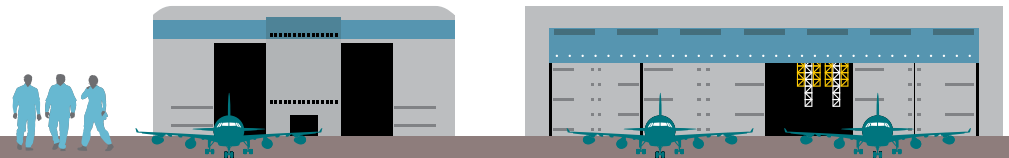




We Paint Our Sky **GREEN**





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Environment



1,280MWh
(1.28 Million kWh)
Renewable Energy Generated



Health and Safety



Reduced
13.5%
Lost Time Injury Rate

Employees



Over
740,000
Training Hours



Community



HKD
3.6 Million
Donations

Business Partners



75
Group Key
Suppliers Surveyed



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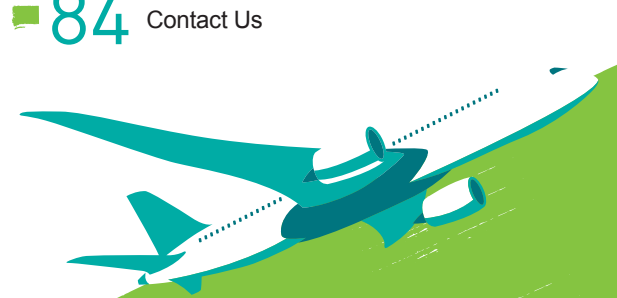
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HAECO operates in a responsible and forward-thinking way, continuously striving to improve our approach towards people, performance and the environment. We aim to be the best-in-class service provider of aircraft engineering and maintenance solutions and a leader in sustainable development within the industries in which we operate.

In this context, I am pleased to present our 2017 Sustainable Development (SD) Report which will update you on our latest initiatives with regards to sustainability.

Safety remains our highest priority as we strive to set the highest quality standards within the MRO industry. We continued to strengthen our Safety Management Systems by promoting and encouraging compliance with international occupational health and safety standards. In 2017, all principal HAECO Group companies in Mainland China and Hong Kong received OHSAS18001 certification. Our strategy on safety improvement focuses on four key dimensions - proactive risk management, development of a proactive safety culture, embedding robust safety management processes and governance and comprehensive hazard reporting. We believe this holistic approach helps us to continually improve our safety performance. In 2017, our Lost Time Injury Rate dropped by 13.5%

compared with 2016. In the future, we will continually review our established safety management systems in order to identify improvement opportunities and enhance the effectiveness and maturity of these systems.

Our success starts with our employees. We invest in talent and offer training and career growth opportunities consistent with HAECO's strategic objectives. In 2017, we continued to participate in job fairs, forums, recruitment events and exhibitions, with a view to attracting potential recruits. We also invest in improving staff amenities and the promotion of healthy lifestyles. As part of our people development strategy, we will continue to provide support for staff in their professional training and career development. In 2017, we provided more

than 740,000 hours of training which is equivalent to over 50 hours of training per employee.

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. We encourage our Group companies to achieve benchmark levels set out within recognised international standards. Technology and digitisation is changing all areas of society and business. Within aviation, digital solutions are driving an evolution in our product and service offerings. We have developed a 'mobility application' for use in our line service operations which

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helps us to improve our efficiency and also save paper. In 2017, our carbon intensity was maintained at approximately the same level as that in 2016. We generate more than 1200 MWh of renewable energy every year across our operations which is equivalent to the electricity used by over 140 households per year. We will continue to explore the potential of using renewable energy within our facilities to help further enhance our energy efficiency and mitigate our impacts on climate change.

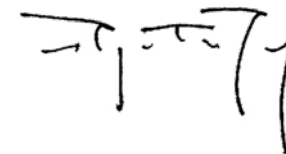
With regards to our procurement practices, the Group favours suppliers who share our sustainability standards. Our suppliers are invited, according to the Group's Supplier Code of Conduct, to demonstrate their commitment to legal compliance, safe operations, environmental protection and the well-being 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 Group is also committed to maintaining strong relationships with the communities in which we operate. In 2017, the Group donated a total of HK\$3.6 million to various community organisations and charitable events. Over 660 volunteers donated 4,000 hours in support of volunteer activities. To encourage staff to volunteer their time, we have established a 'volunteer service leave' scheme.

Looking forward, as new-generation aircraft enter into service, we will face challenges with both our continued sustainable development and our operations. We will be modifying our repair techniques to handle new aircraft and material types and providing safe ground service equipment for our staff to undertake the repairs required. Our operations in Mainland China will also be working to exceed the increasingly stringent environmental regulations and associated enforcement. This increased level of scrutiny is evidenced by the fact we received two 'infringement notices' in one of our Xiamen facilities. Actions have been taken to prevent any repetition and our group companies are

reviewing their environmental management systems to ensure compliance and to continuously improve.

Competition in the industry is severe. In order to provide customers with superior services and to achieve sustainable long-term growth, we have to continuously improve and enhance safety and quality standards, productivity and work processes with a customer-centric approach. We are still committed to ensuring that our companies will operate sustainably and live up to HAECO brand's reputation as we strive to be sustainable leaders within the MRO industry.



Augustus Tang

Chief Executive Officer

May 2018

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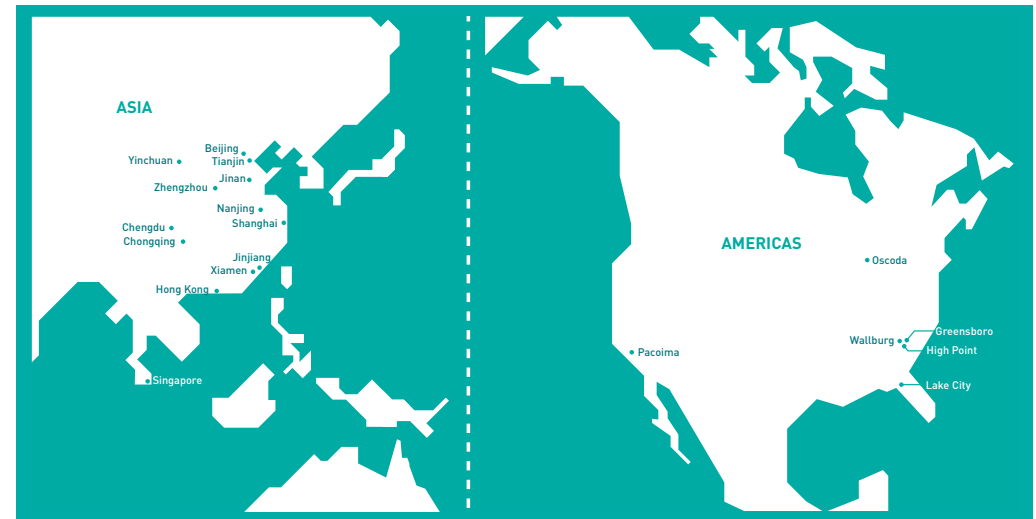
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Hong Kong Aircraft Engineering Company Limited (HAECO or the Group) is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 00044). Established in Hong Kong in 1950, HAECO is one of the world's leading independent aircraft engineering and maintenance groups and one of the largest Maintenance, Repair and Overhaul (MRO) service providers in terms of capacity. Through our 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.

Our services cover Hong Kong, Mainland China, Singapore and the United States of America (United States or USA). Aside from the suspension of operations in Macon, Georgia, there was no significant change in the scope of our operations in 2017. The suspension was isolated to our Macon facility and we have offered affected employees the opportunity to relocate to our facilities in Florida or North Carolina.

HAECO Group Companies and their Services



HAECO Group Services	Hong Kong	U.S.	Mainland China	Singapore
Airframe Services				
Cabin Solutions				
Component Services				
Engine Services				

Please refer to our [Annual Report](#) for details of relevant ownerships and entities at respective service locations.



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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 venture 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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About this Report

This report covers the sustainability performance of HAECO Group in the 2017 calendar year ending 31 December. We update our performance on an annual basis. Our previous report was published in July 2017.

Scope of this Report

Across the Group, sustainable development 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
- Business Partners
- Community

This report covers principal subsidiaries and joint venture companies which would materially affect the results or assets of the Group and have a significant impact on the community and the environment.

- 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”)

- HAECO Composite Structures (Jinjiang) Co. Ltd (“HAECO Composite Services”) previously Taikoo Spirit AeroSystems (Jinjiang) Composite Company Limited (“HAECO Spirit AeroSystems”)
- HAECO USA Holdings, Inc. (“HAECO Americas”)
- HAECO Component Overhaul (Xiamen) Limited (“HAECO Component Overhaul (Xiamen)”)



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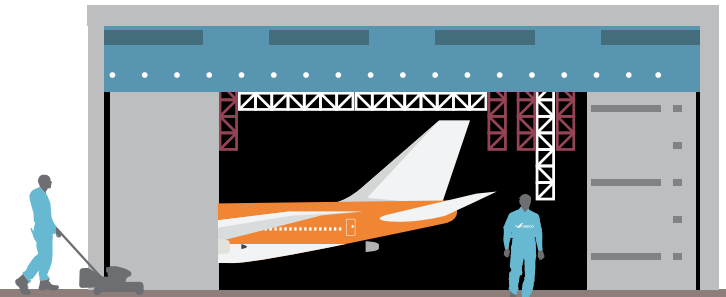
The content of this report is defined through a systematic process which includes identifying material topics, assessing materiality and topic boundaries, preparing and validating the information reported and reviewing and addressing stakeholders' feedback in our reporting. This report includes key issues relevant to different stakeholder groups based on our continual engagement with stakeholders in its daily operations.

This year, we have expanded carbon emissions disclosure to include business travel by air at HAECO Americas and have discontinued reporting the performance of Macon facilities at HAECO Americas upon its suspension in November 2017.

Reporting Standards and Assurance

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and fulfils the “comply or explain” provisions of the recommended disclosures of the Environmental, Social and Governance (ESG) Reporting Guide published by Hong Kong Exchanges and Clearing Limited (HKEx). A GRI Content Index and an ESG Reporting Guide Content Index are set out in the Standard Disclosures & Performance Indicators section.

Reasonable assurance was provided by the Hong Kong Quality Assurance Agency (HKQAA) in accordance with the International Standard on Assurance Engagement (ISAE) 3000. The scope and basis of the verification are set out in the Verification Statement in this report.



Corporate Governance and Sustainability Management

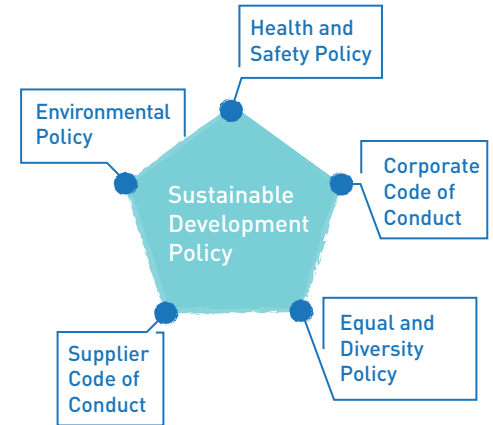
Our Sustainability Vision

At HAECO, we create long-term value for our shareholders through the sustainable development of our businesses and the communities in which we operate. We are committed to improving our approach towards people, performance and the environment.

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

Sustainable Development Policy and Strategy

Our Sustainable Development Strategy governs the way each operating company pursues sustainability within its own business. We have also developed specific policies or codes of conduct to address particular issues under our five pillars of Environment, Health and Safety, Employees, Business Partners and Community. All companies in which HAECO Group has a controlling interest will have action plans for applying these policies in a way which is relevant to their business. The policies are regularly reviewed and stakeholder feedback is taken into account.



Sustainable Development Policy



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Corporate Governance

The Company is governed by a Board of Directors, which has responsibility for strategic leadership and control of the Group designed to generate value for our stakeholders, including our shareholders.

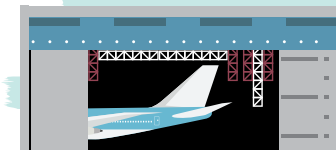
The Board of Directors and the management team have a responsibility to identify and analyse any risks underlying the achievement of business objectives, to determine how such risks should be managed and mitigated and review strategies and specific action plans. The Board is ultimately accountable for sustainability matters. Information on sustainability risks and performance is reported to the Board on a regular basis.

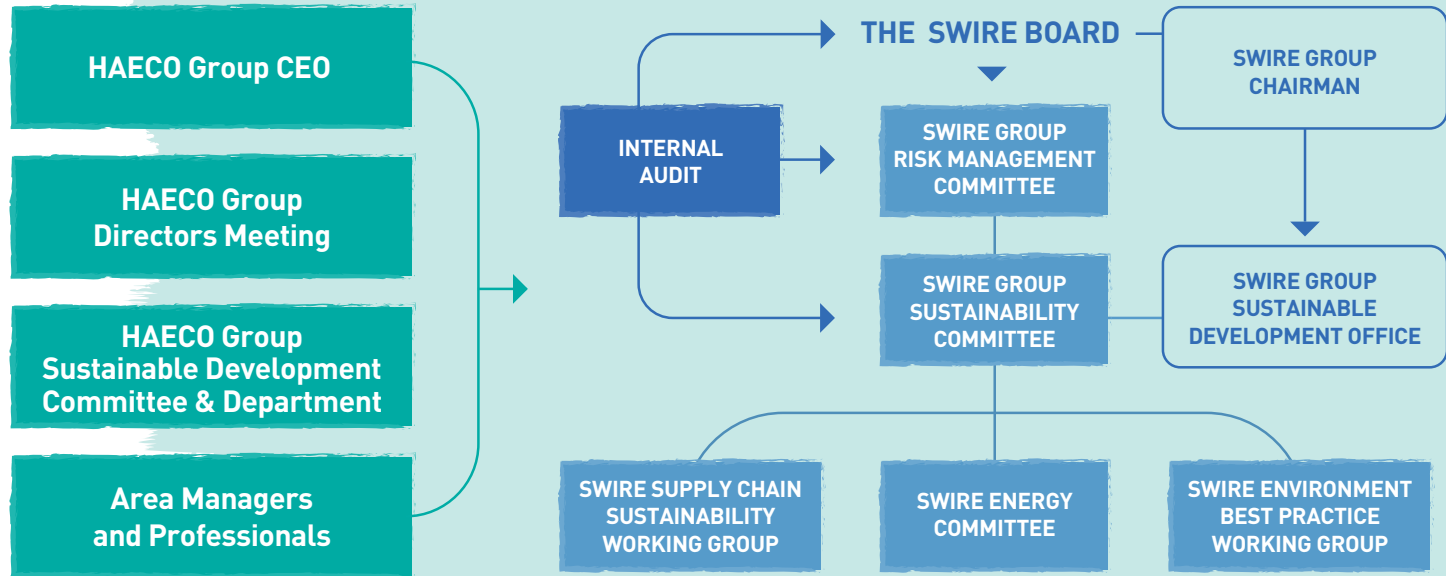
Our Sustainable Development Department, which reports directly to our Chief Executive Officer, will drive Group-wide initiatives across our business according to the

strategic direction set by the management. Group professionals and the workforce in respective companies will support our sustainability agenda.

