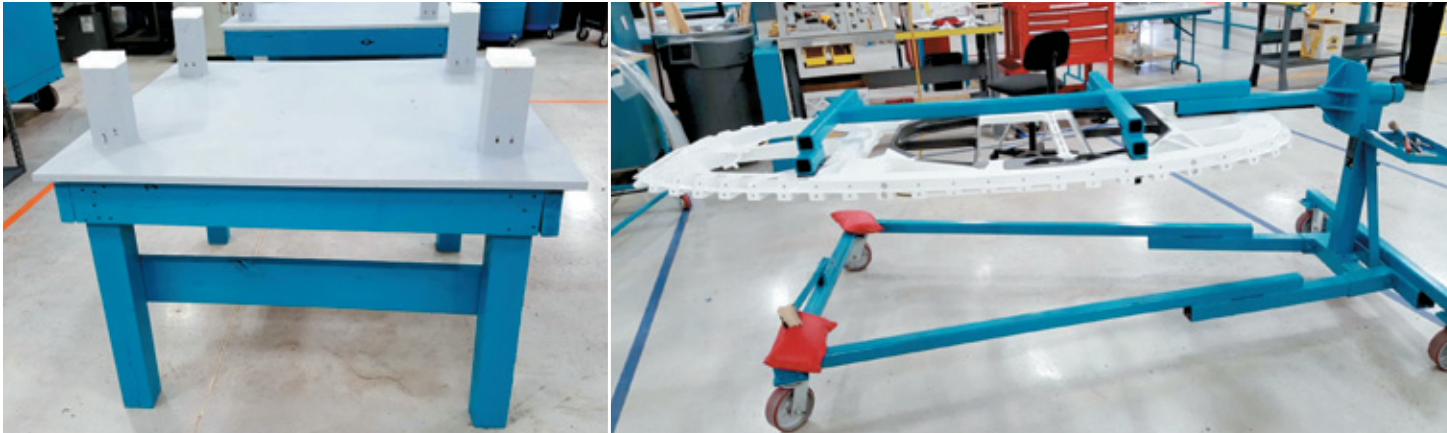
As part of our ongoing efforts to improve sustainability, we aim to embed a world-class safety management system (SMS) into our operations and encourage compliance with international standards for occupational health & safety. HAECO Hong Kong and HAESL obtained OHSAS 18001 certifications in 2016, and all principal HAECO Group companies in Mainland China have carried out a gap analysis for accreditation. HAECO Americas is planning to adopt the same framework in 2017.

We take a proactive approach towards identifying, reviewing and mitigating risks. Accordingly, we have prepared, tested and coordinated risk management and safety plans and crisis management protocols, and all group companies perform annual drills to test the system's effectiveness.

For all of our Group Health and Safety Committees, we have developed clear roles and responsibilities that include monitoring safety performance, alerting management to workplace hazards or unsafe practices, and responding to any safety concerns of our employees.

HAECO's Safety Improvement Wheel





Pre and Post Improvement Adapter Plate at HAECO Americas

Our Journey of Improvement

Standardisation is a critical part of our Group safety management systems as this helps to enhance the predictability of normal operations as well as facilitate the transfer of lessons learned in an organisational context.

HAECO has adopted the “bow tie model” as the standard tool of risk assessment. This tool clearly differentiates between proactive and reactive risk assessment and provides an overview of multiple plausible scenarios that could exist around a certain hazard. In 2017, we plan to standardise our accident

investigation methodology to ensure that all companies adopt a systematic approach for identifying factors that could lead to incidents, while avoiding box-checking exercises. We can then examine what improvements are necessary in the working environment and in organisational procedures.

We encourage companies to continuously improve their hazard management strategy, and both HAECO Hong Kong and HAECO Xiamen have established safety hazard reporting systems. HAESL encourages staff to identify hazards and solve safety problems themselves.

In the United States, HAECO Americas has tailor-made a rotisserie to minimise the repetitive manual handling works required for the assembly process of aircraft components. HAECO Hong Kong has developed a solar-driven cabin access stand that enhances both aviation and staff safety performance by improving visibility of the clearance between the stand and the aircraft, thereby reducing the need for manual operation.

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Our Safety Culture

A safety culture is based on a set of values, attitudes, perceptions, competences and pattern of behaviours. One of the Group's primary objectives is to elevate the safety culture from "dependent" to "independent".

HAECO Hong Kong has introduced a safety culture management plan based on the concept of a quality improvement circle. It has also invited staff to form self-initiated safety improvement teams — a bottom-up approach that helps to create an engagement culture and provide a two-way communication channel.



Promotion materials for Safety Month at HAECO Landing Gear

Safety Culture Management Plan at HAECO Hong Kong



HAECO Americas has reviewed its safety culture and introduced a new incentive scheme that is based on safety behaviour rather than injury rates. The new programme emphasises leading indicators, such as safety suggestions, near-miss reporting, training and audit results. During the year, HAECO Landing Gear Services and HAECO Hong Kong organised promotional activities to raise safety awareness, HAESL continued its management safety walks and initiatives to promote proactive reporting, and HAECO

Spirit AeroSystems initiated a bi-weekly Management Safety Walk.

We provide regular mandatory safety training based on operational needs, as well as various training programmes for skills and awareness enhancement. During the reporting period, HAECO Hong Kong introduced SMS and safety culture training for all staff and also engaged a manual handling expert to set up a safety awareness programme. HAESL and TEXTL have both organised safety awareness talks for staff.

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Safety Performance

Measurement is an important part of any management process and forms the basis for continuous improvement. At HAECO, we are shifting our focus in order to measure leading indicators that predict future performance, and we are in the process of identifying the most effective leading indicators to drive positive safety performance.

Currently, we benchmark our safety performance by measuring our Lost Time Injury Rate and the Lost Day Rate. These refer to the number of lost time injuries or lost days measured over 200,000 working hours, which is equivalent to around 100 staff-working-hours in a year. In 2016, we also introduced the concept of a total injury landscape, which measures the total number of injury cases including Lost Time Injuries (LTI), medical and first aid cases. The definition of a Lost Day has further been reviewed to include all lost days carried forward.

In 2016, we recorded 288 LTI cases, which represents an increase of 18% as compared with 2015, due mainly to an increase in LTI cases at HAECO Hong Kong and HAECO Americas. When the total injury landscape is taken into consideration, performance was 6.0% better compared with 2015.

