



Best in the World Best for the World

2019 Sustainable Development Report

2019 Highlights



SOCIAL

- ✓ Developed HAESL's Diversity and Inclusion Policy to promote an inclusive and supportive working environment
- ✓ Established the "HAESL Women's Network" to empower and support women in our workforce
- ✓ Continued participation and monetary contribution for community-based projects and charitable events



ENVIRONMENTAL

- ✓ Achieved 7.1% reduction in carbon intensity
- ✓ Enhanced the use of resources, improving our recycling rate to 26.3%
- ✓ Promoted efficient use of water resources and reduced water intensity by 11.6%
- ✓ Awarded the Certificate of Merit in the Manufacturing and Industrial Services Sector of the Hong Kong Awards for Environmental Excellence



ECONOMIC

- ✓ HAESL delivered its highest ever engine output with a total of 242 engines being successfully repaired and overhauled
- ✓ World-leading expertise in overhauling the Trent XWB, the latest engine product from Rolls-Royce

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About this Report





The HAESL Sustainable Development Report is compiled in accordance with the Global Reporting Initiative (GRI), Core Option framework. The report discloses HAESL's commitment in sustainable development including strategies, targets, management approaches and our environmental performance. The material topics reported in this report are in accordance with GRI topic-specific disclosures and defined through a materiality assessment and stakeholder engagement processes. Details are provided in the section "Our Approach to Sustainable Development".

REPORTING FREQUENCY

This Sustainable Development Report is published annually. We published an annual Environmental, Health and Safety Report in 2004, 2005 and 2006, before migrating to a Corporate Social Responsibility Report in 2007 and a Sustainable Development Report from 2008 onwards. Historical reports are available for download at the HAESL website: <https://www.haesi.com/en/sustainable-development/sustainability-reports/>

SCOPE AND BOUNDARY

Our Sustainable Development Report describes the challenges and opportunities in social, environmental and economic aspects of our operations at Tseung Kwan O, Hong Kong SAR, China, and details our strategies and solutions in achieving sustainable development. This report covers the calendar year from 1st January 2019 to 31st December 2019. We aim to provide comprehensive, clear and concise information on all topics that we and our stakeholders consider to be of relevance for sustainability.

RECORDING OUR SUSTAINABILITY INDICATORS

Credible reporting is based on transparency and validity of data. We register the data of all relevant organisational departments that fall within the scope of our activities. The data undergoes checks to ensure a high level of data integrity.

The reported indicators are rounded in accordance with standard commercial practice. In some cases, due to rounding, the sum of the figures given in this report may not exactly equal the stated totals and percentages may not precisely tally with the figures indicated.

REPORT ASSURANCE

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We entrust the Hong Kong Quality Assurance Agency (HKQAA) to verify the completeness and accuracy of our report. You can find a statement to this effect and a summarised GRI Index in this report in the Appendix.

PRACTICAL INFORMATION

The report is available in English and Traditional Chinese. Designations such as manager and employee refer equally to men and women; the masculine form of personal pronouns is used in such cases solely to simplify the text.

Any feedback on our performance and initiatives, or suggestions as to how we may be able to improve the content and presentation of this report, would be most welcome. Please contact our Sustainable Development Department by email at sd@haesi.com or through our website at www.haesi.com.

Message

from the Director and General Manager

2019 was an exciting year of growth and development for HAESL. We repaired and overhauled 242 engines, the highest level of engine output achieved since we began operations in 1998. At the same time we supported our customers by delivering strong, supportive service and favourable turnaround times.

Central to success was the strength of teamwork of both our operational teams and all supporting departments. Rolls-Royce recognised HAESL's quality and performance by rating us as being in the top 3 companies for their "Trusted to Deliver Excellence" award out of their top 120 global suppliers.



Record engine throughput was met by growing our strong workforce and enhancing our workshop facilities. We increased staffing by over 100 in 2019 and adding youthful enthusiasm to great experience. The recently built Phase VI building was fully operational in 2019 and provided not only additional operations space but also the further benefit of freeing space for expansion of our receivals and stores areas elsewhere in the facility. Additional staff recreational facilities were provided on the roof of Phase VI including a tennis court, a gym, a music room and space for gardening activities.

Central to HAESL's future has been the development of our engine maintenance, repair and overhaul capability for two of Rolls-Royce's latest models of engines, the Trent XWB-84 and Trent XWB-97, both powering the Airbus A350. We have initiated, embedded and grown our capabilities for handling the Trent XWB, an engine that will be of high importance to us for years to come.



Ensuring the health and safety of our staff is our first priority. In 2019, we adjusted both our company coach routings and some of our shifts to minimise any risk to our staff from social unrest events. We strive to achieve zero harm to our staff by constant focus on safety in the workplace. Whilst we have experienced a strong trend in reduction of injuries over the last five years, in 2019 we had 7 Lost Time Injuries, largely related to lack of spatial awareness or slip hazards. There was some consolation in that the severity of the injuries was mostly low and we have considerably reduced our lost days rate from the level of four years ago.

We continued to maintain our environmental commitment and community engagement. We invested in a number of environmental improvement programmes to enhance our environmental performance. Solar panels on the roof of the Phase VI Building began operating in mid-2019 and a further development of solar panels is planned to be installed and in operation by the third quarter of 2020. Measures to enhance staff awareness of decarbonisation, responsible use of water and turning waste into resource were carried out in 2019.



2019 was a strong year for HAESL in both financial and social performance. I would like to take this opportunity to thank all of our staff for their hard work and devotion and also our stakeholders for their continuous support. We will continue to work to make a positive impact on society and strive to meet our vision of being “Best in the World, Best for the World”.

These contributed to the reduction of our carbon emissions per man-hour worked by 7.1% and our water consumption rate by 11.6%, as well as achieving a 20% increase in the amount of recyclables diverted from waste. Over HK\$628,000 was contributed to the community, supporting different charitable causes, including scholarships for university undergraduates, donations for youth development, disabled and underprivileged social groups as well as support for environmental initiatives. We had the honour to be awarded the logo of “Caring Company” for the fifth consecutive year by the Hong Kong Council of Social Service.