As a subsidiary of Swire Group, HAECO Group reports on sustainability management matters to the highest governance body – the Board of Directors at Swire Pacific. In turn, the Board at Swire Pacific 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 Environmental Best Practices, Energy 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 2017 (p.94)*. Further discussion of our approach to risk management and financial risk management is in the Risk Management section of the Corporate Governance Report in the *HAECO Annual Report 2017 (p.39)*.





Governance Structure for Risk Management at HAECO and Swire Group

Internal Review

An internal review on sustainability management is conducted through a self-assessment questionnaire (SAQ) designed by the Swire 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 2017 (p.43)*.

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 dialogue, face-to-face meetings, questionnaires and focus group discussions.

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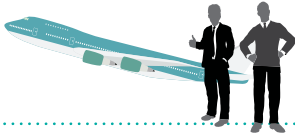



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	Major Stakeholders	Engagement Channel
	Shareholders/Investors	<ul style="list-style-type: none"> • Annual general meeting and notices • Regular corporate publications, including annual reports, financial statements and announcements • E-newsletter and website • Direct communication
	Aviation Authorities	<ul style="list-style-type: none"> • Regular audits and inspections • Monthly reports • Ad hoc working meetings • Occasional cases for investigation • Regular meetings on regulatory matters
	Airport Authorities	<ul style="list-style-type: none"> • Close and continuous discussions • Reviews of operational performance via working group meetings • Tenant contracts • Regular audits and inspections
	Customers	<ul style="list-style-type: none"> • Customer representative offices • Regular reports • Liaison meetings, E-newsletter and website
	Employees	<ul style="list-style-type: none"> • Work Consultation Committee and Staff Association meetings • Internal newsletter and intranet • Employee surveys • Employee welfare society activities
	Suppliers	<ul style="list-style-type: none"> • Supplier Survey on CSR Code of Conduct • Site inspections or third party audits • Meetings on an as-needed basis • Questionnaire for new suppliers

HAECO's major stakeholder groups and engagement channels

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Highlight of 2017 Sustainability Engagement Events

Engagement Event	Key Interests of Relevant Parties and Actions Taken in 2017
Swire Sustainable Development Forum	<p>Swire Pacific Group's senior management is committed to embedding sustainable development in their business strategy.</p> <p>HAECO Group will work together with the Swire Sustainable Development Office to address key sustainability challenges.</p> <p>HAECO Group has actively participated in the forum and has shared our strategy on tackling climate resilience and how to effectively embed a strong safety culture in our companies.</p> <p>Please refer to the Environment and Health and Safety sections in this report for relevant initiatives.</p>
Airport Authority Hong Kong's Carbon Reduction Programme	<p>To support the Hong Kong International Airport's ambition to become one of the world's greenest airports, HAECO Hong Kong is actively engaged with Airport Authority Hong Kong to address the impact of climate change.</p> <p>HAECO Hong Kong has shared its experience with the airport community and pledged to support AAHK's carbon reduction programme. We will improve our energy efficiency through various initiatives.</p> <p>Please refer to the Environment section in this report for relevant initiatives.</p>

External Commitments

HAECO Group is also actively engaged in the following associations:

HAECO Hong Kong and HAECO Xiamen

- International Airlines Technical Pool (IATP)

HAECO Americas

- The Aeronautical Repair Station Association (ARSA)
- North Carolina Chamber of Commerce
- Columbia County Chamber of Commerce
- Greensboro Partnership

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Materiality Assessment

We undertook a comprehensive survey of all our key stakeholder groups to further understand 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.

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 GRI framework. This exercise helps us to understand stakeholders' expectations

and refine our future sustainability strategies. Material issues of a high priority are discussed in detail in this report.



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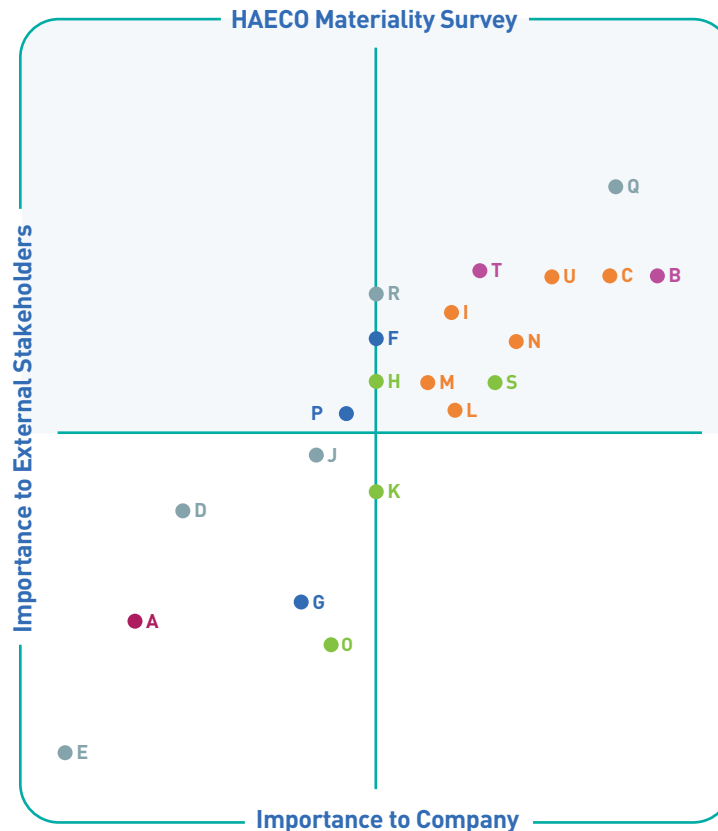
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Ranking	Issues	Index	Our SD Pillars	Impact	
				To our services	To our stakeholders
1	Compliance	Q		•	•
2	Occupational Health and Safety	B		•	•
3	Labour/Management Relations	C		•	•
4	Training	U		•	•
5	Employment	N		•	•
6	Effluents and Waste	S		•	•
7	Customer Health and Safety	T		•	•
8	Anti-corruption	I		•	•
9	Human Rights and Non-discrimination	L		•	•
10	Diversity and Equal Opportunity	M		•	•
11	Economic Performance	R		•	•
12	Customer Privacy	F		•	•
13	Emissions	H		•	•
14	Energy	K		•	•
15	Materials	P		•	•
16	Water	O		•	•
17	Grievance Mechanism	J		•	•
18	Procurement Practice	G		•	•
19	Indirect Economic Impacts	D		•	•
20	Local Communities	A		•	•
21	Freedom of Association and Collective Bargaining	E		•	•

We have evaluated our business risks and opportunities by benchmarking against the United Nations Sustainable Development Goals (UN SDGs). Based on our business focus, we have identified the relevant UN SDGs that will guide us to develop long-term performance standards and targets.

HAECO's Initiative	Relevant UN SDG
<p>Environment</p> <ul style="list-style-type: none"> Protect our environment through de-carbonisation, water conservation, waste reduction and adoption of renewable energy 	  
<p>Safety</p> <ul style="list-style-type: none"> Safeguard the health and safety of all our stakeholders as far as is reasonably practicable in all our operations 	 
<p>Community</p> <ul style="list-style-type: none"> Promote good relationships with our communities Support causes addressing youth development, children, the underprivileged and the environment 	
<p>Business Partners</p> <ul style="list-style-type: none"> Promote sustainable material choices and actively seek to select and work with suppliers who exceed compliance with laws and regulations by setting standards that are expected of an industry leader 	
<p>Employees</p> <ul style="list-style-type: none"> Strive to be the employer of choice by providing an environment in which all employees are treated fairly and with respect and can realise their full potential 	  

Recognition for Reporting

In 2017, HAECO Group responded to the CDP (formerly the Carbon Disclosure Project) Climate Change Information Request and scored a B rating.

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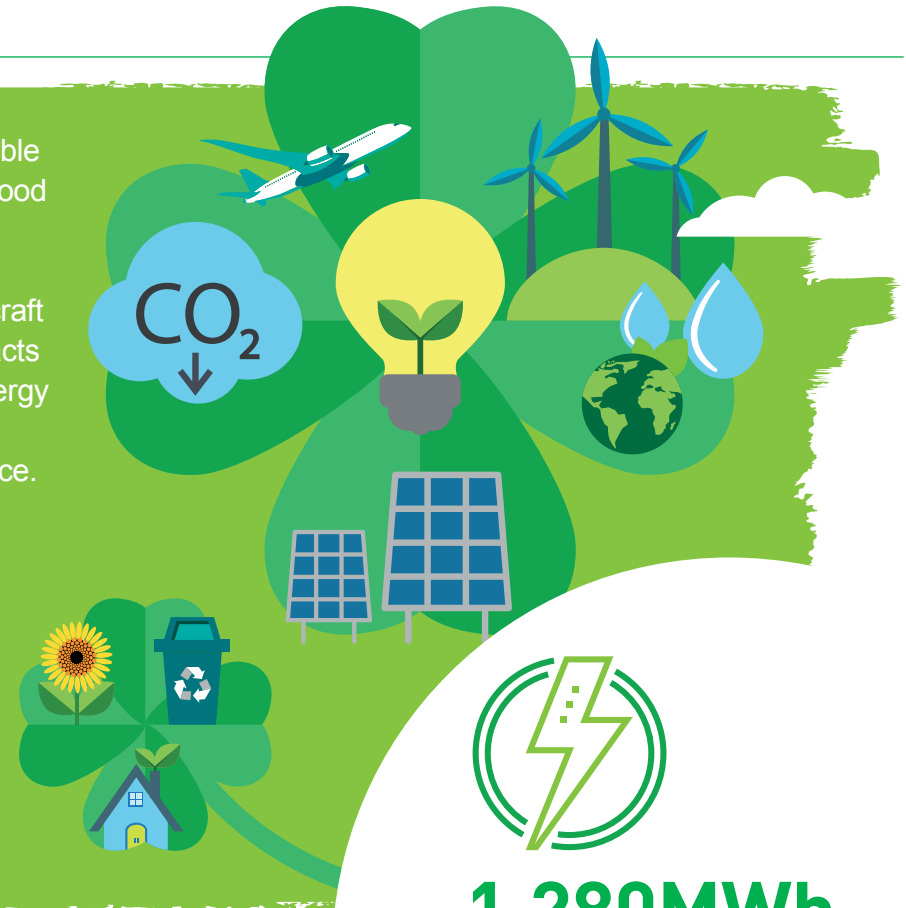
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ENVIRONMENT

HAECO's vision is to be recognised as a sustainable 'green' MRO service provider by striving to be a good steward of the natural resources and biodiversity under our influence. By providing quality MRO services, we help to enhance the efficiency of aircraft and alleviate the aviation industries' adverse impacts on the environment. We carefully manage our energy use, emissions and waste in accordance with relevant laws, regulations and industry best practice.



1,280MWh
(1.28 Million kWh)
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Our Environmental Management System and Environment Strategy

All group companies should manage their environmental responsibilities and develop their own environmental management system. HAECO promotes and encourages compliance with international standards such as ISO 50001 for energy management and ISO 14001 for environmental management. We encourage our principal companies to adopt the ISO 14001 framework in 2018, especially in Mainland China where environmental requirements are becoming more stringent. HAECO Hong Kong and HAECO Xiamen have already acquired ISO 14001 certification for some of their facilities.

HAECO's own environment and energy strategy continues to support the Swire sustainability strategy, SwireTHRIVE which drives initiatives to pursue decarbonisation, better waste and water management, sustainable material sourcing, the protection of our biodiversity and building long-term climate resilience.

We have set clear roles and responsibilities. The HAECO Group Environment & Energy Committee and group company 'task-forces' monitor the performance, identify emerging environmental risks and respond to environment related concerns and ideas from our employees.

Our Most Material Topics

Within our materiality assessment, our stakeholders have identified the following environmental topics as material to the development of the HAECO Group.

Environmental Compliance GRI [306-3, 307-1]

HAECO is committed to ensuring that its affairs are conducted in accordance with high ethical standards and compliance with laws and regulations. We aim to be a good steward of the natural resources and biodiversity under our influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed.

Emissions/Energy

GRI [302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5]

Greenhouse gas (GHG) emissions are directly linked to global climate change. Indirect GHG emissions from our electricity consumption contributes most of our carbon footprint. As a responsible organisation, we are committed to improving our operational efficiency through innovation, investing in energy-efficient equipment and working closely with our business partners.

Effluents and Waste GRI [303-1, 303-3, 306-1, 306-2]

We adopt responsible waste management practices including avoidance of waste, source reduction, reuse, recycling and responsible disposal. We monitor the quality of our effluents to ensure compliance with any discharge licence conditions when it is returned to the environment.

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Environmental Regulations and Compliance GRI [306-3, 307-1]

We strive to comply with all applicable laws and regulations and to 'go beyond' those legal requirements.

We track any confirmed cases of regulatory non-compliance and report/disclose where legal sanctions have been imposed. We treat all 'minor' environmental incidents seriously in order to identify improvements and prevent any potentially more serious cases.