The Group has been taking action to address the LTI rate. HAECO Hong Kong is focusing on safety culture and governance, including more direct engagement with frontline staff to help identify and mitigate risks. HAECO Americas has established a safety governance review and launched a staff survey to identify risks and key safety issues. What's more, the Group as a whole has been focusing on embedding best practices and OSHAS18001 guidelines to enhance the maturity and effectiveness of the Safety Management Systems.

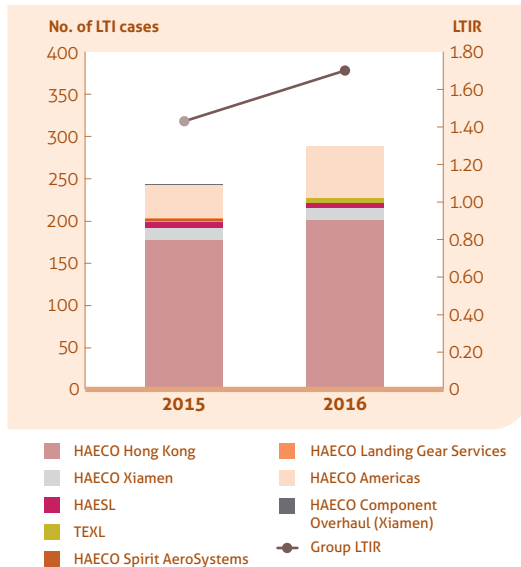
The number of lost days under our operational control was 11,395 in 2016. The Lost Day Rate (LDR) fell by 2.9% compared with 2015, also reflecting a reduction in the severity of cases.

HAECO has also adopted a post-LTI management programme that enables injured staff to return to work as early as possible. HAECO Hong Kong and HAECO Americas have adopted this programme, which not only helps staff resume normal life faster but also benefits the company in the form of less employee compensation and better productivity.

HAECO Group	2015	2016
Total Injury Cases	1003	943
No. of Lost Time Injury	244	288
No. of Medical Treatment	174	121
No. of First Aid Cases	585	534

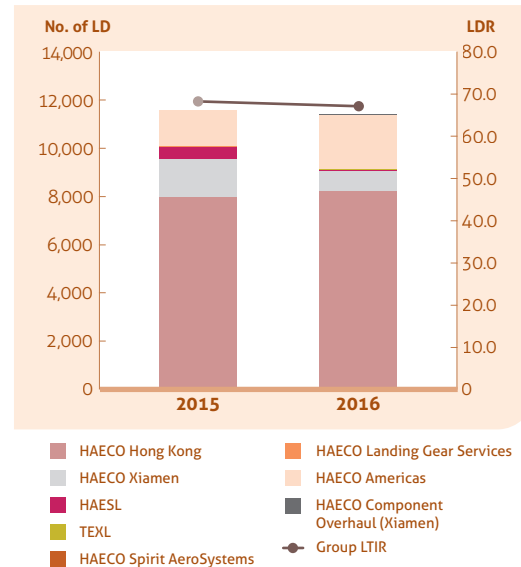
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Lost Time Injury Statistics (2015 – 2016)



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

Lost Day Statistics (2015 – 2016)



Remark: The Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total day multiplied by 200,000 and then divided by total hours worked. The factor of 200,000 is the annual hours worked by 100 employees, based on 40 hours per week over 50 weeks a year.

Customer Satisfaction and Service Responsibility

As part of our uncompromising commitment to safety and quality, we regularly organise internal and external audits to ensure that HAECO services meet or exceed the requirements of both the regulatory authorities and our customers. Every incident at HAECO is taken seriously. In cases of non-conformities, we will undertake an incident investigation to identify the root causes and work with other departments to put in place effective corrective actions and follow-up plans to prevent a recurrence.

In addition to internal audits, our customers and the aviation authorities will also carry out audits of HAECO Group companies. On average, there are more than 700 external audits per year, or at least 2 audits per week, for each company. No significant findings were identified during external audits..

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Employees

We recognise that staff development is key to the sustainable development of our business. In order to become an employer of choice, we provide an environment in which all staff are treated fairly and with respect, and help them to reach their full potential.

Over
795,000
Training Hours






2016 Progress Update

Objective	Progress
Develop Group Staff Intra-companies Movement/Transfer Guideline	Achieved 
Launch the first phase of a Work/Life Balance programme at HAECO Hong Kong by establishing thresholds for maximum working hours and minimum rest time	Achieved 
Launch Health Week for promoting health awareness of common and chronic diseases	On-going 
Continue to review and improve public transportation services and options available to staff	On-going 
Streamline and optimise workflow and deliverables in succession planning, staff development management and training course management at HAECO Hong Kong, HAESL and HAECO Xiamen	On-going 

2017 Action Plans

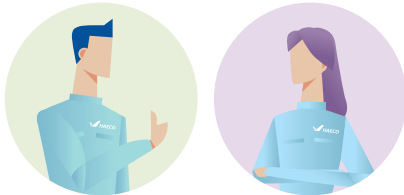
Key Action Plans

-  All HAECO Group companies will adopt an online system to manage succession planning and talent development. A performance management module will be launched in late 2017 in order to holistically evaluate staff performance among HAECO Group managerial staff;
-  Launch Health Week, with a focus on musculoskeletal problems and smoking cessation;
-  Continue to study options for staff to choose work schedules suiting their lifestyles;
-  Continue to study the feasibility of introducing additional company clinic facilities for staff working in the HKIA terminal area;
-  Revamp the HAECO Hong Kong Careers Website to give the community a better understanding of our job positions and to inform young people about the MRO industry;
-  Launch personal growth and learning activities (e.g. talks / workshops) for the well-being of staff;
-  Introduce structured development programmes for our existing non-licensed mechanics to assist them in acquiring the HKCAD basic license through self-study;
-  To celebrate HAESL's 20th Anniversary and enhance our employees' sense of belonging, HAESL will hold celebration activities as well as team bonding activities, such as a poon choi lunch, Ocean Park family visit, Open Day and more.

Our Employees

In 2016, we employed over 15,100 staff globally in our key Group companies, similar to the total number at the end of 2015. Most of our staff are based in Hong Kong and Mainland China.