-7.1%
CARBON
INTENSITY



-11.6%
WATER
INTENSITY



+20%
WASTE
RECYCLED

In early 2019 we launched the HAESL Women's Network. Our goal is to ensure HAESL is an enjoyable workplace with equality of opportunity for both women and men; we wish to enable our female colleagues to achieve their full career potential as individuals and leaders. We also established a Diversity and Inclusion Policy to support an environment that provides equal opportunities regardless of age, gender, disability or race. We believe that a supportive and inclusive workforce is to the benefit of all.

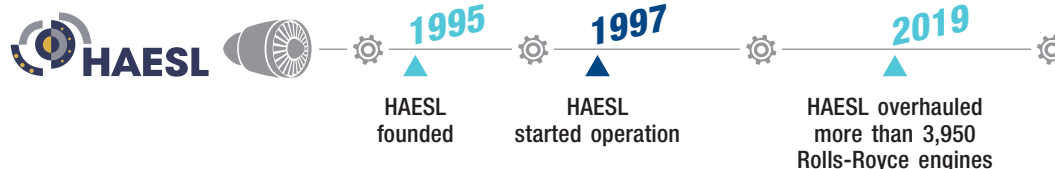
ANGUS BARCLAY

Director and General Manager




About
HAESL

Best in the World,
Best for the
World



OUR STORY

Hong Kong Aero Engine Services Limited (HAESL) provides world-class aero engine and component repair services to many of the world's most respected airlines that have chosen Rolls-Royce to power their fleet of Airbus and Boeing aircraft. Sustainable Development is one of HAESL's core strategic objectives both for the benefits it provides to all our stakeholders and to enable long term value creation for our shareholders.

HAESL's origins precede its official founding by extending back to the 1940's when the Swire group identified the aviation industry as a potential business opportunity. Having no experience in aviation but with expert engineering skills in ship maintenance, Swire formed the Pacific Air Maintenance & Supply Company (PAMAS), which in 1950 merged with Jardine Air Maintenance (JAMCo) to become Hong Kong Aircraft Engineering Company Limited (HAECO) .

The growing demand within the aviation industry and a desire from HAECO to grow within the Asia region led to an astute strategic decision to form a Joint Venture with a leading aero engine Original Equipment Manufacturer (OEM); hence HAESL was founded in Hong Kong in 1995 as an equal share joint venture between Rolls-Royce  and HAECO, located at Tseung Kwan O Industrial Estate, Hong Kong. It became operational in 1997 with the testing of the first Rolls-Royce Trent 700 engine. Over the years, HAESL has grown its capability of repair and overhaul of Rolls-Royce RB211 and the Trent series of engines. Up to 31 December 2019, HAESL has overhauled more than 3,950 Rolls-Royce engines since its establishment.

The winning combination of leveraging on Rolls-Royce's strength as an OEM and HAESL's experience as a maintenance repair organisation in Asia allows HAESL to offer high quality and comprehensive services to its customers and to be recognised as a prominent and sustainable business. Looking forward, HAESL will continue to develop knowledge and capability in overhauling the Trent XWB engine. With the opening of the 15,000 m² workshop building, Phase VI, HAESL will continue to grow and strive to achieve its vision of being "Best in the World, Best for the World".

More information about our business and latest developments is available in the section "Our Business and Value Chain" of this Report and on our website www.haesi.com.



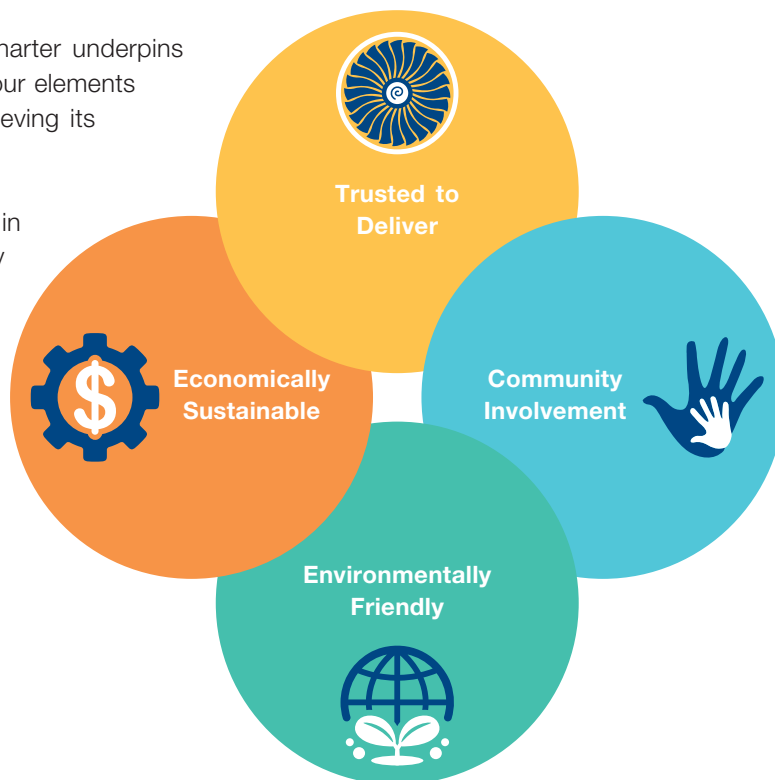
OUR VISION AND THE SUSTAINABILITY STRATEGY

Our Vision: *"Best in the World, Best for the World"*

HAESL's vision is to be the best aero engine maintenance, repair and overhaul organisation in the world and share long-term value with our stakeholders through sustainable development of our business. This is founded on our ability to continually deliver our services within an agreed time frame and to maintain a high standard of quality.