Unfortunately, we had two environmental 'non-compliance cases' at our HAECO Landing Gear Services facility in 2017 due to the malfunction of some components in an air filtration system and discharge of effluent which exceeded the required limits. The local authority has imposed sanctions totalling RMB400K. The site has repaired the malfunctioning parts and the accidental discharge was immediately addressed. Actions have also been taken to prevent any repetition. We did not receive any record of significant chemical/ oil spills within the reporting period.

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. We work with our business partners to reduce our emissions and encourage the use of renewable energy. We compare our performance against the preceding year and the base year (2015).

Our Carbon/Energy Footprint

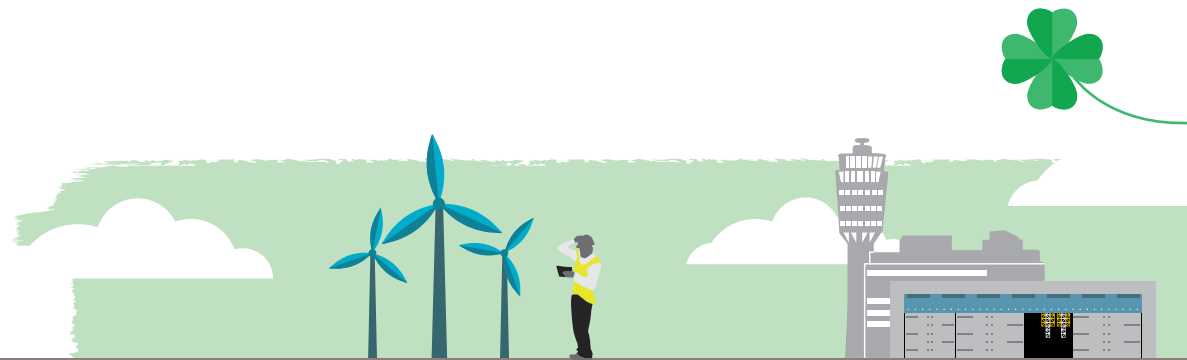
GRI [302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5]

In 2017, our total greenhouse gas emissions generated from operations amounted to 106,600 tonnes of carbon dioxide equivalent*¹ (CO₂e) and our carbon intensity was 3.10 CO₂e/man-hour worked. We maintained our performance as of 2016 and the base year.

Energy consumption is also monitored. Our total emissions generated from operations were equivalent to approximately 862,400 GJ of energy consumed, with an energy intensity of 25.05 MJ/manhour worked. Our energy intensity this year was 3.3% higher than our performance in 2016 and the baseline. The increase was mainly attributed to more jet fuel from engine repair and diesel consumption due to the introduction of new transportation modes at the airfield in Hong Kong.

We also measure our emissions from business travel, which was expanded in 2017 to include data from HAECO Americas. Carbon emissions from business travel by air at HAECO Group was approximately 2,400 tonnes CO₂e.

¹ We included CO₂, CH₄ and N₂O in our calculation of scope 1 and scope 2 GHG emissions



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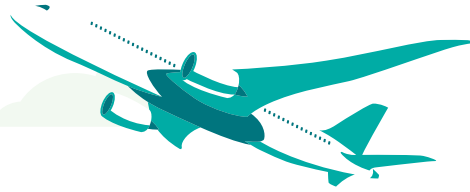
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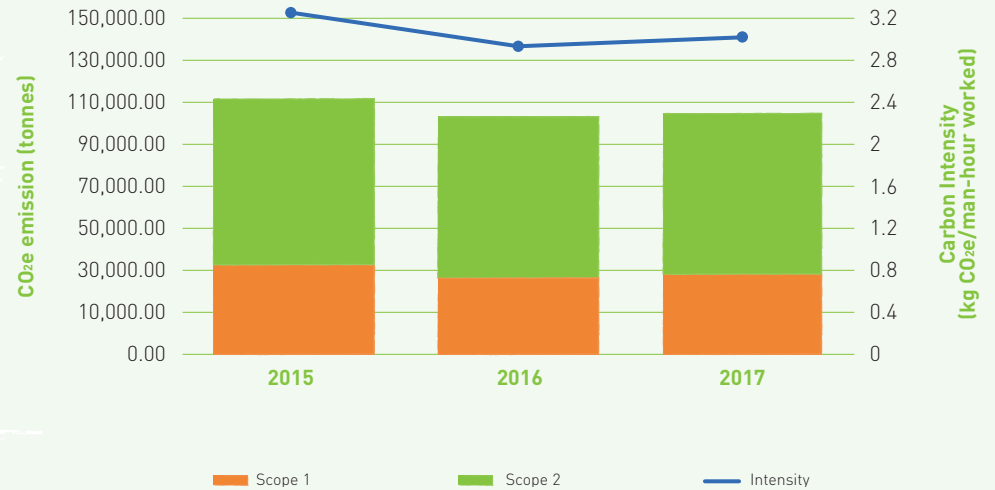
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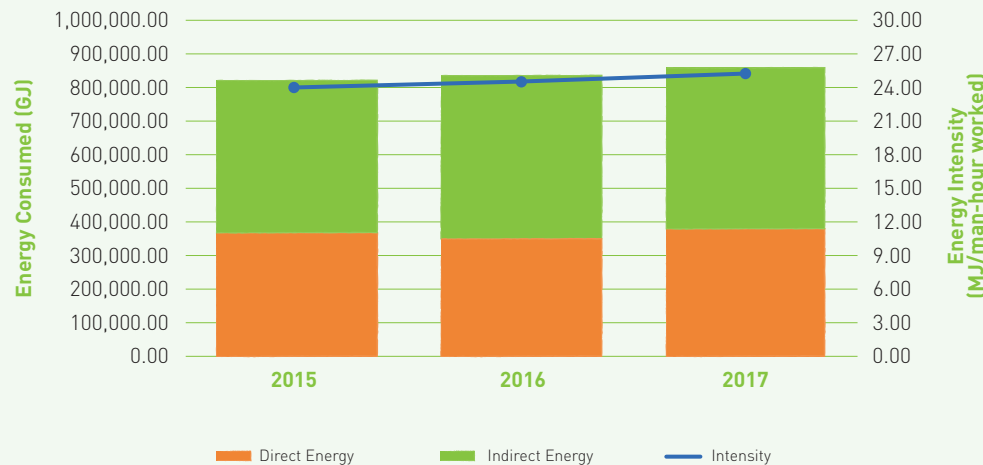
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Carbon Emissions Performance



Energy Performance



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Our Approach to Managing Climate Change

Reduce Consumption

We continue to implement various energy saving and efficiency measures across our facilities. Electricity consumption accounts for approximately 72.5% of our carbon footprint. Over the years, we have invested in the latest energy efficient systems for our operations. The principal companies in the HAECO Group are required to carry out energy audits every five years, to manage their impact on the environment and to look for opportunities to save energy.



Electricity	72.5%
Aviation fuel for engine tests	12.6%
Fuel for vehicles	10.4%
Others	4.5%

HAECO's Carbon Footprint

HAECO Hong Kong engaged a consultant with a view to managing its buildings better. TEXTL installed a new air handling unit for their air conditioning system. HAECO Composite Services installed smart controls on the air compressor. The Group is using more LED lights and motion sensors.

Highlight Story


Aircraft maintenance hangars need high levels of visibility in order for personnel to detect defects in airplanes and make repairs. It may account for over 40% of the electricity consumed by the lighting system. The appropriate adoption of natural light can help to maintain the visibility required and can lead to substantial energy savings. HAECO Xiamen has identified this opportunity and installed lumino-sensors which can automatically control hangar lights to maintain optimal levels. Introduction of the new system has helped us to save around 160,000kWh a year.



HAECO Xiamen introduced lumino-sensors to increase natural light adoption.

Renewable Energy

The Group's objective is to make maximum use of renewable energy in all daily operations. In 2017, solar panels at HAECO Xiamen's premises generated approximately 1,280MWh of electricity. HAECO Hong Kong has conducted a trial of a micro-wind turbine for electricity generation and continues to adopt solar panels in its main office, mobile planning office and windscreen working stands.

1,280MWh = 
143 household electricity use for one year

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Water and Effluent Management GRI [303-1,303-3]

Fresh water is a precious natural resource. We manage our water use by reducing water consumption, increasing efficiency and optimising our day-to-day operations.

Our Water efficiency

We consumed 647,400 m³ of water from municipal water supplies in 2017. Our water intensity was 18.81 liters/man-hour worked, 10.9% less than 2016 and roughly the same as the intensity recorded in our base year.

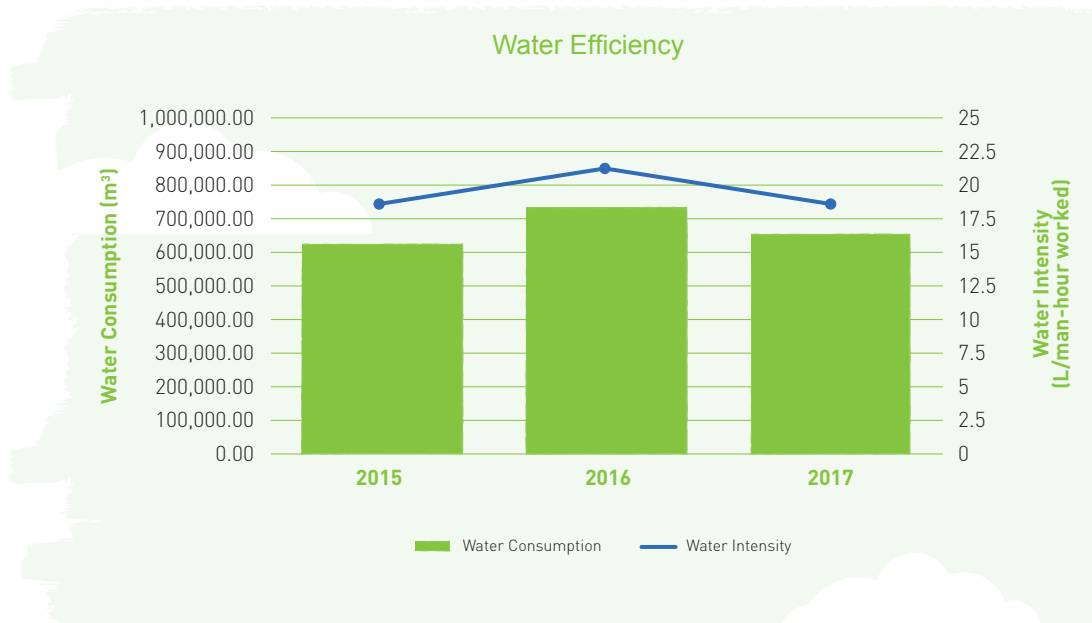
Our Approach to Improving Water Efficiency

Reduce

Our group companies implement a wide range of water conservation initiatives in their facilities including automatic taps and water saving nozzles on water taps. HAECO Hong Kong captures rainwater for use in their sanitary flushing system. HAECO Americas and HAECO Xiamen have also modified their sanitary flushing systems. TEXL modified their chemical cleaning process and reduced the amount of both solvents and water required.

Reuse

HAECO Group encourages recycling and the reuse of treated wastewater. To facilitate this process, wastewater must meet, or be better than, the legal requirement. All principal HAECO Group companies have wastewater treatment plants to handle the wastewater generated from their work process. We monitor the quality of our effluent and reuse as much wastewater as possible.



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HAECO Xiamen uses treated wastewater for green field irrigation, car cleaning, toilet flushing and watering of the apron to lower temperatures during the summer. TEXTL makes use of treated water for flushing and greening. Recycled and reused water accounted for 8.0% of the total water drawn.

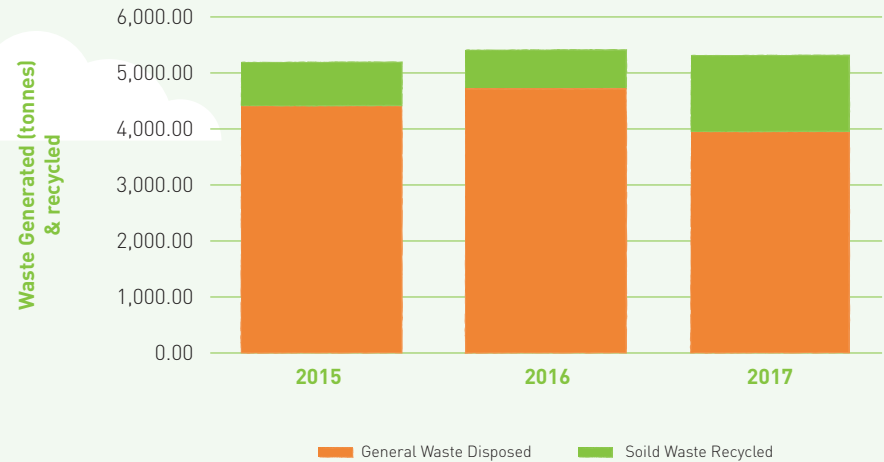
Waste Management GRI [306-1, 306-2]

Waste is a common problem in all societies. With diminishing landfill space, there is an increasing need for us to minimise our waste and to reuse and recycle.

Our Waste Profile

We monitor our general waste generation. In 2017, we disposed of approximately 4,000 tonnes of general waste, 15.1% less than 2016 and 9.2% less than our base year.

General Waste Profile

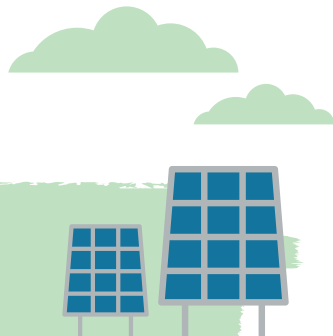


Our Approach to Managing Waste

Reduce and Reuse

We encourage group companies to reduce waste by improving procurement operations and by using less packaging and more sustainable

materials. Paper is one of the key materials used. Group companies are encouraged to use FSC paper, set up double sided printing by default on printing/copying machines and re-use single sided printed paper.



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Highlight Story

HAECO Hong Kong is heading towards a 'paperless operation' by utilising mobile technology. A mobile application has been deployed in line services to provide real-time work-related information including flight schedules, job assignments, notification of flight changes and weather alerts. After its full implementation, the on time performance has improved while also saving approximately 120kg of paper every year.