HAECO Group Employee Profile



	Male	Female
2016	12,242	2,871
2015	12,311	2,627

Geographic Distribution of Employees

By region	Number of Employees	%
HONG KONG	7,325	48.47%
MAINLAND CHINA	5,203	34.43%
USA	2,585	17.10%
TOTAL	15,113	100%



Asia Pacific MRO Expo

Recruitment and Talent Retention

We participate in job fairs, forums, recruitment events and exhibitions, where we provide potential recruits with information on the Group and employment opportunities available at our businesses.

We continuously review our remuneration packages, career development plans and human resources management culture. Additionally, we have developed guidelines for inter-company job rotation to ensure that all cases are handled in a transparent, consistent and considerate manner.

HAECO Hong Kong and HAECO Xiamen carried out progression and promotion reviews aiming to provide clear career path requirements for staff that fit actual operational needs and achieve alignment among different departments within the respective companies. Staff mapping to the new structure and reviews on the salary range were both conducted as part of the exercise during the reporting period.

HAESL developed guidelines known as Employee Engagement Best Practices, based on the results of staff engagement focus groups. The guidelines were formulated for management and supervisory staff with a view to leading a change in mindset concerning people management.

Staff Development and Technical Training

We not only meet legal training requirements but also provide training to help staff reach their full potential. In 2016, we offered over 795,000 hours of training, equivalent to approximately 53 hours of training per employee, a decrease of [10.12%] compared with 2015. Less training was provided to senior management due to the time interval required for refresher training.



Furthermore, HAECO Hong Kong and HAECO Americas provided tuition reimbursement programmes for employees who wish to gain additional knowledge and skills. HAECO Hong Kong also revamped the existing Maintenance Authorisation Allowance Model to support engineers wishing to obtain authorisations for new aircraft types.

The Group continued to provide schemes designed to equip new recruits with the knowledge and experience needed to become skilled aircraft maintenance professionals. Graduate trainees are rotated around the Group's businesses.

In 2016, HAECO officially became part of the Training by Airbus network and started delivering Airbus A350 courses to Airbus customers. This collaborative arrangement has become HAECO's most popular training programme, and plans are underway to establish another Airbus A350 training classroom. We are also the first MRO organisation and Aircraft Maintenance Training Organisation in Mainland China with a Boeing 787 training suite. Having already trained a competent HAECO Boeing 787 maintenance team of our own, we are now marketing Boeing 787 training courses to third parties.

Diversity, Equal Opportunity and Non-discrimination

The Group is committed to providing a diverse working environment free from discrimination. We insist that all staff members comply with relevant legal requirements and do not tolerate unlawful discrimination or any other breaches of the law. We attach great importance to integrity and deal fairly with all staff in the course of achieving commercial success. Our Corporate Code of Conduct sets out the expected standards of behaviour for our employees, including anti-bribery compliance procedures. Employees have the right to raise their concerns and complaints via established procedures. We are committed to addressing each concern and complaint that is raised both properly and fairly and in the strictest confidence. In 2016, HAESL organised a compliance training workshop on equal opportunities for senior staff to raise their awareness of the applicability of these ordinances to daily work and to avoid any potential future pitfalls.

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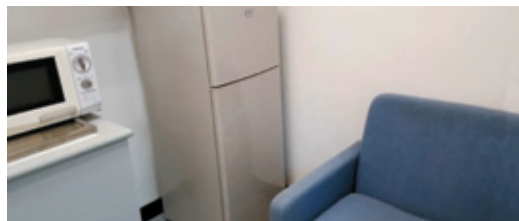
*Roof-top multi-purpose sports court at
HAECO Hong Kong*

Employee Relations, Compensation and Benefits, Work-life Balance

We encourage our staff to enjoy a healthy work-life balance. This is important in terms of the overall health and wellbeing of individual employees and also has positive outcomes for the business. Our work-life balance programme creates stronger bonds among staff, more accountability and higher commitment. Under this programme, respective group companies have organised annual dinners, Christmas parties and various sports activities to support this initiative. Leisure activities are also held at different times so that employees working various shift patterns are accommodated. Apart from current employees, we have a HAECO Veterans Club for retired staff of HAECO Hong Kong and HAESL. Members are welcome to

use the Club's sports and recreational activities and participate in subsidised activities. HAECO Hong Kong also set up a rooftop multi-purpose sports exercise court in 2016.

To promote a healthy lifestyle and improve staff awareness of common medical conditions, HAECO Hong Kong launched a health and safety week during the year. HAECO Hong Kong employees (both current and retired) and their family members have also been able to take advantage of the Employee Abundance Programme started in 2016, under which professional consultation services are available 24 hours a day/7 days a week. We also provided health information through health talks, health booths, staff leaflets and videos playing in common areas across company premises. In addition, we conducted on-site lifestyle surveys to collect data for future health programmes. HAECO Xiamen and HAESL also organised health talks and workshops for staff during the year.



Mother's Room in HAECO Hong Kong



Health Booth at HAECO Hong Kong

In addition to these activities, we have been investing in the continuous improvement of staff amenities. For example, HAECO Hong Kong has supported the initiative of the Department of Health to set up a Breastfeeding Friendly Workplace. Under this initiative, in 2016 we set an appropriate and relaxed environment for our breastfeeding employees as well as a Mother's Room at HAECO Hong Kong.

Recognition and Awards

In 2016, HAECO Hong Kong received the Caring Company Scheme Award for the 10th consecutive year and was recognised under the Employees Retraining Board (ERB) Manpower Developer Award Scheme. HAESL has been recognised as a Manpower Developer since 2013.

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TOP 20⁺
Group High Risk
Suppliers Surveyed

Business Partners

We place the highest value on suppliers who share our sustainability standards. Accordingly, we invite all of our suppliers to demonstrate their commitment to legal compliance, safe operations, environmental protection and the wellbeing of staff. HAECO also collaborates with business partners to realise synergy in terms of cost savings, people development, functional expertise and best practices.

2016 Progress Update

Objective	Progress	Remarks/Comments
Leverage group purchasing power and encourage the adoption of green specifications among suppliers	Completed 	The variety of green products in office supplies has been increasing.
Conduct a self-assessment on the CSR Supplier Code of Conduct for its top 20 suppliers in each group company	On-going 	Top 20 suppliers of Group companies carried out self-assessments with satisfactory results.