The HAESL Sustainable Development Charter underpins our strategy to sustainability. There are four elements in the Charter supporting HAESL in achieving its vision.

The first two elements are vital in building trust with our customers by providing dependable and economical maintenance services and in return continuously generating value for our shareholders and stakeholders. By excelling in this, we shall retain and grow our customers and be able to develop new business and capabilities, which in turn allow us to contribute to our local community by providing more employment opportunities.



The second two elements focus on minimising negative impact on the environment and making positive contribution to our community. Through these two elements, we endeavour to be a responsible corporate citizen and to achieve our goal of "Best for the World".

By exercising our Sustainable Development Charter and upholding our core values, we are working to turn our vision into reality.

Our Core Values

"TEA & RICE"



Teamwork
&
Respect



Integrity



Commitment



Excellence

All information with regard to HAESL's sustainability policy, sustainability framework and methodology are documented in a HAESL Engineering Procedures Manual that is open to and accessible by every employee.

ETHICS AND COMPLIANCE

Doing business in an ethical way and in compliance with all applicable laws is essential to HAESL as a sustainable and socially responsible business. Our Board of Directors and Senior Management Team place the highest priority on overseeing and managing ethics and compliance issues related to our business. We hold a quarterly ethics and compliance link call with Rolls-Royce, where our senior management and function heads review any issues, whilst providing the opportunity for the sharing of best practices.

Our Code of Conduct, which is available online at www.haesi.com, sets out the detailed principles and standards expected by the Company. In addition, the following policies and procedures in areas of anti-corruption, competition compliance and customer privacy are available:



**Gifts and
Hospitality
Policy**



**Competition
Law
Compliance
Manual**

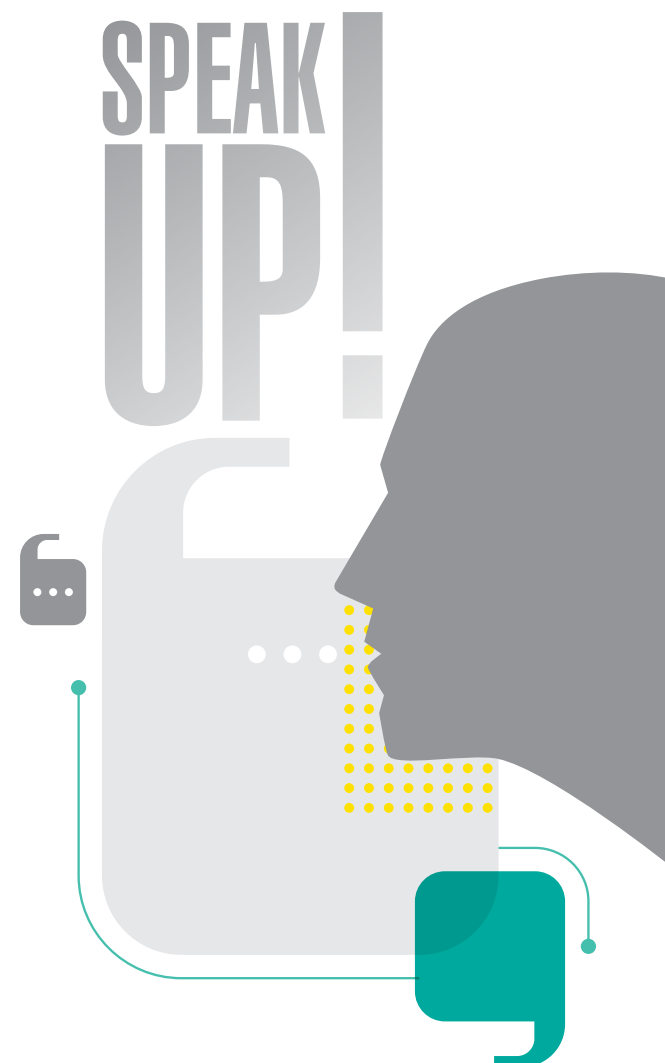


**Information
Security
Policy**

These policies are introduced and reinforced to all new and existing staff members through induction training and refresher training respectively. A monthly training session covering Values, Code of Conduct and Compliance, is provided to all new joiners in order to help them better understand the requirements of the company's policies.

We also take steps to create and foster a business culture in which our people feel comfortable to "speak up". We have introduced the practice of Ethical Dilemma Discussion from Rolls-Royce, through which our employees are made aware of what to do and to whom to speak with when they are faced by an ethical dilemma. We have established an anonymous reporting facility, the Ethicspoint System, operated by a third party company, to provide our staff a safe and direct channel to report potential unethical or non-compliant activity.

Our Senior Management Team reviews occurrence reports on any potential unethical or non-compliant behaviours and reports any issues raised directly to the Board of Directors.





GOVERNANCE STRUCTURE AND COMMITTEES

Corporate Governance

HAESL's Board of Directors conveys the highest priority to strategic governance and provides the guidance by which HAESL is directed in the interests of all its stakeholders. The effectiveness of HAESL's approach towards strategic governance forms the foundation for HAESL's strength in its values, reputation and ability to achieve its objectives.

The Board of Directors comprises six Non-Executive Directors who are appointed by the shareholders according to business expertise and qualification. HAECO and Rolls-Royce appoint three directors respectively, meeting four times a year.



Senior Management Team

HAESL's Senior Management Team is led by our Director and General Manager Mr. Angus Barclay, and also comprises three other General Managers with individual executive responsibility for Commercial activities, Finance & Administration and Operations. This team acts as the HAESL Executive Committee to establish long-term objectives and strategies for HAESL and define directives and principles for the resulting company policy. The Senior Management Team decides on the portfolio, develops and deploys managerial staff, allocates resources and holds responsibility for the company's financial steering and reporting.

Sustainable Development Governance

The Sustainable Development Governance Committee governs sustainable development issues, sets the Sustainability Strategy and meets on a regular basis to oversee activity.