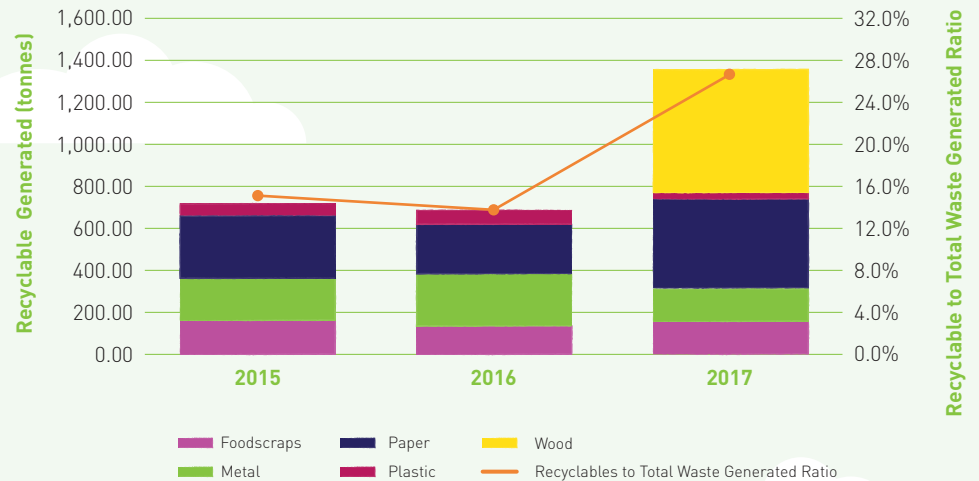
Mobile Application deployed in Line services at HAECO Hong Kong

Recycle

We strive to maximise the amount of waste diverted from landfill. Our recycled waste profile has been extended to cover wood recycling. In 2017, the recyclables

to waste disposal ratio was 25.1%, 90.8% and 80.2% better than 2016 and our base year, respectively. HAECO Hong Kong and HAESL continue to recycle food waste.

Recycled Materials Profile



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Highlight Story

HAECO Hong Kong and HAESL aim to reduce the volume of general waste going to landfill. In 2017, both companies have implemented various segregation programmes and better contractor controls to ensure our wooden waste is sent to an appropriate recycler.

HAECO Hong Kong and HAESL have increased the number of plastic recycle bins within their premises and educated the staff to place clean plastic in the appropriate recycle bin. HAECO Hong Kong has introduced a compactor to compress bulky waste such as plastic packaging. The results have been very encouraging.



Recycling Facilities at HAECO Hong Kong

Our Environmental Awareness

In order to raise the environmental awareness of our staff, all our operating companies have established their own communication channels including mobile applications, staff notices and regular publications. We also provide various training programmes to staff for skill enhancement.

Highlight Story

HAESL and HAECO Xiamen support “Earth Hour 2017”. HAESL has organised a ‘free electric’ bike race to light up a LED backdrop at the event venue. Staff pedalled to deliver a total of 58Wh. The event reminded us that we can live in a sustainable way.



Pedalling to support Earth Hour at HAESL



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Recognition and Awards

- Gold Award in “2017 Hong Kong Awards for Environmental Excellence”
- Presentation at World Sustainable Built Environment Conference 2017 Hong Kong
- Hong Kong International Airport Environmental Management Recognition Scheme – Class of Excellent
- China Light & Power (CLP) Green Plus Award 2017 - Smart Business Energy Saving Award



Award Presentation at CLP Green Plus Award 2017

2017 Progress Update

Objective	Progress	Remarks / Comments
Set up ISO 50001 framework for all Asia Pacific principal group companies	On-going	We intend to set up ISO 14001 at Asia Pacific principal group companies first because of the more stringent legislative requirements in Mainland China
Explore opportunities to extend the application of Intelligent Energy Building Management Systems to HAECO Group principal group companies	On-going	HAECO Hong Kong has engaged a consultant with a view to managing its building better. We are exploring opportunities to extend the application in our companies in Mainland China
Develop HAECO Energy Efficiency “Best Practice Standard”	Completed	A HAECO Energy Efficiency “Best Practice Standard” has been developed

2018 Action Plans

Key Action Plans

- Set up ISO 14001 framework for all principal group companies in Mainland China
- Revamp our Environment and Energy Strategy

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HEALTH AND SAFETY

Health and Safety is deeply integrated in our business operations as we strive to set best-in-class quality standards within the MRO industry. In order to protect our employees and deliver value to customers, we are committed to providing a more sustainable, safer and healthier workplace for our staff, customers and other stakeholders.



Reduced
13.5%
Lost Time Injury Rate

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Our Safety Management Approach

We adopt the OHSAS 18001 international standard for occupational health and safety management. This standardised safety management approach assists our operating companies to develop policies and guidelines which fit their operational needs and mitigate risks. All principal HAECO Group companies in Mainland China and Hong Kong have received the OHSAS18001 certification.

We have developed clear safety roles and responsibilities for all staff. Our Group Health and Safety Committee and safety committees in respective companies, monitor safety performance, alert management to the existence of workplace hazards or unsafe practices and respond to any safety concerns from our employees. We regularly report our safety performance in executive committee meetings which are led by our Chief Executive Officer.

Our Most Material Topics

In the materiality assessment, our stakeholders have identified the following safety related topics as material to the development of HAECO Group.

Health and Safety Compliance GRI [419-1]

HAECO is committed to achieving a high standard of health and safety and ensuring compliance with laws and regulations is a basic requirement.

Occupational Health and Safety GRI [403-2]

Staff are our greatest asset in achieving our business objectives. We need to provide and maintain safe and healthy working conditions for all employees and others who may be affected by our business activities.

Customer Health and Safety GRI [416-1]

Customers expect products and services to perform as their intended functions and to their satisfaction. We focused on our customers' needs by delivering the highest operational standards and continuously increase the range, depth and quality of our airframe, engine, component and cabin services.

Health and Safety Compliance GRI [419-1]

HAECO strives to comply with all applicable laws and regulations and voluntarily follows other standards that go beyond the legal requirements. We take safety related incidents seriously, even minor ones, in order to identify and prevent precursors for potentially more serious issues. We track regulatory related issues and report on confirmed cases where legal sanctions have been imposed.

In the reporting period, we are not aware of any confirmed cases of non-compliance.

Our Occupational Health and Safety Performance GRI [403-2]

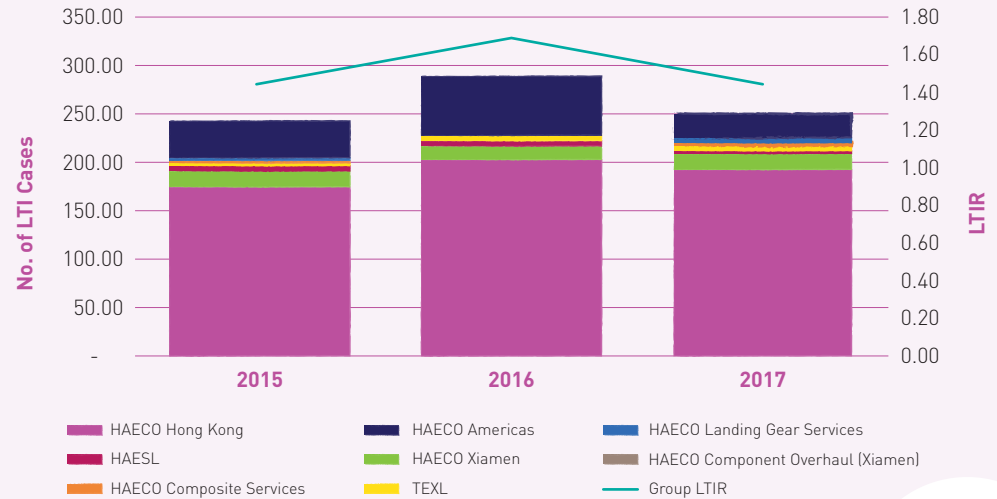
Measurement is an important part of any management process and forms the basis of continuous improvement. HAECO is shifting our focus to measuring leading indicators which should help to predict future performance. We are in the process of identifying the most effective leading indicators to drive positive safety performance.

We report our Lost Time Injuries (LTIR) Rate and Lost Day Rate (LDR) as individual indicators for benchmarking. In 2017, we record a total of 249 LTI cases, which represents a decrease of 13.5% in the Lost Time Injury Rate.

The number of lost days incurred was 12,584 days. The lost day rate (LDR) increased by 10.4% from 2016.

In the reporting period, we are not aware of any work related fatalities for our employees and workers.

Lost Time Injury Performance 2015-2017



Remark:

Lost Time Injury Rate represents the number of lost time injuries per 100 employees per year. It is calculated as the 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 per year. Lost Time Injury is defined as a work-related injury that results in one or more lost days or lost shifts.

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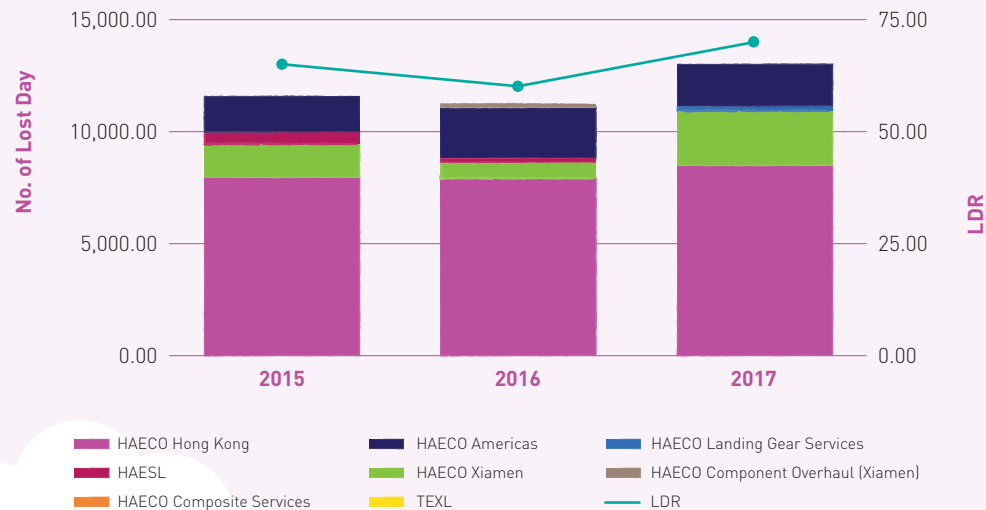
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Lost Day Performance 2015-2017



Remark:

Lost day rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total lost day 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 per year. A lost day occurs when, in the opinion of the physician, the employee cannot work. Lost Days are counted as calendar days where counting begins the first day following the injury and ends when the person returns to full duty, receives a permanent job transfer or leaves employment.

Our Continuous Improvement Journey

We focus on four key dimensions to improve our safety performance:

- Proactive risk management. We want to identify, review and mitigate risks better. We want to prepare, test and coordinate risk management and safety plans and crisis management protocols.
- Development of a safety culture. We want attitudes to safety to be more positive and less reactive and to improve training, communications and leadership.
- All round safety management. We want to understand hazards by analysing incidents, to improve investigation of the root causes and to review the management of health and safety.
- Comprehensive hazard reporting. We want to identify hazards, to analyse them and to reduce or eliminate the risks associated with them. To do this, we want to report hazards and measure leading safety indicators.

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Proactive Risk Management

Proactive risk management helps to improve our ability to avoid or manage both existing and emerging risks as well as to adapt quickly to unwanted events or crises.

To achieve this, we need to ensure we build up a common terminology and understanding in respect to risk assessment. HAECO adopted the bow tie model as our standard tool. The tool creates a clear differentiation between proactive and reactive risk assessment. It provides an overview of multiple plausible scenarios that could exist around a certain hazard. The new system can help to manage the umbrella of risks from the corporate level down to the job or task level. Management can visualise and ensure all significant risks are identified, prioritised and managed effectively. Safety representatives from our operations will be trained in 2018 to increase their job knowledge about where and why safety hazards exists.

Crises and emergencies are potential threats to our business operation and may result in workplace injuries or illness. To prepare staff to effectively respond to an emergency when it is least expected, proper planning in advance is necessary. All group companies are required to prepare a crisis response plan, management manual and a business continuity plan to deal with emergencies and crises. There are also detailed recovery plans in place. All group companies have performed annual drills to test the effectiveness of the system.



Emergency Radiation Drill at TEXL

Development of a Safety Culture

A safety culture is based on a set of values, attitudes, perceptions, competences and patterns of behaviour. Creating excellence and elevating the safety cultural maturity from “Dependent” to “Independent” is one of the Group’s primary objectives.

Highlight Story

HAECO Hong Kong has introduced a safety culture management plan. It engaged a manual handling expert to train staff to reduce related injuries. Manual handling observers were also trained to maintain the momentum of the programme which engages all levels of staff to make changes and create a positive engagement culture.



HAECO Hong Kong management passed an Olympic torch around the company as a symbolic sign in “transferring safe manual handling skills to all staff”

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Highlight Story

HAECO Xiamen launched a pledge campaign to raise staff awareness. A learning culture was cultivated by transforming traditional standard operation procedures into an occupational health and safety knowledge competition which raised staff interest in safety related knowledge and promoted healthy competition between departments.



HAECO Xiamen Safety Promotion Programme

There are other examples of safety culture development. HAESL launched a “Stop, Think then Act Safely” campaign to promote the importance of spatial awareness and a good safety attitude in the workplace. The Campaign includes safety training sessions, newsletters, wall posters and a TV slideshow in the workshop. HAECO Composite Services initiated a safety culture survey to

understand the safety perception of staff. HAECO Hong Kong launched an electronic safety message board.

All Round Safety Management

We have a sound safety management system. We engage our people to make changes and we review our operating process for better safety performance.

HAECO Americas have been researching the use of a new type of ladder that can be used to provide better access during maintenance work which reduces the need to overstretch - particularly around the engine pylon area where we often experience challenges in gaining suitable access.

HAECO Landing Gear Services designed a ‘cooling device’ that helps cool the staff during painting operations when they are wearing full protective overall suits.