Supply Chain Sustainability

The Group is committed to compliance with all applicable laws, directives and regulations. To ensure a shared approach to corporate social responsibility (CSR), all registered suppliers are requested to submit a declaration confirming compliance with our Supplier CSR Code of Conduct upon vendor registration — a key element in supplier selection. Among other stipulations, the Code prescribes the following duties to be included in all agreements with suppliers:

- ⚙️ Compliance with all national and other applicable laws and regulations.
- ⚙️ Commitment to high standards of environmental protection, health and safety, human rights and labour policies, business ethics and community involvement, including the elimination of forced and child labour, non-discrimination in hiring, and treatment of sub-contractors. Providers of services are also required to meet the principles of the Code, where applicable.

2017 Action Plans

Key Action Plans

- ⚙️ Identify key sustainable materials and develop respective procurement guidelines for effective implementation;
- ⚙️ Enhance supplier engagement in compliance with the CSR Supplier Code of Conduct

- ⚙️ Consent to audits by companies of the HAECO Group.

Key suppliers are periodically invited to carry out a CSR self-assessment survey as part of an on-going review.

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Group Synergy

To help create a market for sustainable materials, HAECO, as a Swire Sustainability Supply Chain Working Group member, acts as a lead buyer to leverage the purchasing power of other Swire Group companies. In 2016, purchased green items included office supplies, plastic items, paper products and printing items.

To support the new THRIVE Strategy for Swire Sustainability developed in 2016, HAECO has committed to source more sustainable materials and engage key suppliers on sustainability.

Understanding Our Customers

HAECO supports MRO conferences and organises customer symposia around the world to discuss the latest issues and concerns of operators, their service providers and suppliers, as well as to exchange ideas with airline customers.

HAECO also engages business partners to identify opportunities for improvements in sustainability. A recent co-venture between HAECO Hong Kong and Atlas/Polar, for example, led to a reduction of more than 17% in cases of transit delays. We also introduced a new project with Cathay Pacific to improve the turnaround time in heavy check projects.

Recognition

HAECO Group won a merit award at the world-renowned REBRAND 100 Awards. The award recognised HAECO Group's brand strategy that highlighted its commitment to technical expertise, operational excellence and determination to deliver.


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HKD
4.5
Million
Donations

Community

The Group is committed to maintaining strong relationships with community members, bringing value to the communities of which we are a part, and enhancing their capabilities while respecting their respective cultures and heritage.



2016 Progress Update

Objective

Encourage employees to participate in volunteer services

Progress

On-going



2017 Action Plans

Key Action Plans

♥ Continue to encourage employees to participate in volunteer services

Fundraising for Charity and Community Engagement

In 2016, the Group contributed HK\$4.5million towards charity and community engagement. Causes included child care and youth development, environmental protection, support for minority groups and engagement with our customers. Over 700 of our employees and their guests contributed more than 10,000 hours of their time volunteering in charitable projects.



Job shadowing programme in progress at HAECO Americas

Child and Youth Development

HAECO Hong Kong and HAESL have donated aircraft components and equipment to local colleges and universities for their aircraft engineering programmes. HAECO Americas continued to provide job-shadowing opportunities and internship programmes to students at schools and colleges in Greensboro. It has also supported an endowed scholarship benefiting aerospace engineering and aviation maintenance science students at a local university. At HAECO Hong Kong, bursaries and training support were provided to students in local colleges and universities.

In the summer of 2016, HAECO Xiamen collaborated with the District Education Bureau to launch the first HAECO Xiamen Soccer Summer Camp for the children of expatriate staff from a local primary school. The five-day camp not only gave students the opportunity to learn basic soccer skills from two professional coaches, but also the chance to practise spoken English during training. HAECO Americas extended its support to the HAECO invitational high school Greensboro basketball tournament for five more years.

HAECO Group organised tours of HAECO facilities for local students to promote aerospace education and general aviation knowledge.



Soccer Summer Camp for expatriate workers' children organised by HAECO Xiamen



Pedal Karl Grand Prix 2016

Caring for the Underprivileged and Minority Groups

In 2016, HAECO Americas continued its support of the March of Dimes for preventing birth defects and infant mortality as well as Purple Heart Homes, an organisation dedicated to providing housing and an improved quality of life for disabled military veterans. HAECO Americas also organised its second annual Purple Heart Homes Charity Golf Fundraiser in Greensboro. In partnership with local businesses and the community, the company raised funds through the tournament, raffles and other charitable donations. Proceeds were used to carry out improvements to two local transitional homes

for homeless disabled veterans. These homes help veterans find and sustain permanent housing through career assistance, medical care and rehabilitation.

Additionally, HAECO Americas has supported the Salvation Army in the Greensboro community for more than 15 years through a variety of programmes. In 2016, staff of HAECO Americas got into the holiday spirit by volunteering their time at a Salvation Army Santa's Workshop.

Staff from HAECO Spirit AeroSystems and HAECO Hong Kong visited an elderly centre and nursing home, while HAECO Spirit AeroSystems donated beds and sports gear to a local school.

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To celebrate the launch of its third-generation Flying Eye Hospital, Orbis offered guided tours of the new MD-10 aircraft in 2016, as part of an inaugural tour in Hong Kong. As a long-standing co-organisier of the tour, HAECO Hong Kong sponsored the event venue and provided logistical support for the tours and a press conference.

Protecting the Environment

Working with Xiamen University, HAECO Xiamen staff have been volunteering on a mangrove project since 2009. By the end of 2016, HAECO Xiamen had organised 23 planting activities for a total of 39,200 mangroves planted in 38,000 square metres across 2.5km of coastline. This year, HAECO Xiamen raised awareness of environmental



Mangrove Exploration Summer Camp organised by HAECO Xiamen



Orbis Flying Eye Hospital Thank You Tour at HAECO Hong Kong

protection among the families of its staff by organising a mangrove exploration summer camp for employees' children to increase their understanding of the need for mangrove conservation.

HAECO Xiamen strongly supports the annual global Earth Hour campaign of the World Wide Fund for Nature (WWF). More than 1,000 employees during this year's event showed their commitment to the event by signing their name on an awareness-raising

signature wall in the facility. HAECO Xiamen reinforced the concept of energy saving to its staff through the event.