The committee is comprised of the Senior Management Team, the Human Resources Manager and the Sustainable Development Manager. They ensure that the Company's business objectives and operations are in alignment with its commitments to sustainable development and that the expectation for sustainability from our shareholders and stakeholders is fulfilled by implementing appropriate and effective policies. These policies include planning, executing, reviewing and improving Corporate Social Responsibility and environmental protection programmes that are in line with our Sustainability Strategy.

Safety Review Board

HAESL's Safety Review Board governs the management systems for Risk, Safety and Quality. It is formed by the Senior Management Team, Quality Assurance Manager, and Safety and Improvement Manager. They provide support and resources for the execution of these management systems as well as monitoring the effectiveness of each system.

Other Committees

Over 1,000 employees work to support engine overhaul and component repair activities in our facility. A close relationship among different functions is vital to our success. The HAESL management team is committed to ensure that everyone is working towards our vision.

In order to maintain strong communication between the management and all levels of staff, a number of committees representing key elements of the business have been established. These include the Occupational Safety & Health (OSH) Performance Review Group, the General Staff Consultative Committee (GSCC) and the Contract Staff Association (CSA). The OSH Performance Review Group comprising of all Function Heads is chaired by the General Manager Operations. It meets bi-monthly to discuss OSH related issues, risks and improvement opportunities. The General Staff Consultative Committee and the Contract Staff Association are forums where staff representatives and a member of the Senior Management Team, along with Human Resources Manager, meet on a regular basis to discuss issues and concerns that may arise from the staff community. All HAESL employees, depending on their job grade, are members of either the GSCC or the CSA upon joining the company and are eligible for electing their representatives.

Our Approach to Sustainable Development



Understanding the materiality of various sustainability issues is essential to our sustainable development. In 2018, HAESL undertook a detailed materiality assessment to identify and evaluate sustainability topics that matter most to our business and stakeholders.

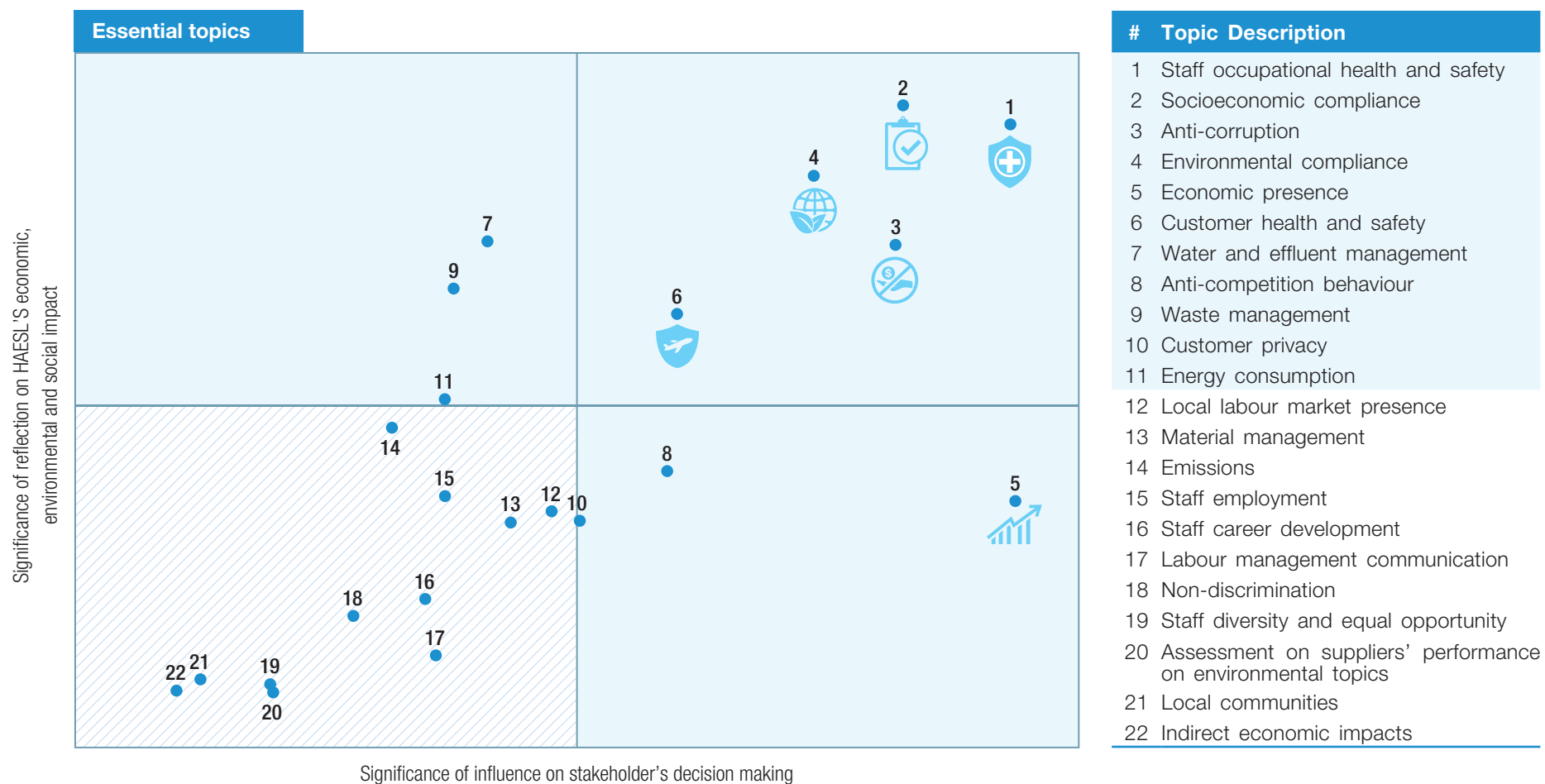
In line with the GRI Standards, the materiality of a topic is defined on two dimensions, i.e. 1) whether the topic reflects HAESL's significant economic, social and environmental impact, and 2) whether the topic has significant influence on the decision making of HAESL's stakeholders. The following stakeholders were identified and engaged in our assessment:



All the stakeholders we engaged were briefed on the purpose of the assessment and were then invited to access the materiality through face-to-face interviews or email questionnaires. Responses given by our stakeholders were consolidated and developed into the materiality matrix below.