Tailor made Cooling Overall Suit at HAECO Landing Gear Services

We standardised our incident investigation methodology to ensure all companies adopt a systematic approach to identifying factors that lead to an incident. We can then examine what improvements are necessary to improve the work environment or make necessary changes to our organisational procedures. In the reporting period, we trained our in-house safety professionals in our principal companies in Asia-Pacific in the use of the incident investigation methodology.

In order to enhance the services for injured staff and encourage them to return to work at a suitable time, the Group established a post-LTI management programme. HAECO Hong Kong and HAECO Americas have adopted this programme to help their staff resume their work duties.

We consider contractors and visitors part of the HAECO family and care for their safety. We require our contractors to deliver materials and services in compliance with relevant laws and regulations. We have established safety guidelines for our visitors. We wish to ensure all our visitors understand our safety requirements before entering our premises.

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Highlight Story

To share our safety requirements with contractors and visitors, HAESL has developed a corporate safety video to ensure that all people who are new to the facility are aware of HAESL's safety policy and requirements.



HAESL Corporate Safety Video

Comprehensive Hazard Reporting

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

HAECO Americas introduced a new safety points programme to reward employees to report hazards, participate in safety and show leadership within the company. It is expected this will lead to an increase in the reporting of near misses.



Customer Satisfaction and Service Responsibility^[416-1]

As part of our uncompromising commitment to safety and quality, we regularly organise internal and external audits to ensure all significant services meet or exceed the requirements of the regulatory authorities and our customers. HAECO takes every incident seriously. In cases of nonconformities, HAECO will perform 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 safety audits, our customers and aviation authorities also carried out audits of HAECO Group companies. On average, there are approximately 600+ external audits per year, or at least 2 audits per week for each company covering all significant products and services. In 2017, no significant complaints or findings were identified and we are not aware of any products sold or shipped being recalled for safety reason.

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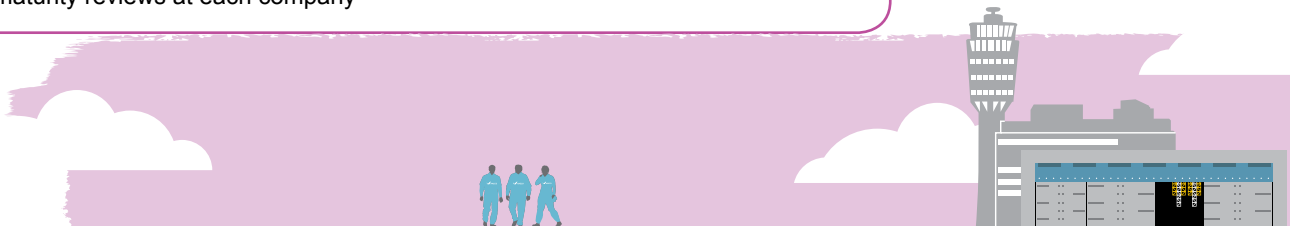
2017 Progress Update

Objective	Progress	Remarks / Comments
Acquire OHSAS 18001 accreditation at HAECO Group companies in Xiamen	Completed	All HAECO Group principal companies in Xiamen have acquired OHSAS 18001 certificate
Standardise the accident investigation methodology	Completed	Safety professionals were trained at respective sites. Operational staff at respective sites will be trained to facilitate the investigation process.
Carry out manual handling training for staff at HAECO Hong Kong	Completed	Manual handling training was completed.

2018 Action Plans

Key Action Plans

- Review safety management systems deployed to enhance the effectiveness and maturity of each element within the system
- Deliver event investigation training to operational staff across HAECO Group business units
- Implement Job Safety Analysis (JSA) programme using the Bow Tie Risk Assessment Methodology
- Undertake Safety Culture maturity reviews at each company



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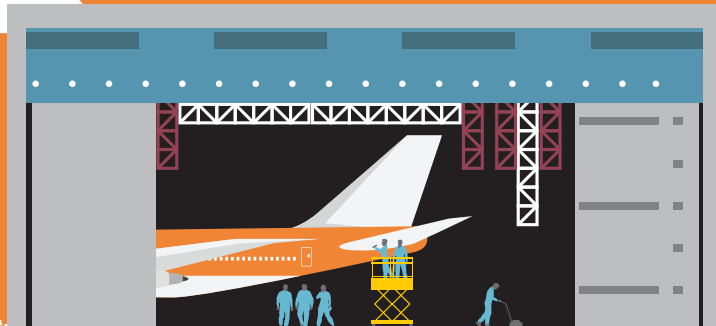
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EMPLOYEES

Our professional and dedicated employees are fundamental to achieving our goals of driving sustainability as the best-in-class MRO service provider. Therefore we nurture and enable our staff to realise their full potential by providing abundant training opportunities and a harmonious and equal opportunity working environment.

We aim to be an employer of choice by providing an environment in which all staff are treated fairly and with respect.



Over
740,000
Training Hours

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Our Human Resources Management Approach

HAECO Group aims to offer competitive remuneration and benefit packages to our staff in the form of salary, incentive pay and allowances, healthcare benefits, paid leave for various purposes and education and training in order to attract and retain talent of a suitable calibre.

We believe in equal opportunities for all our employees. We recognise that our businesses benefit from the diversity of our workforce and our management. So it follows naturally that we encourage diversity and its concomitant, equal opportunities. The Board has a broad diversity policy, aiming to achieve a diverse business environment in the best interests of its shareholders. The policy is available on our group's website and is published in the corporate governance reports in the group's annual reports. We also intend to cooperate fully with the Equal Opportunities And Diversity Council of John Swire & Sons (H. K.) Limited in the achievement of these objectives.

HAECO Group aims to act ethically and with integrity at all times. We have a Corporate Code of Conduct (the Code), which is posted on our website. It is an obligation of HAECO employees to follow the Code and employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary actions.

We will continue to provide high standards of training to enhance staff capabilities and promote a learning culture. Different development programmes are available for staff to progressively realise their career path.

Our Most Material Topics

In the materiality assessment, our stakeholders have identified the following employee related topics as material to the development of HAECO Group.

Recruitment and Employee Relations

GRI [401-1, 402-1]

HAECO prides itself on being a long-term employer and is committed to developing a harmonious working environment for our staff to advance their careers. Our Human Resources Departments in respective companies will provide support to our employees and strive to improve their overall well-being.

Training GRI [404-1]

We will continue to provide high standards of staff training to enhance our staff's technical capabilities as well as their own personal development.

Anti-Corruption GRI [205-3]

HAECO Group is committed to developing and maintaining high professional and ethical standards as well as complying with all laws and regulations related to anti-corruption and bribery.



Diversity, Equal Opportunity and Non-discrimination GRI [405-1,406-1]

We recognise that there are business benefits from the diversity of our workforce and our management. We respect the human rights of staff and the people who work with us, we encourage diversity and equal opportunities.

Our Employee Profile GRI [401-1]

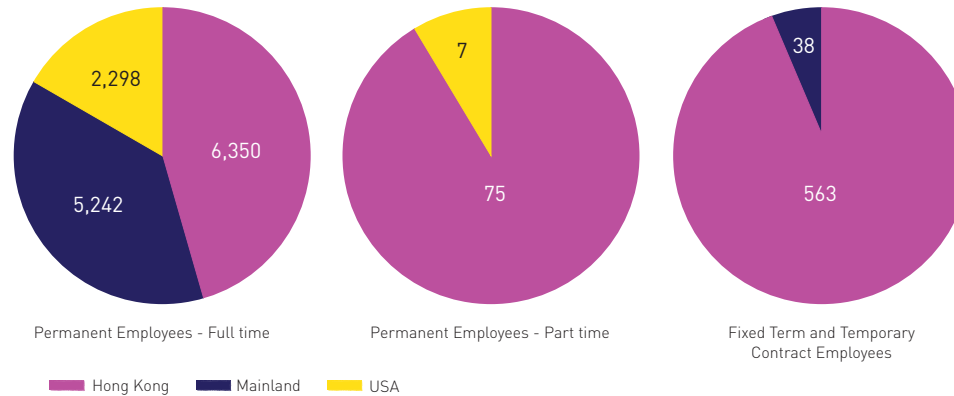
HAECO employed approximately 14,500 staff globally in our key group companies, similar to the number of staff at the end of 2016. Most of our staff are based in Hong Kong and Mainland China.

Recruitment and Talent Retention

The Group engages in job fairs, forums, recruitment events and exhibitions, with a view to enabling potential recruits to understand the Group and the employment opportunities within its businesses.

We review remuneration packages, career development plans and our “staff management culture”. Our Group has developed a guideline for inter-company job rotation to ensure all cases are handled in a transparent, consistent and considerate manner. We monitor our turnover rate to identify and manage issues as they arise. In 2017 our turnover rate and new hire rate was 15.2% and 12.9% respectively.

2017



Employee Profile by Location

2017	Male	Female
Permanent Employees*	11,336 (77.8%)	2,636 (18.1%)
Fixed Term and Temporary Contract Employees	567 (3.9%)	34 (0.2%)

Employee Profile by Gender

* Permanent employees included full time and part time staff.

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HAECO Xiamen and HAECO Hong Kong carried out progression and promotion reviews to provide a clear career path requirement for staff which matches operational needs and achieves alignment amongst different departments within respective companies. Staff alignment to the new structure and a review of salary ranges was conducted during the exercise.

Highlight Story

HAESL has introduced a buddy scheme to help new staff assimilate into the Company. The buddies have worked in HAESL for many years and know the company's culture and environment very well. Through playing the role of "Big Brother", the buddies will help new staff tackle challenges encountered at work helping them feel cared for and supported.



Buddy Scheme at HAESL

Highlight Story

HAECO Americas is a military friendly employer for veterans. In 2017, HAECO Americas established the Voices for Vets team to provide support to transitioning veterans. The team is heavily involved in all veteran activities within the company and in the wider community.



HAECO Americas supports veterans

Employee Relations ^{GRI [402-1]}

Our employees have the freedom of association to join organisations of their choice. We respect and comply fully with all legal requirements in regards to union membership and collective bargaining in the countries where we operate.

Though there is no legal framework for collective bargaining in Hong Kong, we value the opinion of our staff. Different employee associations have been established. An elected employee representative and the Company appointed management representative will meet on a regular basis to discuss matters affecting their interests. The staff association can also make suggestions to the management on matters relating to its members.

Our Xiamen companies have an agreement with the official trade union on minimum salary levels.

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Highlight Story

HAECO Americas has rolled out The Brand Champion Programme to improve communication throughout HAECO Americas. The Brand Champions are HAECO Americas' eyes and ears on the

ground. The 14 Champions are well-respected employees, who had a strong understanding of their sites and embodied the attributes our leadership would like to promote within HAECO Americas' culture. They act as a bridge of communication between the company and staff.



Brand Champions Team

HAECO cares for the health of employees. HAECO Hong Kong and HAESL arrange Health Management Programmes and health talks with the goal of improving the care and management of our employees overall health. We encourage our staff to enjoy a healthy work-life balance. This is important in terms of the overall health and well-being of the individual employee and also has positive outcomes for the business. Our work-life balance programme encourages stronger bonds between staff, more accountability and higher commitment. Respective group companies have organised annual dinners, Christmas parties and various sports activities to support this initiative. Leisure activities are held at different time periods so that employees on various shift patterns can be accommodated. Furthermore, the HAECO Veteran Club cares for retired employees of HAECO Hong Kong and HAESL. Members are welcome to utilise the sports and recreational activities in the Club and participate in various activities subsidised and organised by the Club.



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Highlight Story

HAESL celebrated its 20th anniversary with a series of activities including an Open Day, theme park family night and “Poon Choi” lunch. The “family elements” in the events aligned with HAESL’s core value – Teamwork – helping to further promote team spirit within the HAESL family.



HAESL Open Day

Highlight Story

The Group is investing in continuous improvement projects for staff amenities. HAECO Hong Kong supports a “Breastfeeding Friendly Workplace” and has extended the service of Mother’s Rooms from the Tseung Kwan O Facility to the Chek Lap Kok Worksite, providing an appropriate and friendly environment for our breastfeeding employees.



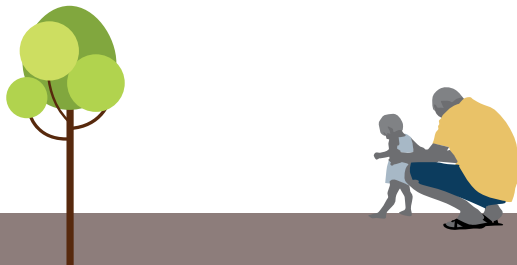
*HAECO Hong Kong Supports
“Breastfeeding Friendly Workplace”*

Highlight Story

HAECO Xiamen has established a reading room in their technical training centre to provide a quiet and relaxing environment for staff to study. The reading room also serves as a mini-library with a collection of books ranging from leisure reading to self-learning materials.



The Reading Room at HAECO Xiamen



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Staff Development and Technical Training GRI [404-1]

The Group intends to provide training for employees to have the opportunity to develop to their full potential. All training required by law is provided, including all relevant training required by the aviation and safety regulations.

In 2017, we offered over 740,000 hours of training, which is equivalent to approximately 50.81 hours of training per employee.

Employee Category	Average hours of training
Top/Senior Management	16.17
Middle/Junior Management & Supervisory	52.85
Customer Facing Staff	33.92
Non-customer Facing Operational/Technical Staff	58.52
Others	54.19

*Average Hours Of Training Undertaken
By Different Employee Category*

HAECO Hong Kong and HAECO Americas provide a tuition reimbursement programme to support employees in gaining knowledge and skills. HAECO Hong Kong revamped the existing Maintenance Authorisation Allowance Model to motivate and encourage employees to acquire aircraft maintenance licences.

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

Anti-Corruption GRI [205-3]

Our Corporate Code of Conduct (the Code) sets out expected standards of behaviour for our employees and anti-bribery compliance procedures. All employees of the company are expected to fully adhere to the principles contained within the Code which has been aligned across HAECO Group and is set out in full on our website. Employees have the right to raise their concerns / complaints via established procedures. All material concerns will be reported to the Company's Audit Committee, which consists of three Non-Executive Directors.