In Hong Kong, HAESL and HAECO Hong Kong supported environmental initiatives by participating in activities such as a coastal clean-up, the Green Power Hike, tree planting, book collections, donations of wall calendars to elderly homes, reduction of waste sent to landfill and general support of the community.



"I Can Fly" programme at HAECO Hong Kong

Engaging our customers

At HAECO Group, we ask our customers to join with us in contributing to the community. In July 2016, we hosted 60 young Mainland Chinese participants at the Cathay Pacific/Dragonair "I Can Fly" programme at our Hong Kong International Airport facility. Organised each year by the airlines, the "I Can Fly" programme aims to develop enthusiasm for aviation and involvement in social services among young people. During the visit, students from different parts of Mainland China were given an introductory presentation about HAECO Group's business

and service offerings, which was followed by a guided tour of our hangars and workshops.

On 13 November, Cathay Pacific pilot Captain Hank Cheng, who created Hong Kong's first homebuilt, locally registered aircraft Inspiration, completed his 78-day round-the-world journey with Hong Kong as the start and end points. Inspiration travelled approximately 50,000km around the world, making stops at 45 airports in 20 countries. HAECO Hong Kong had provided aircraft engineering support for the project over the past eight years.

Supporting Volunteerism

To promote volunteerism among their staff, HAECO Hong Kong, HAESL and HAECO Xiamen launched a Volunteer Service Leave Scheme during the year.

Recognition and Awards

In 2016, HAECO Hong Kong and HAESL were named a 5 Years Plus Caring Company and Caring Company by the Hong Kong Council of Social Service for good corporate citizenship.



Coastal Clean-up organised by HAECO Hong Kong

Performance Data

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	
	2016 HK\$'M	2015 HK\$'M
Economic value generated = (1)	14,968	12,776
Turnover	13,760	12,095
Interest income	9	20
Operating profit	127	415
Share of after-tax results of joint venture companies	1,072	246
Economic value distributed = (2)	14,462	12,213
Operating costs	8,600	6,878
Employee wages and benefits	5,059	4,813
Payment to providers of capital		
– dividend to company shareholders (previous year's final dividend paid and current year's interim dividend paid)	679	341
– dividend to non-controlling interest	5	49
– interest expenses	98	96
Payment to government (taxation)	17	33
Community investments including charitable donations	4.5	3
Economic value retained = (1) – (2)	506	563

Table 2: Environmental Performance

	unit	HAECO Hong Kong	HAECO Xiamen	HAESL	TEXL	HAECO Spirit AeroSystems	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total	
										2016	2015
Energy Consumption											
Direct energy consumption	GJ	114,841	17,596	77,859	75,673	483	226	–	63,725	350,403	361,636
Indirect energy consumption	GJ	143,598	82,973	107,320	21,282	4,854	17,114	884	105,465	483,490	456,243
Total energy consumption	GJ	258,439	100,568	185,178	96,955	5,337	17,341	884	169,190	833,892	817,879
Greenhouse Gas Emission (Note 1)											
Direct emission (Scope 1)	kg CO ₂ e	10,056,857	1,983,877	6,014,481	5,425,068	35,046	15,451	–	3,621,924	27,152,704	32,435,498
Indirect emission (Scope 2)	kg CO ₂ e	21,418,165	16,745,418	16,052,131	4,448,146	1,014,521	3,577,135	184,859	14,602,516	78,042,891	80,653,776
Other indirect emission (Scope 3) by business air travel	kg CO ₂ e	615,960	538,960	253,055	132,910	26,610	624,200	2,840	–	2,194,535	1,874,438
Total GHG emission	kg CO ₂ e	32,090,982	19,268,255	22,319,667	10,006,124	1,076,177	4,216,785	187,699	18,224,440	107,390,130	182,689,278
Ozone Depleting Substances											
Ozone depleting substances emitted	kg CFC-11e	1,150	77	–	–	–	–	–	1	1,228	1,919
Fuel											
Jet kerosene	tonnes	–	–	1,760	1,718	–	–	–	84	3,562	3,609
Diesel	L	2,900,408	395,817	–	–	–	1,334	–	247,115	3,544,675	3,486,152
LPG/propane	kg	12,631	27,137	–	–	–	–	–	1,149	40,917	61,277
Unleaded petrol	L	260,445	44,602	1,971	7,334	14,781	5,451	–	128,795	463,379	541,772
Towngas/natural gas	MJ	1,254,240	–	473,040	–	–	–	–	45,997,497	47,724,777	57,384,833
Electricity											
Total electricity consumed	kWh	39,539,934	22,254,526	29,679,653	5,911,550	1,348,290	4,753,983	245,676	29,295,849	133,029,462	125,159,056

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Table 2: Environmental Performance (con't)

	unit	HAECO Hong Kong	HAECO Xiamen	HAESL	TEXL	HAECO Spirit AeroSystems	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total	
										2016	2015
Refrigerant/ Fire Extinguishing Agent											
Refrigerant/ fire extinguishing agent consumed	kg	1,383	1,965	338	–	2	–	–	24	3,712	5,232
Water											
Potable water used	m ³	252,439	243,353	151,483	28,034	1,943	10,529	445	37,205	725,431	626,053
Water discharged to sewer	m ³	242,446	95,744	151,483	25,231	552	9,476	–	34,858	559,789	507,913
Materials											
Paper and paper products consumed	kg	94,618	57,422	15,288	1,009	1,900	1,302	–	342,561	514,100	501,796
Printing cartridges purchased	No.	183	701	495	248	41	–	–	1,110	2,778	2,954
Vehicle tyres consumed	kg	49,640	3,516	–	72	–	–	–	9,449	62,677	45,221
Solid Waste Management											
Industrial/commercial waste disposed of	kg	2,174,330	876,412	382,880	224,100	15,060	25,620	–	1,045,598	4,743,999	4,436,330
Grease trap waste disposed of	kg	168,000	8,560	84,640	–	–	–	–	–	261,200	257,064
Vehicle tyres disposed of	kg	49,756	2,284	–	–	–	–	–	2,826	54,866	58,776
Food waste recycled	kg	21,312	90,655	27,201	–	1,240	–	–	–	140,408	178,226
Paper/cardboard recycled	kg	30,777	53,819	3,397	–	418	1,757	–	143,730	233,898	273,903
Plastics recycled	kg	400	82,700	37	–	167	90	–	16,781	100,175	87,951
Metal recycled	kg	12,694	1,550	2,465	–	–	9,231	–	217,361	243,301	176,915
Printing cartridges recycled	No.	25	701	244	–	41	–	–	246	1,257	1,198