CONSOLIDATED MATERIALITY MATRIX BASED ON STAKEHOLDERS' ASSESSMENT



Among 22 listed topics, 11 topics were scored higher by our stakeholders and were assessed as essential to HAESL's sustainable development. In this Report, essential topics are prioritised with topic-specific disclosure according to the GRI Standards. The table below indicates the location of relevant information for each topic.

Essential topics	Where to find the relevant information	Page
Staff occupational health and safety	Our People	15–23
Socioeconomic compliance	About HAESL: Best in the World, Best for the World	6–10
Anti-corruption	About HAESL: Best in the World, Best for the World	6–10
Environmental compliance	Our Environment	33–39
Economic presence	Our Business and Value Chain	40–44
Customer health and safety	Our Business and Value Chain	40–44
Water and effluent management	Our Environment	33–39
Anti-competition behaviour	About HAESL: Best in the World, Best for the World	6–10
Waste management	Our Environment	33–39
Customer privacy	About HAESL: Best in the World, Best for the World	6–10
Energy consumption	Our Environment	33–39

In addition to defining the content of this report, the materiality assessment is critical for HAESL to understand what matters to our Stakeholders and hence will shape how we set our SD strategies and how we carry out SD related activities.



Our People





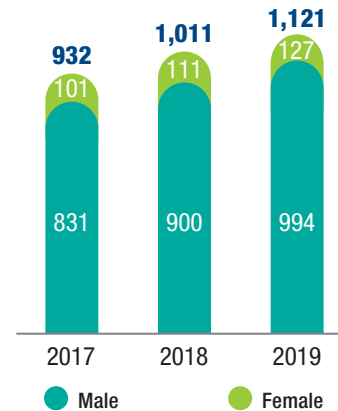
At HAESL, an engaged workforce with a strong safety culture and ambition for continuous development is central to making our business successful and sustainable. One of our key strategies is to constantly refine our way of attracting and retaining talented people, through engagement, development and providing a supportive culture.

As we put workplace safety as our highest priority, working together with our people to build a strong safety culture and eliminate safety hazards in the workplace is of paramount importance. We have developed practices to engage our people and support them to grow to their potential. On-Job Training, soft skills training, safety coaching, departmental offsite training and team building events are organized throughout the year. A remuneration policy review is conducted annually to ensure we remain competitive in the market.

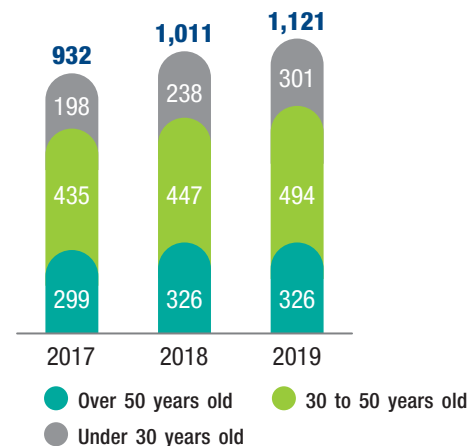
ABOUT OUR WORKFORCE

Employment statistics (by type of employment by gender, age and years of service)

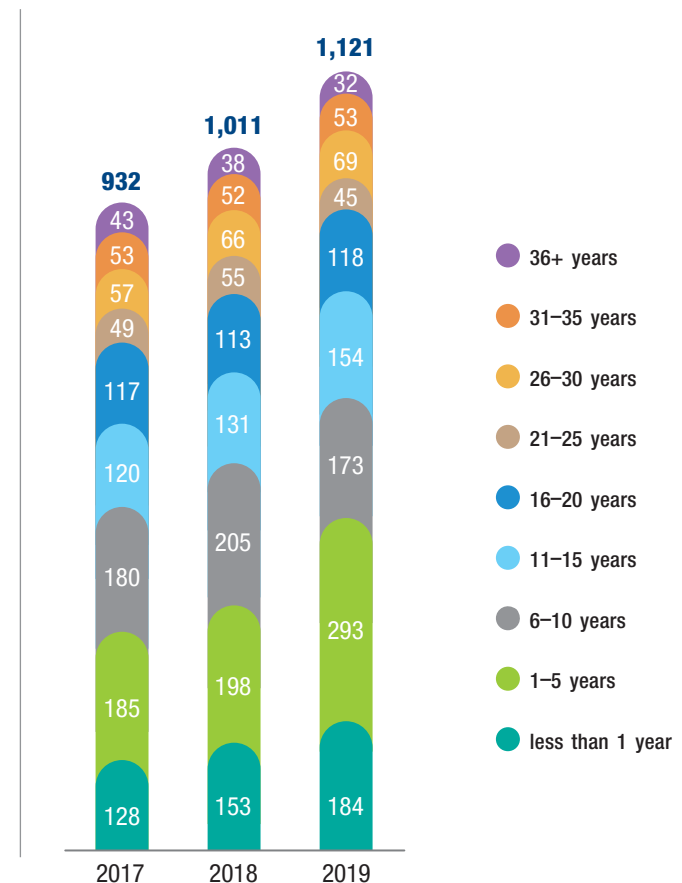
Total workforce by year by gender



Total workforce by age group



Total workforce by years of service



BUILDING A STRONG WORKFORCE

Diversity and Inclusion

We believe in equal opportunities for all our employees and recognise that our business benefits from the diversity of our people. We are committed to creating an inclusive and supportive working environment for all our employees regardless of their age, gender, family status, disability, race, ethnicity, nationality, religious and/or political beliefs. We do not tolerate discrimination, bullying, harassment or victimization on any grounds. Our Diversity and Inclusion Policy based on these principles was established in 2019 in order to strengthen an inclusive culture and happy workplace.