Non-compliance with the Code results in disciplinary action. In cases of suspected corruption or other criminal offences, a report will be made to the appropriate authorities. In 2017, we did not receive any reports of breaches of the Code.

Diversity, Equal Opportunity and Non-discrimination GRI [405-1,406-1]

The Group is committed to providing a diverse working environment free from discrimination. We instil this behaviour in all employees by setting an example at the highest levels. All staff members must observe the relevant requirements, ensuring full compliance with applicable laws and must not tolerate unlawful discrimination or other breaches of the law. In 2017, we did not receive any reports of discrimination equal opportunity and diversity.

We operate in a business which is traditionally male dominated. We will continue to emphasise diversity and improve female participation in the workforce.

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Total Permanent Employee Category

	Executive		Non-executive		
	Top/Senior Management	Middle/Junior Management & Supervisory	Customer Facing Staff	Non-Customer Facing Operational/ Technical Staff	Others
By Age Group					
- Under 30 years old	0%	5.8%	13.1%	29.2%	37.7%
- 30 to 50 years old	53.8%	66.5%	55.8%	52.3%	57.6%
- Over 50 years old	46.3%	27.7%	31.1%	18.5%	4.7%
By Gender					
- Male	82.5%	82.9%	-	-	64.5%
- Female	17.5%	17.1%	-	-	35.5%

Diversity of Employees

No. of individuals as at 31 Dec 2017	
Governance Bodies	
HAECO Board of Directors	
By Age Group	
- Under 30 years old	-
- 30 to 50 years old	36.4%
- Over 50 years old	63.6%
By Gender	
- Male	90.9%
- Female	9.1%

Diversity of the HAECO Board of Directors

Recognition and Awards

HAECO Hong Kong has continued to receive The Caring Company Scheme Award for 10 consecutive years. HAESL has been recognised as a Manpower Developer since 2013.



2017 Progress Update

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Objective	Progress	Remarks / Comments
All HAECO Group companies 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	Completed	The succession planning module has been deployed since 2016 while the performance management is progressively being adopted by most of the HAECO Group Companies since late 2017
HAECO Hong Kong launches a Health Week, with a focus on musculoskeletal problems and smoking cessation	Completed	Health Week was successfully held in September 2017 with healthy diet and smoking cessation as the main focus
HAECO Hong Kong continues to study options to offer more flexibility for staff on work schedules to suit their lifestyles	Ongoing	Will continue to carry out further studies
HAECO Hong Kong continues to study the feasibility of introducing additional company clinic facilities for staff working in the HKIA terminal area	Ongoing	A trial of an additional dedicated clinic facility for HAECO staff at the airport terminal will commence in Q2 2018
HAECO Hong Kong revamps the Careers Website to provide the wider community information about our various job opportunities and to inform young people about the MRO industry	Completed	Enhanced the Hong Kong Careers Website to make it more user friendly and included a video about “A day in the life of an Engineer” and “Introduction of various job positions” to make it more interactive
HAECO Hong Kong launches personal growth and learning activities (e.g. talks / workshops) for the well-being of the staff	Ongoing	Personal growth talks were organised and the promotional booth was set up during Health Week in September 2017. Smart tips on personal growth were shared via various HAECO internal staff communication channels
HAECO Hong Kong to introduce a structured development programme for our existing non-licensed mechanics to assist them in acquiring the HKCAD basic licence through self-study	Ongoing	Launched the “Licence Engineer Development Programme” (LEDP) to assist non-licensed mechanics to acquire HKCAD basic licence
HAESL holds celebration activities as well as team bonding activities, such as a “Poon Choi” lunch, a theme park family night, an open day and more, to celebrate HAESL’s 20th Anniversary and enhance our employees’ sense of belonging	Completed	“Poon Choi” lunch & theme park family night, 20th Anniversary and Phase VI Building Completion Ceremony and HAESL Open Day were organised in 2017

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2018 Action Plans

Key Action Plans

- HAECO Hong Kong will continue to promote their Employer Brand through various projects to raise public awareness of our industry
- HAECO Hong Kong will develop an electronic Helpdesk and self-service platform to allow our employees to have more autonomy and control when checking and managing their personal information online anytime and anywhere
- HAECO Hong Kong will continue to run hangar open days for staff's family members and friends to help them understand our industry, day to day job and working environment
- HAECO Hong Kong will develop a structured programme to facilitate special technical skills and knowledge transfer
- HAECO Hong Kong will continue to review long term manpower requirements for critical positions
- HAECO Hong Kong will roll out a new Performance Management Module to staff for manager level or above
- HAECO Hong Kong will launch a "Middle Management Alignment Programme" training scheme, which aims to have alignment among middle management on the HAECO way of managing staff and to strengthen the management competencies of middle managerial staff to adapt to the competitive business environment
- HAECO Americas will expand deployment of the comprehensive talent management system, with talent career path development plans and offerings aligned with HAECO's competency model
- HAECO Americas will develop a new programme to address the future skill gaps
- HAECO Xiamen and HAESL will develop structured Skill Development Programmes to encourage multi-skill development of their staff
- HAESL will roll out the High Performance Culture programme for the purpose of reinforcing their core values

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BUSINESS PARTNERS

To drive sustainable development collaboratively in the MRO industry, we treasure suppliers who share our sustainability vision and standards. To this end, we invite all suppliers to demonstrate their commitment to legal compliance, safe operations, environmental protection and the well-being of staff. HAECO also collaborates with different business partners to realise synergies in terms of cost savings, people development, functional expertise and best practice.



75
Group Key
Suppliers Surveyed

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Our Supply Chain Management

HAECO Group's supply chain is comprised of hundreds of suppliers providing products and services.

Over 90% of our suppliers are from the United Kingdom and the United States. Others are located in North America, Europe, Hong Kong, Mainland China and Southeast Asia.

Wherever our suppliers are, they should share the same corporate social responsibility (CSR) approach as HAECO. All registered suppliers are requested to submit a declaration confirming compliance with our Supplier CSR Code of Conduct upon vendor registration. This is one of the key elements for supplier selection.

The Code prescribes, among other things, that the following points included in all agreements with suppliers:

- Compliance with all national and other applicable laws and regulations.
- Commitment to high standards on environmental, health and safety, human rights and labour policies, business ethics and community issues. These include the elimination of forced labour and child labour, prohibition of discrimination and sub-contractor management. The service providers of our suppliers should also strive to meet the principles of the Code.
- Consent to audits by companies of the HAECO Group.

Key suppliers are invited to periodically carry out a self-assessment CSR survey.

Highlight Story

This year, we have reviewed the list of key suppliers from our subsidiaries and joint ventures. 75 key suppliers were then invited for a self-assessment survey on their compliance to our Supplier CSR Code of Conduct. We have also carried out a sustainability assessment on these key suppliers to identify their risk on legal and regulatory compliance, health and safety, environmental management, sub-contractor management, documentation and inspection and other ethical aspects. The majority were found to be at low risk. Only one supplier with medium risk on documentation and inspection was identified and the supplier has committed to submit an improvement plan within 12 months.



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Our Most Material Topics

In the materiality assessment, our stakeholders have identified the following topics as material to the development of HAECO Group.

Material Sustainability ^{GRI [301-1]}

HAECO is committed to source materials sustainably as we rely on various materials to enable the delivery of our quality products and services. We aim to be a good steward of the natural resources and encourage suppliers, contractors and industry stakeholders to promote sustainable development within their own business.

Customer Privacy ^{GRI [418-1]}

HAECO Group has been recognised as acting responsibly in the course of achieving its commercial success. We create trusting relationships with our people, customers and partners. Customer Privacy is one of the key considerations that we care about.

Material Sustainability

GRI [301-1]

We rely on materials to produce and package our products and services and are committed to ensuring that we source these responsibly and ultimately, sustainably.

To boost the supply of sustainable materials in the market, HAECO, as one of the Swire Sustainability Supply Chain Working Group members, mobilised the purchasing power of other Swire Group Companies to explore more green materials and specifications. The purchased green items included office supplies, plastic items, paper products and printing items.

Highlight Story

In 2017, The Group has identified fuels and gases, plastics, paper products and uniform materials as key materials to enable the creation of our products and services. We monitor our consumption of fuels and gases and paper products. In 2017, we consumed over 338,840 GJ of fuel, 44,000 GJ of

gases and 240 tonnes of paper products¹. HAECO will formulate sourcing policies for key materials in 2018 and will report on other key materials (e.g. packaging materials like plastics) as our reporting capacity matures.

Understanding Our Customers

HAECO supports MRO conferences and organises customer symposiums 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.

¹ We use Forest Stewardship Council (FSC) certified paper from responsible sources.

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Highlight Story

HAECO also actively engages with business partners to look for opportunities in driving sustainable improvements for businesses. A recent co-venture between HAECO Hong Kong, Cathay Pacific and Boeing has developed a toolbox manual mobile application which allows engineers to view technical manuals in an efficient and reliable way when carrying out troubleshooting in the airfield. Staff no longer need to travel between the airfield and the hangar which helped to save man-hours. No reportable incidents related to the toolbox manual have occurred since the launch of the application.



Mobile Library Of Maintenance Toolbox Manual

Our Commercial Department has maintained a strong relationship with our customers. In case of any complaint received, our Commercial Department will liaise with the customers actively and find a solution with our engineering team to meet the customers' expectations. In 2017, we did not receive any significant complaints from our customers.

Customer Privacy ^{GRI [418-1]}

We respect customer privacy and treat confidentiality of information received in the course of business seriously. We are committed to complying with applicable legal requirements relating to the collection, holding, processing, disclosure and use of personal data.

Under our Code of Conduct, every employee of the company must ensure that assets and resources entrusted to their care, including customer information, are treated in confidence except where the Company is required to disclose information by law or regulations.

We monitor any complaints related to breaches or impropriety. In 2017, we did not receive any substantiated complaints concerning breaches of customer privacy.

Intellectual Property

We understand the importance of protecting intellectual property rights to creating an environment where creativity can flourish and hard work is rewarded. We clarify in our Code of Conduct that every employee of the company must not alter equipment or facilities or install any software without specific authorisation. Our staff are aware of the security precautions mandated by the Group when using computers and mobile devices.

In 2017, we did not receive any substantiated complaints concerning breaches of intellectual property.

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2017 Progress Update

Objective	Progress	Remarks / Comments
Identify key sustainable materials and develop procurement guidelines to enable effective implementation	On-going	Key sustainable materials have been identified.
Enhance supplier engagement in CSR and review compliance with the Supplier Code of Conduct	Completed	Key suppliers from our subsidiaries and joint ventures have been reviewed.

2018 Action Plans

Key Action Plans

- Formulate sourcing policies for identified key materials in 2018.



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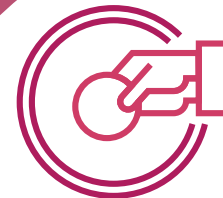
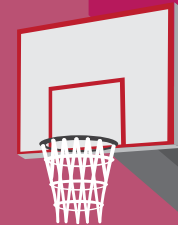
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COMMUNITY

As a responsible corporate citizen, our contribution to society is beyond our direct economic contribution. Thus, the Group is committed to maintaining strong relationships with community members, bringing value to our communities, enhancing their capabilities while respecting their culture and heritage. We provide care and support to the community through fundraising, with products and services and with the time and energy of our staff.



HKD
3.6 Million
Donations

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Our Charitable and Community Strategy

Our emphasis is on child and youth development, environmental protection, minority groups and engagement with our customers. Respective Group companies will have specific initiatives that fit their local needs.

In 2017, The Group contributed HK\$3.60 million donations for charitable and community engagement purposes. Over 660 of our employees and their guests have devoted more than 4,000 hours to charitable events.

To encourage staff commitment to volunteer services, HAECO Hong Kong, HAESL and HAECO Xiamen have launched a Volunteer Service Leave Scheme.

Child and Youth Development

We invest in different forms of education to build up the capacity of the future workforce in the community.

HAECO Group supports child and youth development through a wide range of initiatives including job shadowing opportunities, scholarships, bursaries, training support and visits to HAECO facilities.



Facility Visit at HAECO Hong Kong

Highlight Story

HAECO Americas sponsors Girls in Aviation Day 2017. This event encourages young women to explore careers in aviation. It provides a day of fun and interactive activities where girls can spend time with influential aviation role models.



HAECO Americas Sponsors Girls in Aviation Day



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HAECO Xiamen organised two “HAECO Xiamen Soccer Summer Camps” for some expatriate workers’ children from a local primary school, giving students the opportunity to learn basic soccer skills from two professional coaches and the chance to practise spoken English during training. HAECO Americas extended its support to the HAECO invitational high school Greensboro basketball tournament through 2020.



Soccer Summer Camp For Expatriate Workers’ Children Organised By HAECO Xiamen



HAECO Americas Supports HAECO Invitational High School Greensboro Basketball Tournament

Caring for Underprivileged and Minority Groups

In 2017, the Group continued to support the Hong Kong 24 Hour Charity Pedal Kart Grand Prix to raise funds for Hong Kong Round Table which supports local and regional charities.



Pedal Kart Grand Prix 2017

Highlight Story

HAESL has donated furniture and supplies to a small school in Tanzania which cares for orphans, street children and girls escaping child marriages and abuse through Crossroads Foundation. The equipment has lifted the status of the school helping the orphanage extend its care to more children.

They also support Bradbury Hostel at Tai Mei Tuk, Hong Kong to paint furniture crafted from waste wooden pallets.



HAESL Supports Furniture Painting At Bradbury Hostel, Hong Kong

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HAESL continues its support for the Evangel Children's Home which provides food, shelter, counseling and spiritual guidance to children and youth from disadvantaged families.

HAECO Americas hosts the Third Annual Purple Heart Homes Charity Golf Fundraiser for Purple Heart Homes, a charity dedicated

to finding housing solutions for service connected US Military veterans in North Carolina. HAECO Americas provides guidance, donations and volunteers for this great charity, participating at every level from steering committees, to hands on construction and renovations.