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Table 2: Environmental Performance (con't)

	<i>unit</i>	HAECO Hong Kong	HAECO Xiamen	HAESL	TEXL	HAECO Spirit AeroSystems	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total	
										2016	2015
Hazardous Waste Management											
Solid chemical waste disposed	<i>kg</i>	138,385	334,953	13,913	3,573	7,839	–	–	101,160	599,822	740,853
Liquid chemical waste disposed	<i>L</i>	363,159	84,765	48,620	24,053	5,296	–	–	34,475	560,368	633,891
Significant chemicals/ oil spills	<i>No.</i>	–	–	–	–	–	–	–	–	–	–

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 Services, HAECO Component Overhaul (Xiamen) and HAECO America's GHG emission at 100% and intend to cover other Group's operations in the future.

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Table 3: Social Performance

	<i>unit</i>	HAECO Hong Kong	HAECO Xiamen	HAESL	TEXL	HAECO Spirit AeroSystems	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total	
										2016	2015
Occupational Health & Safety											
Manhours worked (total attended hour by all staff)	No.	15,264,279	9,289,323	1,951,746	650,261	309,776	397,351	160,551	6,349,265	34,372,551	33,884,368
Work-related fatalities (employees)	No.	–	–	–	–	–	–	–	–	–	–
Lost time injuries (Note 1)	No.	201	14	6	6	–	–	–	61	288	244
Minor injuries/first aid cases	No.	145	287	1	5	1	1	–	215	655	759
Total lost days	No.	8,216	811	68	28	–	–	12.00	2,260	11,395	11,563
Lost time injury rate (Note 2)		2.63	0.30	0.61	1.85	–	–	–	1.92	1.68	1.44
Lost day rate (Note 3)		107.65	17.45	6.97	8.61	–	–	14.95	71.19	66.30	68.25
Training and Education											
Total average hours of training	No. of hours	52.53	79.31	45.45	105.73	29.19	40.23	100.25	8.32	53.50	59.53
Breakdown by employee category											
– Top/senior management	No. of hours	11	41	5	30	3	14.17	80.00	9.00	27.39	43.28
– Middle/junior management & supervisory	No. of hours	56	93	38	76	22	50.05	106.67	7.20	74.87	68.71
– Customer facing staff	No. of hours	41	85	8	–	4	51.03	–	8.40	40.88	57.20
– Non-customer facing/ operational/technical staff	No. of hours	24	16	51	133	37	23.34	104.62	–	32.09	60.02
– Others	No. of hours	234	19	36	28	21	–	73.33	–	163.54	20.06

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Table 3: Social Performance (con't)

	By age group			By gender		By region			Total Turnover Rate of Employees (%)
	under 30 years old	30 to 50 years old	over 50 years old	Male staff	Female staff	Hong Kong	Mainland China	USA	
Employee Turnover Rate									
HAECO Group 2016	17%	11%	19%	14%	15%	13%	8%	30%	14%
	By age group			By gender		By region			Total New Hires Rate (%)
	under 30 years old	30 to 50 years old	over 50 years old	Male staff	Female staff	Hong Kong	Mainland China	USA	
Employee New Hire Data									
HAECO Group 2016	22%	11%	9%	12%	20%	16%	4%	26%	14%

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 day 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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Standard Disclosures & Performance Indicators

Table 1: GRI Index - General Standard Disclosures

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Strategy and Analysis: A strategic view of the organisation's sustainability.	G4.1	Chairman's statement	CEO's Message (p.6-7)	✓
	G4.2	Description of key impacts, risks, and opportunities	CEO Message (p.6-7) Company Profile (p.8-10) Environment (p.16-21) Health and Safety (p.22-28) Community (p.7-41) Employees (p.29-33) Risk Management (p.36-38) in 2016 Annual Report	✓
Organisational Profile: An overview of the organisational characteristics to provide context for the details in the report.	G4.3	Name of the organisation	Company Profile (p.8-10)	✓
	G4.4	Primary brands, products and services	Company Profile (p.8-10)	✓
	G4.5	Location of the organisation's headquarters	Company Profile (p.8-10)	✓
	G4.6	Countries where the organisation operates	Company Profile (p.8-10)	✓
	G4.7	Nature of ownership or legal form	Company Profile (p.8-10)	✓
	G4.8	Markets served	Company Profile (p.8-10)	✓
	G4.9	Scale of the organisation	Company Profile (p.8-10)	✓
	G4.10	Employee analysis	Employees (p.29-33)	✓
	G4.11	Percentage of employees covered by collective bargaining agreements.	In Hong Kong, there is no legal framework for collective bargaining with trade unions. In Mainland China, we are normally required to deal with official trade unions	✓
	G4.12	Describe the organisations supply chain	HAECO Group's supply chain is comprised of hundreds of suppliers of products and services. Significant procurement categories include those related to supply of engines, aviation parts, chemicals and fuels. Landlord is also a key business partner of HAECO Group	✓
	G4.13	Significant changes during the reporting period in size, structure, ownership or supply chain	About this report (p.4-5)	✓

Table 1: GRI Index - General Standard Disclosures (Con't)

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
	G4.14	How the precautionary principle is addressed	Company Profile (p.8-10) Risk Management (p.36-38) in 2016 Annual Report	✓
	G4.15	Externally developed charters, principles, etc to which the organisation subscribes.	HAECO supports the no shark fin initiative from WWF and has developed a sustainable food policy to encourage consumption of sustainable food.	✓
	G4.16	Membership of industry and advocacy associations	HAECO Hong Kong and HAECO Xiamen • IATP - member HAECO Americas • ARSA - Corporate member • North Carolina Chamber of Commerce • Columbia County Chamber of Commerce • Greensboro Partnership	✓
Identified Material Aspects and Boundaries: The process followed to define: – the Report Content, – the identified material Aspects and the Boundaries; – restatements.	G4.17	Entities included in the organisations consolidated financial statements	Company Profile (p.8-10)	✓
	G4.18	Process for defining the report content and the aspect boundaries	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.19	Material Aspects identified.	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.20	The Aspect Boundary within the organisation for each material Aspect.	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.21	The Aspect Boundary outside the organisation for each material Aspect.	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.22	Effect of any restatements of information	No restatements of information from earlier reports	✓
	G4.23	Changes in Scope and Aspect Boundaries	About this report (p.4-5)	✓