A greater understanding of D&I is seen as valuable. A workshop on “Unconscious Bias” was held for the management team to help understanding with implicit bias and how they affect decisions without realising. HAESL also launched promotional campaigns, such as an interactive game booth at the Christmas party, to help employees better familiarise themselves with the D&I policy.



The MRO industry is traditionally male-dominated. At HAESL we wish to ensure our workplace provides a positive working environment for both men and women. Noting the smaller proportion of women in HAESL's workforce, HAESL established the HAESL Women's Network (HWN) in 2019. The aim of the HWN is to empower and support female employees by sharing information, identifying learning opportunities, supporting peers and raising awareness of women's issues. The HWN is supported and coordinated by the HWN Committee and overseen by the HAESL Diversity Steering Committee comprised of the senior management. In addition to planning and organising HWN's events, the HWN Committee is also responsible to identify women's concerns in the workplace and give advice to the Steering Committee while promoting a better understanding of gender equality issues across the Company through training and education.

In 2019, HWN organised a series of workshops, yoga classes and wellness talks to promote mental health and work-life balance among female staff. To better understand the perspective of working women in HAESL, female engineers were invited to share their experiences and thoughts on our Company newsletter, HAESL.com.



Employee Engagement

To engage our people, HAESL continuously seeks feedback from employees through multiple channels. We encourage open collaboration, involvement and engagement to unleash the potential of every individual and to help them perform at their very best.

HAESL conducts an annual Employee Engagement Survey which covers 13 areas: Teamwork, Respect, Integrity, Commitment, Excellence, Health & Safety, Community & Voluntary Work, Communication, Staff Recognition, Work Design, Training & Development and Job Satisfaction with Diversity and Inclusion newly added in 2019. Employees are encouraged to provide their feedback to a set of questions in this anonymous Survey. All feedback is analysed and discussed directly with the Senior Management Team. This practice helps HAESL to understand the factors relating to employees' performance empowerment, what our people need, and where there is room for organisational improvement. To attain a more comprehensive and in-depth understanding of the Survey results, multiple focus group sessions between the management and staff were arranged. Staff members could feel free to give suggestions and raise concerns in the focus groups. Management's responses to the opinions are shared with all staff through the company newsletter and departmental meetings. Overall, the Employee Engagement Survey is well received by our staff and has shown an increase in rating year-on-year. In 2019, 829 survey forms were received and the response rate was 74% with broadly very positive feedback.

HAESL values the ideas and opinions of its people. Further to the Employee Engagement Survey, staff are encouraged to raise ideas through the Staff Suggestion Scheme where suggestions are collected and passed to relevant departments for review and action. On a regular basis we evaluate the suggestions collected and those who contribute the most valuable suggestions are recognised and rewarded.

Communication Channels

Effective two-way communication between management and staff is an essential element in enhancing employee engagement. HAESL has established various channels to ensure the voice of the employees is well heard by the management team.

Our Director and General Manager hosts staff briefing sessions twice a year as a direct communication platform with our employees to share the latest updates on the Company's key financial results, operational performance, business outlook and priorities. At the briefings, staff are encouraged to raise questions and suggestions directly to the Senior Management.

Our management holds regular meetings with the General Staff Consultative Committee (GSCC) and the Contract Staff Association (CSA) to address concerns and opinions on employee welfare.



Company information such as policy updates, health & safety campaigns, latest announcements and staff activities are shared through posters and signage TVs, as well as via our intranet Portal and the HAESL Mobile App. The intranet Portal can be accessed through company computers located all around our facility, while the Mobile App is designed to be installed on our staff's own mobile phones, providing an effective and platform for day-to-day information such as medical service locations, coach arrangements, staff purchase offers, the daily canteen menu and various event updates.

Our staff newsletter "HAESL.com" is published on a quarterly basis, providing our people with a broad view of what is happening in HAESL. The content ranges from business performance, safety and quality updates, to interviews with experienced colleagues, staff benefits, sustainable development events and recreational activities.

HAESL Storyboard Briefing

To provide a communication springboard within the company, our Director and General Manager prepares a video regarding the company's progress and business focus every year, named the "Storyboard". It is presented by departmental managers to all staff, Q&A sessions are held after the presentation. The Storyboard aims to provide a platform for management and staff to discuss and reinforce company developments and upcoming events. In 2019, the Storyboard covered the Business Outlook for 2019, Trent XWB-97 Capability Development, an update on Phase VI facilities, direct staff expansion, development of High Performance Culture in HAESL, and the introduction of the "I Care I Save" programme.

Communication channels	Frequency
HAESL Storyboard	Annually
DGM Briefing	Half Yearly
GSCC & CSA Meeting	Monthly
Departmental Briefing	Weekly
Team Briefing, Portal & HAESL App	Day to Day



Staff Amenities and Wellness

Providing our people with good amenities and helping them to achieve positive physical and mental health is a key element of HAESL's approach to supporting Employee Wellness. At HAESL, our people are provided with broad medical benefits and access to medical services at various locations in Hong Kong and with physiotherapy treatment both offsite and onsite at HAESL. To make the everyday commute easier, staff coaches are arranged between HAESL and most major residential areas at subsidised rates. Our onsite staff canteen provides meals every day at discounted prices. HAESL also has an active sports association and provides various recreational facilities including a gym, a basketball court, a tennis court, table tennis and music facilities.

Healthy employees are happier, better engaged and more productive. Through the year, we provide health talks to staff focusing on both emotional and physical wellness to enhance physical wellness in the workplace, healthy behaviours and emotional well-being. In 2019, talks featured "Effective Weight Control Program" and "Hair and Skin Health".