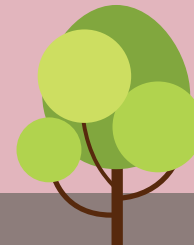
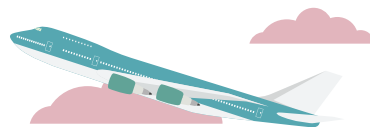
Third Annual Purple Heart Homes Charity Golf Fundraiser

Protecting the Environment

In Hong Kong, HAESL and HAECO Hong Kong also support environmental initiatives and have organised activities such as a coastal cleanup, greenpower hike, a book collection programme and wall calendar donation to an elderly home, which reduces waste going to the landfill.



Coastal Cleanup Organised By HAESL



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Engaging Our Customers

HAECO Group engages with our customers to synergise our efforts in contributing to the community.

We continue to support the Cathay Pacific and Cathay Dragon "I Can Fly" programme to nurture enthusiasm for aviation and involvement in social services amongst young people.



"I Can Fly" Programme at HAECO Hong Kong

Recognition and Awards

In 2017, HAECO Hong Kong and HAESL were awarded the 5 Years Plus Caring Company and Caring Company by the Hong Kong Council of Social Service for good corporate citizenship.



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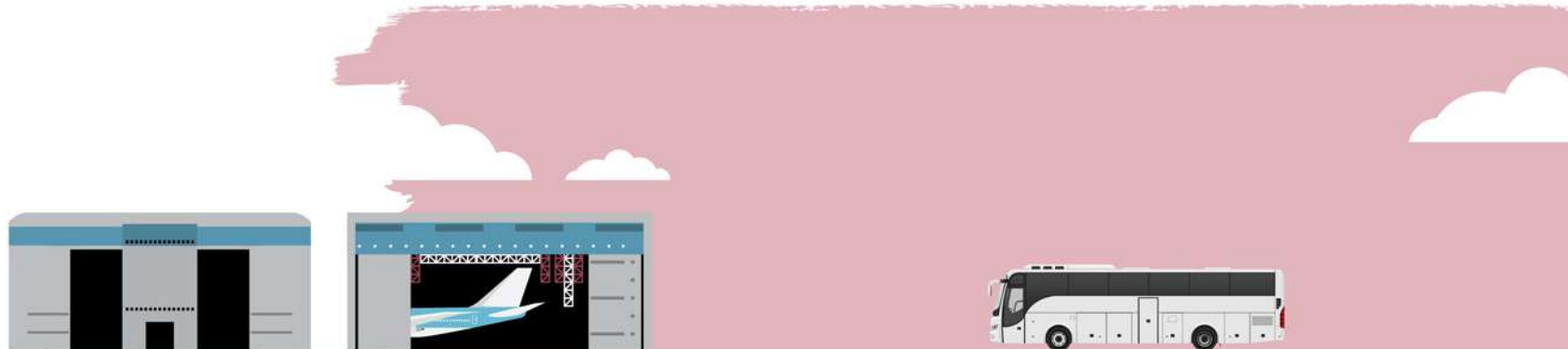
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2017 Progress Update

Objective	Progress	Remarks / Comments
Encourage employees to participate in volunteer services	On-going	

2018 Action Plans

Key Action Plans
<ul style="list-style-type: none"> Encourage employees to participate in volunteer services



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Performance Data Collection and Calculation Method

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

Economic Performance GRI [201-1]¹

		HEACO Group			
		Unit	2017	2016	2015
Business Performance					
1	Economic Value Generated = (1)	HK\$ 'M	14,869	14,871	12,375
1.1	Revenue	HK\$ 'M	14,546	13,760	12,095
1.2	Finance Income	HK\$ 'M	11	9	20
1.3	Other Net (Losses)/ Gains	HK\$ 'M	-2	30	14
1.4	Share of After-tax Results of Joint Venture Companies	HK\$ 'M	314	1,072	246
2	Economic Value Distributed = (2)	HK\$ 'M	15,287	14,566	12,294
2.1	Operating Costs	HK\$ 'M	9,519	8,600	6,878
2.2	Employee Wages And Benefits	HK\$ 'M	5,110	5,059	4,813
2.3	Payment to Providers of Capital				
2.3.1	- dividend to Company Shareholders	HK\$ 'M	241	679	341
2.3.2	- dividend to Non-controlling Interest	HK\$ 'M	99	5	49
2.4	Total Finance Charges	HK\$ 'M	131	98	96
2.5	Payment to Government (Taxation Excluding Deferred Taxes)	HK\$ 'M	183	121	114
2.6	Community Investments Including Charitable Donations	HK\$ 'M	3.6	4.5	3.2
3	Economic Value Retained = (1) - (2)	HK\$ 'M	-418	305	81

Note1: More information is set out in Review of Operations contained in our Annual Report 2017

Environmental Performance

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		HAECO Hong Kong	HAESL	HAECO Xiamen	TEXL	HAECO Composite Services	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total		
	Unit	2017								2017	2016	2015
Energy Consumption¹												
Direct Energy Consumption	GJ	125,932	113,494	15,721	66,658	385	224	-	61,598	384,013	350,403	361,636
Indirect Energy Consumption	GJ	140,260	104,561	91,427	23,707	4,255	16,699	985	96,529	478,424	483,490	456,243
Total Energy Consumption	GJ	266,193	218,055	107,148	90,365	4,640	16,924	985	158,127	862,436	833,892	817,879
Total Energy Consumption Per Man-Hour worked	MJ / man-hour worked	17.49	105.36	11.41	125.68	17.14	35.10	6.12	25.87	25.05	24.26	24.14
Greenhouse Gas Emission²												
Direct Emission (Scope 1)	kg CO ₂ e	10,126,088	8,276,509	2,352,816	4,778,642	42,054	15,288	-	3,560,525	29,151,922	27,152,704	32,435,498
Indirect Emission (Scope 2) ³	kg CO ₂ e	20,742,720	15,615,018	18,143,612	4,955,079	889,283	3,490,388	205,911	13,365,291	77,407,301	78,042,891	80,653,776
Emission from Operation (Scope 1+ Scope2)	kg CO ₂ e	30,868,808	23,891,527	20,496,427	9,733,721	931,337	3,505,676	205,911	16,925,816	106,559,224	105,195,595	113,089,274
Other Indirect Emission (Scope 3) by Business Air Travel	kg CO ₂ e	624,298	277,141	559,300	144,970	16,715	53,112	3,221	724,800	2,403,557	2,194,535	1,874,438
Total GHG Emission	kg CO ₂ e	31,493,106	24,168,668	21,055,727	9,878,691	948,052	3,558,788	209,131	17,650,616	108,962,780	107,390,130	114,963,712
Emission From Operation (Scope 1+ Scope2) Per Man-Hour worked	kg CO ₂ e / man-hour worked	2.03	11.54	2.18	13.54	3.44	7.27	1.28	2.77	3.10	3.06	3.34
Ozone Depleting Substances												
Ozone Depleting Substances Emitted	kg CFC-11e	498	114	12	-	1	-	-	150	776	1,228	1,919

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		2017									2017	2016
Fuel												
Jet Kerosene	tonnes	-	2,570	-	1,512	-	-	-	165	4,248	3,562	3,609
Diesel	L	3,197,565	180	378,498	-	-	1,629	-	203,443	3,781,315	3,544,675	3,486,152
LPG/ Propane	L	30,631	-	14,108	-	-	-	-	40,409	85,147	40,917	61,277
Unleaded Petrol	L	242,874	2,185	44,223	6,887	11,779	5,071	-	127,888	440,906	463,379	541,772
Towngas/ Natural Gas	MJ	2,154,912	502,512.0	-	-	-	-	-	41,908,442	44,565,866	47,724,777	57,384,833
Electricity												
Total Electricity consumed	kWh	38,362,643	28,905,086	24,112,714	6,585,260	1,181,850	4,638,697	273,654	26,813,704	130,873,608	133,029,462	125,159,056
Recyclable Energy Generated	kWh	-	-	1,283,571	-	-	-	-	-	1,283,571	793,468	1,212,397
Refrigerant / Fire Extinguishing Agent												
Refrigerant / Fire Extinguishing Agent Consumed	kg	841	114	1,179	-	33	-	-	48	2,214	3,712	5,232
Water												
Potable Water Used	m ³	201,313	175,487	190,797	33,298	2,232	10,786	494	33,024	647,431	725,431	626,053
Water Discharged to Sewer	m ³	182,718	175,487	112,624	24,927	2,009	9,707	-	30,467	537,939	559,789	507,913
Water Recycled	m ³	-	-	51,779	-	-	-	-	-	51,779	-	-
Potable Water Used Per Man-Hour Used	L / man-hour worked	13.22	84.79	20.32	46.31	8.25	22.37	3.07	5.40	18.81	21.10	18.48
Total Volume of Water Recycled Per M ³ Potable Water Used	%	-	-	27%	-	-	-	-	-	8.0%	-	-

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	Unit	2017								2017	2016	2015
Materials												
Paper and Paper Products Consumed	kg	88,587	18,146	57,517	4,606	1,622	1,373	-	78,088	249,939	1,662,032	501,796
Printing Cartridges Purchased	No.	131	533	900	254	19	-	-	1,005	2,842	2,778	2,954
Vehicle Tyres Consumed	kg	42,917	-	3,261	-	-	-	-	9,146	55,324	62,677	45,221
Waste Management												
Industrial / Commercial Waste Disposed Of ⁴	kg	1,624,300	310,080	1,087,000	300,000	12,145	17,990	-	676,636	4,028,151	4,743,999	4,436,330
Grease Trap Waste Disposed Of	kg	168,000	75,440	7,385	-	-	-	-	-	250,825	261,200	257,064
Vehicle Tyres Disposed Of	kg	46,047	-	2,468	-	-	-	-	4,079	52,594	54,866	58,776
Food Waste Recycled	kg	20,426	30,825	101,536	-	1,245	-	-	-	154,032	140,408	178,226
Metal Recycled	kg	31,343	3,808	1,420	-	-	11,957	-	106,047	154,575	243,301	176,915
Paper / Cardboard Recycled	kg	205,435	2,859	51,981	-	107	2,480	-	182,588	445,450	233,898	273,903
Plastics Recycled	kg	13,968	4,072	7,900	-	52	667	-	192	26,851	100,175	87,951
Wood Recycled ⁵	kg	498,921	68,270	-	-	-	-	-	-	567,191	-	-
Printing Cartridges Recycled	No.	-	391	900	-	23	-	-	35	1,349	1,257	1,198
Kerosene Recycled ⁵	L	-	4,000	-	-	-	-	-	202,686	206,686	-	-

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		2017									2017	2016
Hazardous Waste Managemnt												
Liquid Chemical Waste Disposed Of	L	322,243	55,600	128,808	35,631	1,556	-	-	51,052	594,890	560,368	633,891
Solid Chemical Waste Disposed Of	kg	147,605	23,734	465,340	1,860	4,877	-	-	189,393	832,808	599,822	740,853
Significant Chemicals / Oil Spills	No.	-	-	-	-	-	-	-	-	-	-	-

Note:

1. Energy consumption data was based on the amount of greenhouse gas reporting: conversion factors 2017
2. The Group's GHG inventory includes carbon dioxide, methane and nitrous oxide. Its GHG emissions data is presented in carbon dioxide equivalent and was based on the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" (GHG Protocol) issued by the World Resources Institute and the World Business Council for Sustainable Development. The Group has adopted the "operational control" approach for defining its organisational boundary for the purpose of GHG accounting and reporting."
3. Scope 2 GHG emissions data was calculated according to the location-based method set out in the GHG Protocol as far as reasonably practical
4. The waste in HAECO Component Overhaul (Xiamen) was handled by HAECO Xiamen and has been reported under HAECO Xiamen
5. The relevant data has been reported since 2017.

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	Unit	HAECO Hong Kong	HAESL	HAECO Xiamen	TEXL	HAECO Composite Services	HAECO Landing Gear Services	HAECO Component Overhaul (Xiamen)	HAECO Americas	HAECO Group Total		
		2017									2017	2016
Occupational Health & Safety												
Man-hours worked (Total Attended Hour)	No.	15,223,248	2,069,547	9,391,032	719,015	270,645	482,098	160,911	6,111,469	34,427,965	34,372,551	33,884,368
Work-related Fatalities (employees)	No.	-	-	-	-	-	-	-	-	-	-	-
Lost time Injuries ¹	No.	193	4	16	4	1	4	-	27	249	288	244
Minor Injuries / First Aid Cases	No.	141	1	338	6	2	2	-	251	741	655	759
Total Lost Day ²	No.	9,330	34	1,246	14	16	78.50	-	1,865	12,584	11,395	11,563
Lost Time Injury Rate ³		2.54	0.39	0.34	1.11	0.74	1.66	-	0.88	1.45	1.68	1.44
Lost day Rate ⁴		122.58	3.29	26.54	3.89	11.82	32.57	-	61.03	73.10	66.30	68.25

Note:

1. "Lost Time Injury" is the number of injuries in a year which result in minimum lost time of one working day
2. "A Lost Day" occurs when, in the opinion of a physician, an employee cannot work. Lost Days are counted as calendar days where counting begins on the first day following the injury and ends on the day when the person returns to full duty, receives a permanent job transfer or leaves employment.
3. 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.
4. Lost Day Rate represents the number of lost scheduled working days per 100 employees per year. It is calculated as the total lost day 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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	Unit	2017	2016	2015
Total Number of Employees	No.	14,573	14,858	14,866
By Age Group				
Under 30 Years Old	No.	3,678	4,203	4,590
30 to 50 Years Old	No.	7,839	7,518	7,039
Over 50 Years Old	No.	3,056	3,137	3,237
By Gender				
Male	No.	11,903	12,117	12,302
Female	No.	2,670	2,741	2,564
By Region				
Hong Kong	No.	6,988	7,072	-
Mainland China	No.	5,280	5,201	-
USA	No.	2,305	2,585	-
Others	No.	-	-	-
By Employment Contract , Employment Type And Gender				
Permanent Employees - Full Time (Male)	No.	11,324	11,540	11,715
Permanent Employees - Full Time (Female)	No.	2,566	2,630	2,461
Permanent Employees - Part Time (Male)	No.	12	27	108
Permanent Employees - Part Time (Female)	No.	70	78	77
Total Permanent Employees (Male)	No.	11,336	11,567	11,823
Total Permanent Employees (Female)	No.	2,637	2,708	2,538
Fixed Term And Temporary Contract Employees (Male)	No.	567	550	479
Fixed Term And Temporary Contract Employees (Female)	No.	34	33	26
Total Number Of Employees (Male)	No.	11,903	12,117	12,302
Total Number Of Employees (Female)	No.	2,670	2,741	2,564

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Employee Profile

HAECO Group Total				
	Unit	2017 ¹	2016	2015
By Employment Contract and Region				
Permanent Employees (Hong Kong)	No.	6,425	-	-
Permanent Employees (Mainland China)	No.	5,242	-	-
Permanent Employees (USA)	No.	2,305	-	-
Permanent Employees (Others)	No.	-	-	-
Fixed Term and Temporary Contract Employees (Hong Kong)	No.	563	-	-
Fixed Term and Temporary Contract Employees (Mainland China)	No.	38	-	-
Fixed Term and Temporary Contract Employees (USA)	No.	-	-	-
Fixed Term and Temporary Contract Employees (Others)	No.	-	-	-

Note 1: Relevant data has been reported since 2017.