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Table 1: GRI Index - General Standard Disclosures (Con't)

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Stakeholder Engagement: An overview of the organisation's Stakeholder Engagement during the reporting period.	G4.24	Stakeholder groups engaged.	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.25	Basis for identifying and selecting stakeholders with whom to engage.	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.26	Approach to stakeholder engagement	Corporate Governance and Sustainability Management (p.11-15)	✓
	G4.27	Key topics and concerns raised through stakeholder engagement. How the organisation is responding to these concerns.	Corporate Governance and Sustainability Management (p.11-15)	✓
Report Profile: Basic information on the report, GRI Content Index and approach on external assurance.	G4.28	Reporting period	About this report (p.4-5)	✓
	G4.29	Date of most recent previous report	About this report (p.4-5)	✓
	G4.30	Reporting cycle (e.g. annual or biennial)	About this report (p.4-5)	✓
	G4.31	Contact point for questions on the report.	Contact us (p.54)	✓
	G4.32	GRI Content Index showing: – In Accordance option chosen. – Page disclosures made and if/how each is assured.	About this report (p.4-5) Verification Statement (p.61) Standard Disclosures & Performance Indicators (p.48-60)	✓
	G4.33	Practice on seeking external assurance for the report.	Verification Statement (p.61)	✓
Governance: Overview of governance structure, role of the highest governance body plus details on remuneration.	G4.34	Governance structure: Highest governance body and other committees responsible for decision making	About this report (p.4-5) Corporate Governance and Sustainability Management (p.11-15)	✓
Ethics and Integrity	G4.56	The organisation's values, standards and norms of behaviour	Corporate Governance and Sustainability Management (p.11-15) Ethics and Conduct in HAECO's website: http://www.haeco.com/en/about-haeco/ethics-and-conduct.aspx	✓

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Table 2: GRI Index - Specific Standard Disclosures

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Economic Performance	G4-DMA	Disclosures on management approach	Management Discussion and Analysis in Annual Report 2016 (p.1-26)	✓
	G4-EC1	Direct economic value generated and distributed	Performance Data – Economic Performance (p.42) Financial Review in Annual Report 2016 (p.22)	✓
Environment - Energy	G4-DMA	Disclosures on management approach	Environment (p.16-21)	✓
	G4-EN3	Energy consumption within the Organisation	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN5	Energy Intensity	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN6	Reduction of Energy Consumption	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
Environment - Water	G4-EN8	Total water withdrawal by source	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
Environment - Emissions	G4-DMA	Disclosures on management approach	Environment (p.16-21)	✓
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN20	Emissions of ozone-depleting substances (ODS)	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓

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Table 2: GRI Index - Specific Standard Disclosures (Con't)

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Environment – Effluents and Waste	G4-DMA	Disclosures on management approach	Environment (p.16-21)	✓
	G4-EN22	Total water discharge by quality and destination	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN23	Total weight of waste by type and disposal method	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
	G4-EN24	Total number and volume of significant spills	Environment (p.16-21) Performance Data – Environment (p.42-45)	✓
Environment Compliance	G4-DMA	Disclosures on management approach	Environment (p.16-21)	✓
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	HAECO Americas was found not fully complied to the requirement of waste management under Resource Conservation and Recovery Act (RCRA) Laws and Regulations, resulted in a US\$67,000 fine. Corrective and preventive actions were taken.	✓
Social – Employment	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Employees (p.29-33) Performance Data – Social Performance (p.46-47)	✓
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employees (p.29-33) Performance Data – Social Performance (p.46-47)	✓
Social – Labor/Management Relations	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are 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	✓
Social – Occupational Health and Safety	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	Health and Safety (p.22-28) Performance Data – Social Performance (p.46-47)	✓

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Table 2: GRI Index - Specific Standard Disclosures (Con't)

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Social – Training and Education	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employees (p.29-33) Performance Data – Social Performance (p.46-47)	✓
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees	Employees (p.29-33)	✓
Social-Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Employees (p.29-33) Performance Data – Social Performance (p.46-47) Corporate Governance in Annual Report 2016 (p.28-43)	✓
Social – Human Rights	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	We did not receive such report in 2016	✓
Social – Anti corruption	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-SO5	Confirmed incidents of corruption and actions taken	We did not receive any report of confirmed incidents in 2016	✓
Social – Compliance	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	HAECO Hong Kong and HAECO Americas were found not in full compliance with the local Dangerous Goods Ordinances. HAECO Americas and California Occupational Safety and Health Act respectively and were fined approximately HK\$56,000. Corrective and preventive measures have been taken	✓
Product Responsibility – Customer Health and Safety	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Health and Safety (p.22-28)	✓

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Table 2: GRI Index - Specific Standard Disclosures (Con't)