STAFF DEVELOPMENT

As an aero engine overhaul and component repair company, our employees are required to maintain high level of competency with the correct skills and appropriate knowledge of a broad set of requirements including safety, repair techniques, aviation regulation and customer requirements. We provide professional and approved training programmes to every employee at all levels of the organisation.

Our training is provided according to the results of an annual training needs analysis and is administrated through an employee training matrix for all employees. Every employee's training plan is reviewed and updated on an annual basis. In 2019, HAESL provided in excess of 45,500 training hours to its employees with an average of over 40 training hours for each employee.

Employee category	No. of employees as at 31 Dec 2019	Total training hours in 2019	Average hours of training in 2019 (hours/employee)
General Staff	992	40,856	41.19
Supervisory Staff	85	3,263	38.39
Management Team	44	1,400	31.82
Total	1,121	45,520	40.61

Safety Training

New employees are provided with safety training as part of their induction into HAESL as we believe that understanding their role in maintaining a safe and healthy workplace and being aware of all possible hazards in the new environment are of utmost importance.

In addition to the induction training, safety management training, mandatory safety training, human factors training, and job-specific safety training are provided according to individual requirements.



>45,500
TRAINING
HOURS

Skill Development for New Employees and Lifelong Learning

To support the growth of the business, HAESL has increased its workforce significantly in recent years. A structured Skill Development Plan is developed for all new recruits to ensure our people are well equipped with appropriate skills and are fully competent. The plan covers job skills, competencies, and functions. Relevant instructor-led technical courses, such as New Induction Practical Training are also delivered.

In addition to technical training, new staff are also required to attend courses such as Basic Lean Transformation, High Performance Culture, and Environmental Conservation Best Practices within the first six months. The Skill Development Plan is designed to help new employees adapt quickly to our working environment and company culture.

HAESL supports lifelong learning for staff which involves both refresher training and the opportunity to attend further training programmes.

The Mentor Programme, the Buddy Scheme and the Caring Programme

We recognise the importance of helping new members of staff joining the Company, especially the younger members of the team who have just completed education and are new to the working environment. We introduced a Mentor Programme and a Buddy Scheme to help our newcomers learn the required skills and techniques from assigned mentors and build relationships within the Company to gain support and guidance.

In 2018, we rolled out the Caring Programme, aiming to help new staff to develop their career path at HAESL. In this Programme, selected senior and experienced staff members are appointed as Caring Officers to carry out induction and career development activities from the first working day of new employees through the course of their first-year traineeship. The Caring Officers will also monitor the development progress of new employees, provide them with advice and feedback, and identify their strengths and areas for development.





SAFETY CULTURE

Occupational safety in the workplace is of paramount importance to HAESL. Our Senior Management puts safety as the highest priority and targets to achieve zero harm. We adopt the OHSAS 18001 international standard of occupational health and safety management for maintaining our health and safety environment. To achieve our goal of zero harm in the workplace, we constantly enhance the safety awareness of our people by monitoring our safety performance and identifying hazards in the workplace.

Senior Management Commitment

We recognise that leadership is crucial in the creation of a culture that supports and promotes occupational safety and health. Our Senior Management conduct a weekly safety walk accompanied by the responsible managers and the Health & Safety team to identify potential hazards. This demonstrates to staff Senior Management's high commitment to safety in the workplace. The exercise also identified 443 potential safety hazards during 2019. The Occupational Safety & Health (OSH) Performance Review Group oversees the safety of all activities. The Group meets regularly to monitor the safety performance and response to the hazards identified in the workplace. All workplace incidents are reported in accordance with the Incident Reporting Procedure and the statistics are reported in the OSH Performance Review Group Meeting.

Staff Involvement

Hazard Management

Staff participation is vital to ensure safety, as staff have the most knowledge of potential hazards and risks in the workplace. Frontline staff work together with HAESL's risk practitioners to identify, analyse and mitigate hazards under the Job Safety Analysis programme (JSA).

The JSA process identifies, evaluates and manages job-related hazards to reduce their impact and likelihood of occurrence to as low as reasonably practical. All potential hazards identified are risk assessed against individual standard scoring schemes for occupational safety and product safety. Hazards deemed as high or medium risks are mitigated within an agreed time frame.

Proactive Reporting

We encourage staff to proactively report health and safety concerns to minimize the potential for accidents to occur. The I Care I Report (ICIR) + I Resolve Programme encourages the reporters to cooperate with other colleagues in resolving safety problems together.

Each ICIR submitted is assessed and scored against four criteria – quality of the report, the severity of the impact, the likelihood of occurrence and effort made to tackle the problem. In 2019, 3,248 ICIR observations were submitted, which was 628 more compared to those in 2018. Unfortunately, the Lost Time Injury Rate slightly increased from 0.34 to 0.54. HAESL management believe all injuries are avoidable and will strive to reduce the number of injuries in 2020. Safety remains as our first priority. Our man-day lost rate increased from 2018, to 11.7 in 2019. This reflected the increased number of lost time injuries. Our goal is to achieve zero harm.

HAESL believe that the I Care I Report mechanism continuously encourages everyone to proactively engage in safety-related issues and to take collective responsibility for health and safety.



Occupational Safety & Health Work Group

The Occupational Safety & Health Work Group connects the OSH Performance Review Group with our employees. Members of the group are staff representatives and are elected every year. The group meets every month with the aim of assisting with the implementation of the Safety Policy, proposing new initiatives, conducting periodic site inspections, advising on the practicality of compliance with OSH rules, arranging OSH promotional campaigns and positively influencing OSH across the business.

Pristine Condition

To promote good health and safety practices in the workplace, HAESL has engaged with “Pristine Condition” to deliver manual handling training.

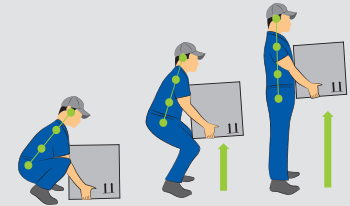
The “Pristine Condition” training consist of three parts. Firstly, the introduction of manual handling theory to the participants to acquire a basic understanding of the manual lifting facts and knowledge. Secondly, a practical demonstration by the trainer that illustrates the lifting procedure and highlights the dos and don'ts associated with lifting. Lastly, a group role-play that reveals a possible real-life case and the way to handle such an incident.