Employee Turnover Rate

Number and Rate (%) of Employee Turnover				
HAECO Group Total				
	Unit	2017	2016	2015
By Age Group				
Under 30 years old	No. (Rate)	732(18.8%)	725(16.7%)	832(18.4%)
30 to 50 years old	No. (Rate)	878(11.7%)	796(11.2%)	722(10.4%)
Over 50 years old	No. (Rate)	543(19.9%)	531(18.6%)	266(8.9%)
By Gender				
Male	No. (Rate)	1,721(15.0%)	1,658(14.2%)	1,497(12.6%)
Female	No. (Rate)	432(16.2%)	394(15.1%)	323(12.7%)

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Employee Turnover Rate

Number and Rate (%) of Employee Turnover	HAECO Group Total			
	Unit	2017	2016	2015
By Region				
Hong Kong	No. (Rate)	788(12.2%)	813(12.8%)	741(11.8%)
Mainland China	No. (Rate)	386(7.4%)	442(8.4%)	350(6.5%)
USA	No. (Rate)	979(40%)	797(30.1%)	729(26%)
Overall	No. (Rate)	2,153(15.2%)	2,052(14.4%)	1,820(12.6%)

Employee New Hire Rate

Number and Rate (%) of Employee New Hire	HAECO Group Total			
	Unit	2017	2016	2015
By Age Group				
Under 30 years old	No. (Rate)	1,045(28.7%)	923(22.2%)	844(18.7%)
30 to 50 years old	No. (Rate)	550(7.2%)	783(10.7%)	466(6.8%)
Over 50 years old	No. (Rate)	204(7.7%)	252(9.1%)	157(5.3%)
By Gender				
Male	No. (Rate)	1,440(12.7%)	1,406(12.2%)	1,181(10.0%)
Female	No. (Rate)	359(13.6%)	552(20.4%)	286(11.3%)

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Employee New Hire Rate

Number and Rate (%) of Employee Turnover		HAECO Group Total		
	Unit	2017	2016	2015
By Region				
Hong Kong	No. (Rate)	723(11.3%)	1,058(16.3%)	736(11.8%)
Mainland China	No. (Rate)	377(7.2%)	231(4.4%)	183(3.4%)
USA	No. (Rate)	699(30.3%)	669(25.9%)	548(20.2%)
Overall	No. (Rate)	1,799(12.9%)	1,958(13.7%)	1,467(10.3%)

Training and Development

		HAECO Group Total		
	Unit	2017	2016	2015
Total Average Hours of Training	No. of hours	50.81	65.27	59.53
Breakdown by Employee Category				
Executive Staff				
Top / Senior Management	No. of hours	16.17	27.97	43.28
Middle / Junior Management & Supervisory	No. of hours	52.85	83.59	68.71
Non-Executive				
Customer Facing Staff	No. of hours	33.92	40.92	57.20
Non-customer Facing / Operational / Technical staff	No. of hours	58.53	62.20	60.02
Others	No. of hours	54.19	163.23	20.06

Diversity of Governance Body

HAECO Group Total

	Unit	2017 ¹	2016	2015
By Age Group				
Under 30 years old	No.	-	-	-
30 to 50 years old	No.	4	-	-
Over 50 years old	No.	7	-	-
Total	No.	11	-	-
By Gender				
Male	No.	10	-	-
Female	No.	1	-	-
Total	No.	11	-	-

Note 1: Relevant data has been reported since 2017.

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HAECO Group Total

Percentage of Employees By Age Group Per Employee Category	2017 ¹			2016			2015		
	Under 30 years old	30 to 50 years old	Over 50 years old	Under 30 years old	30 to 50 years old	Over 50 years old	Under 30 years old	30 to 50 years old	Over 50 years old
Executive Staff									
Top / Senior Management	0.0%	53.8%	46.3%	-	-	-	-	-	-
Middle / Junior Management & Supervisory	5.8%	66.5%	27.7%	-	-	-	-	-	-
Non-executive Staff									
Customer Facing Staff	13.1%	55.8%	31.1%	-	-	-	-	-	-
Non-customer Facing Operational / Technical Staff	29.2%	52.3%	18.5%	-	-	-	-	-	-
Others	37.7%	57.6%	4.7%	-	-	-	-	-	-

Note1: Relevant data has been reported since 2017.

HAECO Group Total

Percentage of Employees By Gender Per Employee Category	2017 ¹		2016		2015	
	Male	Female	Male	Female	Male	Female
Executive Staff						
Top / Senior Management	82.5%	17.5%	-	-	-	-
Middle / Junior Management & Supervisory	82.9%	17.1%	-	-	-	-
Non-Executive Staff						
Customer Facing Staff	92.2%	7.8%	-	-	-	-
Non-customer Facing Operational / Technical Staff	82.4%	17.6%	-	-	-	-
Others	64.5%	35.5%	-	-	-	-

Note1: Relevant data has been reported since 2017.

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GRI 301: Materials 2016	301-1	Materials used by weight or volume Business Partners (pages 46-50)
Energy		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary Corporate Governance and Sustainability Management (pages 10-17)
	103-2	The management approach and its components Materiality Assessment (pages 16) Environment (pages 18-27)
	103-3	Evaluation of the management approach Environment (pages 18-27)
GRI 302: Energy 2016	302-1	Energy consumption within the organisation Performance Data (pages 57-68)
	302-3	Energy intensity Environment (pages 18-27)
	302-4	Reduction of energy consumption Environment (pages 18-27)
Water		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary Corporate Governance and Sustainability Management (pages 10-17)
	103-2	The management approach and its components Materiality Assessment (pages 16) Environment (pages 18-27)
	103-3	Evaluation of the management approach Environment (pages 18-27)

Material Topics	Disclosure	Location of Disclosure
Water		
GRI 303: Water 2016	303-1	Water withdrawal by source
	303-3	Water recycled and reused
Emissions		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity
	305-5	Reduction of GHG emissions
	305-6	Emissions of ozone-depleting substances (ODS)
Effluents and Waste		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination
	306-2	Waste by type and disposal method
	306-3	Significant spills

Material Topics	Disclosure	Location of Disclosure	
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Environment (pages 18-27)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Environment (pages 18-27)
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Employees (pages 36-45) Performance Data (pages 57-68)
Labour / Management Relations			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 402: Labour / Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Employees (pages 36-45) Performance Data (pages 57-68)

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Material Topics	Disclosure	Location of Disclosure	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Health and Safety (pages 28-35)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Health and Safety (pages 28-35) <i>Occupational health and absenteeism are monitored and managed by operating companies and not reported at group level</i>
Training and Development			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Employees (pages 36-45) Performance Data (pages 57-68)
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Employees (pages 36-45) Performance Data (pages 57-68)
Non-discrimination			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
	103-2	The management approach and its components	

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Material Topics	Disclosure	Location of Disclosure
Non-discrimination		
GRI 103: Management Approach 2016	103-3	Evaluation of the management approach
		Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
GRI 406: Nondiscrimination 2016	406-1	Incidents of discrimination and corrective actions taken
		Employees (pages 36-45)
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
		Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Health and Safety (pages 28-35)
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories
Customer Privacy		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
		Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Business Partners (pages 46-50)
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
		Business Partners (pages 46-50)
Socioeconomic Compliance		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
		Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Business Partners (pages 46-50)
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area
		Health and Safety (pages 28-35) Employees (pages 36-45) Business Partners (pages 46-50)

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Subject Areas, Aspects, General Disclosures and KPIs

HKEx Reference	Recommended Disclosures	Reference
A. Environmental		
Aspect A1: Emissions		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	<p>Corporate Governance and Sustainability Management (pages 10-17)</p> <p>Materiality Assessment (pages 16)</p> <p>Environment (pages 18-27)</p>
KPI A1.1	The types of emissions and respective emissions data.	<p>Environment (pages 18-27)</p> <p>Performance Data (pages 57-68)</p> <p><i>Ozone depleting substance is reported</i></p>
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>Environment (pages 18-27)</p> <p>Performance Data (pages 57-68)</p>
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>Environment (pages 18-27)</p> <p>Performance Data (pages 57-68)</p>
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>Environment (pages 18-27)</p> <p>Performance Data (pages 57-68)</p>
KPI A1.5	Description of measures to mitigate emissions and results achieved.	<p>Environment (pages 18-27)</p> <p>Performance Data (pages 57-68)</p>

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HKEx Reference	Recommended Disclosures	Reference
A. Environmental		
Aspect A1: Emissions		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment (pages 18-27) Performance Data (pages 57-68)
Aspect A2: Use of Resources		
General Disclosure	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.	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Environment (pages 18-27)
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 (pages 18-27) Performance Data (pages 57-68)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment (pages 18-27) Performance Data (pages 57-68)
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment (pages 18-27)
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 (pages 18-27)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment (pages 18-27) Business Partners (pages 46-50)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Environment (pages 18-27)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment (pages 18-27)

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HKEx Reference	Recommended Disclosures	Reference
B. Social Employment and Labour Practices		
Aspect B1: Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employees (pages 36-45) Performance Data (pages 57-68)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employees (pages 36-45) Performance Data (pages 57-68)
Aspect B2: Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	Health and Safety (pages 28-35)
KPI B2.1	"Number and rate of work-related fatalities.	Health and Safety (pages 28-35) Performance Data (pages 57-68)
KPI B2.2	Lost days due to work injury.	Health and Safety (pages 28-35) Performance Data (pages 57-68)
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety (pages 28-35) Performance Data (pages 57-68)

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HKEx Reference	Recommended Disclosures	Reference
B. Social Employment and Labour Practices		
Aspect B3: Development and Training		
General Disclosure	Information on: 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.	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Employees (pages 36-45)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employees (pages 36-45) Performance Data (pages 57-68)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employees (pages 36-45) Performance Data (pages 57-68)
Aspect B4: Labour Standards		
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 preventing child and forced labour.	HAECO Group does not operate in circumstances and environments with high exposure to risk concerning child or forced labour. Indeed, we have Established Supplier Corporate Social Responsibility Code of Conduct to ensure our suppliers follow the same direction. <i>In 2017, we were not aware of any case of non compliance relating to child and forced labour</i>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Business Partners (pages 46-50)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Business Partners (pages 46-50)
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Corporate Governance and Sustainability Management (pages 10-17) Materiality Assessment (pages 16) Business Partners (pages 46-50)

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HKEx Reference	Recommended Disclosures	Reference
Operating Practices		
Aspect B5: Supply Chain Management		
KPI B5.1	Number of suppliers by geographical region.	Business Partners (pages 46-50)
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. Significant changes during the reporting period in size, structure, ownership or supply chain.	Corporate Governance and Sustainability Management (pages 10-17) Business Partners (pages 46-50)
Aspect B6: Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Corporate Governance and Sustainability Management (pages 10-17) Health and Safety (pages 28-35)
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 (pages 28-35)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Business Partners (pages 46-50)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Business Partners (pages 46-50)
KPI B6.4	Description of quality assurance process and recall procedures.	Health and Safety (pages 28-35)
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Business Partners (pages 46-50)

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HKEx Reference	Recommended Disclosures	Reference
Operating Practices		
Aspect B7: 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.	Corporate Governance and Sustainability Management (pages 10-17) Employees (pages 36-45)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Employees (pages 36-45)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Employees (pages 36-45)
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community (pages 51-56)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community (pages 51-56)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community (pages 51-56)

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Scope and Objective

Hong Kong Quality Assurance Agency (HKQAA) was commissioned by Hong Kong Aircraft Engineering Company Limited (hereinafter referred to as “HAECO”) to undertake an independent verification of the HAECO Group Sustainable Development Report 2017 (hereinafter called “the Report”). The Report stated the overall sustainability performance and efforts made by HAECO Group for the period from 1st January 2017 to 31st December 2017. Quantitative data regarding the economic, environmental and social performance such as greenhouse gas emission, number of lost time injury, average training hours of employees and contribution to community are verified based on the methodology described below.

Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion and the extent of this verification

process undertaken was provided for the core aspects of the GRI Standard. In order to understand the process that HAECO adopted to ascertain the key sustainability issues and impacts, the Report compilation process was discussed including stakeholder engagement and materiality assessment processes. Also, system and process for collecting, collating and reporting sustainability performance data were verified. Our verification procedure performed covered reviewing of relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying the selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

HAECO Group is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or in the development of the Report. Our verification activities are independent from HAECO Group.

Conclusion

Based on the verification results and in accordance with the verification procedures

undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the core option of the GRI Standards and the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited ;
- The Report illustrates HAECO’s sustainability performance on the significant aspects in a balance, comparable, clear and timely manner; and
- The data and information states in the Report are reliable and complete.

HAECO Group has been engaging with its stakeholders continuously and being very responsive to the feedbacks gathered from the stakeholder engagement process by improving its disclosure regarding the material issues that are of importance to the company and high level of interest by stakeholders. The Report reflects appropriately HAECO Group’s sustainability context and materiality.

Jorine Tam

Director, Corporate Business
May 2018

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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.

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