Provisions	GRI Reference	Recommended Disclosures	Reference	External Assurance
Product Responsibility – Customer Privacy	G4-DMA	Disclosures on management approach	Employees (p.29-33)	✓
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	We did not receive any report of confirmed incidents in 2016	✓
Product Responsibility – Compliance	G4-DMA	Disclosures on management approach	Health and Safety (p22-28)	✓
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	We did not receive any report of confirmed incidents in 2016	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
A. Environmental				
Emissions	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations	HAECO Group is committed to managing the adverse impact that its operations may have on the environment. Going beyond legal compliance, the Group is continually improving its environmental management practices and measures to reduce energy and other resources use, minimise wastes and increase recycling. Environmental statement is included in HAECO Group Sustainable Development Policy and in the environmental policies in respective companies	✓
	KPI A1.1	The types of emissions and respective emissions data.	The following gases are included in GHG calculations: carbon dioxide (CO ₂), methane, sulphur dioxide and nitrous oxide. These are expressed in carbon dioxide equivalents (CO ₂ e) Emission data are presented in Performance Data – Environment (p.43)	✓
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environment (p.19) Performance Data – Environment (p.43)	✓
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environment (p.19) Performance Data – Environment (p.43)	✓
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environment (p.19) Performance Data – Environment (p.43)	✓
	KPI A1.5	Description of measures to mitigate emissions and results achieved	Environment (p.19) Performance Data – Environment (p.43)	✓
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environment (p.19) Performance Data – Environment (p.43)	✓
		Total number and volume of significant spills	We did not aware of any report of significant spill in 2016	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
Use of Resources	General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Environment (p.19) Performance Data – Environment (p.43)	✓
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Environment (p.20) Performance Data – Environment (p.44)	✓
	KPI A2.3	Description of energy efficiency initiatives and results achieved	Environment (p.20)	✓
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environment (p.20)	✓
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	HAECO Group follows the requirement of customers and best practices in aviation industry for packing materials. We report paper used in our group companies	✓
The Environment and Natural Resources	General Disclosures	Policies on minimising the issuer's significant impact on the environment and natural resources		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment (p.16-21)	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
B. Social: Employment and Labour Practices				
Employment	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	HAECO is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects the Group's belief that, in the achievement of its long-term objectives, integrity, transparency and accountability should be the key guiding principles by which it conducts business. In so acting, HAECO believes that shareholders, its employees, those with whom it does business and the communities in which it operates will all benefit. A set of guidelines and procedures have been developed for employees to follow, which includes the Corporate Code of Conduct, Equal Opportunities and Diversity Policy and procedures on reporting of improprieties The Group is committed to comply with relevant laws and regulations. All staff members must observe the relevant requirements, ensuring fully compliance with applicable laws and must not tolerate unlawful discrimination or other breaches of applicable law	√
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employees (p.29-33) Performance Data – Social Performance (p.46-47)	√
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employees (p.29-33) Performance Data – Social Performance (p.46-47)	√

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
Health and Safety	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	The health and safety of our staff and those with whom we engage is of critical importance. We aim continually to improve our management of health and safety with a view to causing zero harm. Occupational Health and Safety statement are included in our Sustainable Development Policy, Health & Safety Policy and also Supplier Code of Conduct	
	KPI B2.1	Number and rate of work-related fatalities	Health and Safety (p.22-28) Performance Data – Social Performance (p.46-47)	✓
	KPI B2.2	Lost days due to work injury	Health and Safety (p.22-28) Performance Data – Social Performance (p.46-47)	✓
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety (p.22-28) Performance Data – Social Performance (p.46-47)	✓
Development and Training	General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities Note: Training refers to vocational training. It may include internal and external courses paid by the employer	The Group places great emphasis on the training and development of employees from both technical and non-technical perspective. Respective Group companies will assess their own training needs and provide various training programmes to the employees for skill enhancement as well as career development	
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Training has been provided to all employee	✓
	KPI B3.2	The average training hours completed per employee by gender and employee category	We report the average training hours completed per employee by employee category. Performance Data are provided. We do not report by gender	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
B. Social: Operating Practices				
Labour Standards	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	HAECO Group does not operate in circumstances and environments with high exposure to risk concerning child or forced labour	
	KPI B4.1	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	✓
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	HAECO Group does not operate in circumstances and environments with high exposure to risk concerning child or forced labour	✓
Supply Chain Management	General Disclosures	Policies on managing environmental and social risks of the supply chain	Although supply chain issues were not considered to be among the most material issues by the majority of participants, we will continue to monitor our supply chain management approach, as it is important to ensure suppliers adhere to high sustainability standards. We believe that by working with suppliers, customers and consumers, we can encourage and influence the adoption and improvement of sustainable practices in the industries and places in which we operate. We therefore established a Supplier Corporate Social Responsibility Code of Conduct. It deals with regulatory compliance, forced labour, child labour, health and safety, environmental issues, compensation and working hours, human rights, subcontractor management, ethics and reporting	
	KPI B5.1	Number of suppliers by geographical region	Over 80% of our suppliers are from UK and USA. Others are located at North Americas, Europe, Hong Kong, China and Southeast Asia	✓
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	All registered suppliers are requested to submit a declaration confirming compliance with our Supplier CSR Code of Conduct upon vendor registration. The Code is also included in all agreements with the suppliers. Key suppliers are invited to carry out a self-assessment survey on CSR periodically to provide ongoing review	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
Product Responsibility	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Dedicated Quality Department of the HAECO Group companies ensures the HAECO services meet and exceed the requirements of regulatory authorities and our customers The HAECO Group holds approvals from 29 national aviation authorities around the world. At HAECO, every staff member is responsible for building quality into our products and services	
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Health and Safety (p.22-28)	✓
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	Commercial Departments of HAECO Group companies maintain a strong relationship with our customers. When a complaint is received, Commercial Departments of HAECO Group companies will liaise with customers proactively and work out a solution with engineering team to meet customers' expectations	✓
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Every staff in the HAECO Group of companies is responsible for observing and protecting intellectual property rights. Relevant guidelines are available in the Corporate Code of Conduct	✓
	KPI B6.4	Description of quality assurance process and recall procedures	Dedicated Quality Department of the HAECO Group companies ensures the HAECO services meet and exceed the requirements of regulatory authorities and our customers. At HAECO, every staff member is responsible for building quality into our products and services	✓
	KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored	Customer data protection and privacy policies are well described in the Corporate Code of Conduct. HAECO is committed to respecting and safe guarding the data privacy policy under relevant local legislation	✓

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Table 3: HKEx ESG Reporting Guide Performance Indicators (Con't)

Aspects	HKEx Reference	Disclosures	Reference	External Assurance
Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	HAECO believes that conducting business with integrity is critical to HAECO's development as a successful, sustainable and responsible business group. It is HAECO's policy that all relevant persons should comply with the anti-bribery laws to which they are subject to. The Corporate Code of Conduct sets out the standards of behaviour and the anti-bribery compliance procedures adopted by HAECO	✓
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer, its employees, or when contracts with business partners were terminated or not renewed during the reporting period, and the outcomes of the cases	No confirmed cases were recorded in 2016	✓
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Whistle-blowing procedure is available in the Corporate Code of Conduct	✓

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Verification Statement

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 2016 (hereinafter called "the Report"). The Report stated the overall sustainability performance and efforts made by HAECO Group for the period from 1st January 2016 to 31st December 2016. 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 is prepared in accordance with the Core Option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and The Stock Exchange of Hong Kong Limited's (SEHK) Environmental, Social and Governance (ESG) Reporting Guide.

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 SEHK

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

Director, Corporate Business

June 2017

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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

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