In 2019, a Pristine Condition coach trained a core team of HAESL staff to become advocates and to promote and train the Pristine Condition Principles to other staff, so that everyone can apply and follow the correct manual handling techniques in the workplace. Wall posters and Intranet Portal banners were posted as a reminder to our staff to be alert to correct physical handling. Through the promotion and training, we support the safety awareness of our staff to create a safer workplace.

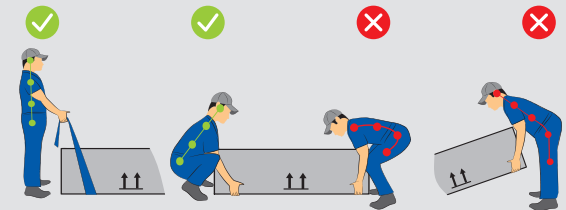


PRISTINE CONDITION TRAINING

The Manual Lifting



The Dos and Don'ts



A Group Role-play



Our Community



At HAESL we understand that connecting with and supporting our community are of great importance. Throughout the years since our establishment, we have developed various channels and programmes to exercise our corporate social responsibility and to encourage our staff to support our local community.



HAESL has been awarded the “5 Years Plus Caring Company Logo” in the Caring Company Scheme organized by the Hong Kong Council of Social Service (HKCSS) in recognition of the Company’s ongoing effort in caring for employees, caring for the environment and serving the community through a series of corporate social responsibility events.

In 2019, HAESL invested US\$81,000 to support the community, an increase of 18% compared to 2018, contributing to different charitable causes, ranging from scholarships for university undergraduates, donations for youth development, the disabled and underprivileged social groups, and supporting the environment. During 2019 HAESL recorded over 700 volunteer hours from 15 Sustainable Development events with 293 participants. Unfortunately, due to the social unrest in Hong Kong during the second half of 2019, a number of events had to be cancelled. Amongst the events cancelled was the annual Pedal Kart Grand Prix, which is normally one of the highlights of the year.



US\$81,000
SUPPORT OUR
COMMUNITY

HAESL will continue to make charitable contributions to important causes and non-profit organisations working on issues in the areas of children and youth development and environment conservation. We operate a Volunteer Service Leave Policy to encourage our staff to offer volunteer services to the community.



CHILDREN AND YOUTH DEVELOPMENT

Supporting Educational Needs

HAESL believes education is a way to unlock potential and cultivate talent. We provide bursaries to staff who embark on further education in fields related to their work in Hong Kong and to staff's children who study in local universities. We also support an endowed scholarship benefiting engineering students at the Hong Kong Polytechnic University. In 2019, we continued to invite students from all backgrounds to participate in plant visits and career talks at HAESL to promote aerospace education and general aviation knowledge by demonstrating an advance level of skill and expertise in the industry. We also provide sponsorship for the Hong Kong University of Science and Technology to support their aeronautics interest group.



Caring for Evangel Children's Home



HAESL continues its support of the Evangel Children's Home (ECH), which provides food, shelter, counselling and spiritual guidance to children and youth from disadvantaged families.

In January 2019, we joined children at ECH for a tree caring workshop provided by a certified arborist. During August, our volunteers together with teenagers from ECH learned about guide dogs and undertook activities to raise the children's awareness of people with different disabilities. We also held a Summer Charity Sale selling herbarium and succulents made by the children from ECH. From design to production, from promotion to sales, children gained opportunity to develop their talents. More than HK\$13,000 was raised and donated to the ECH. In October, HAESL supported the ECH flag fundraising day.

Fostering Youth Development

Through our activities and events, we aim to provide the young with a discrimination-free environment that all can enjoy, and support equal opportunities in education to help reveal full potential.

Little Artists Big Dreams

In February, children of HAESL staff participated in the UNICEF Little Artists Big Dreams drawing competition to support the "Cash Transfer for Deprived Children" project in China, and to send supportive messages to the children there. Through the competition, our staff's children were encouraged to acknowledge the underprivileged in society, spread their wishes for a better world and turn into action the spirit of "kids helping kids".

Outward Bound Hong Kong

In March, 16 of our volunteers participated in the Outward Bound Adventure Race 2019. This race aims to provide an opportunity for participants to challenge themselves physically and mentally, as well as developing their teamwork, leadership and problem-solving skills. For the year 2019, the funds raised were used to subsidise underprivileged youth joining Outward Bound courses which help them to achieve personal growth.



Tai Tong Eco-Park visit

In December, 20 HAESL volunteers partnered by the St. James Settlement visited the Tai Tong Eco-Park with children who had Special Educational Needs. Our volunteers accompanied the families during the visit and learned about the eco-system in the park. After the event, we understood more about the needs of the children and their families. Through understanding and providing a supportive environment, we believe that every child can shine and express themselves and develop.



ENGAGING THE BROADER COMMUNITY

Pedal Kart 2019

HAESL had designed three karts for the 2019 Pedal Kart Grand Prix, namely the F1 Kart, the Fun Kart, and a new Family Kart. Partnered with St. James Settlement – Family Joy Spot, we worked with people under rehabilitation to decorate the fairing of the Family Kart by using plastic bottles collected from our Company to emphasize the need for recycling. To promote environmental conservation, an animal theme, featuring a Killer Whale, was designed for the Fun Kart. Unfortunately, the 2019 race was cancelled. However, we all look forward to participating in the next pedal Kart Grand Prix and raising funds for the Hong Kong Roundtable to support local and regional charities.



Supporting the Elderly in Hong Kong

In appreciation of the contribution of the elderly to our society, we organised a variety of activities for our senior citizens. At the beginning of 2019, we donated a box of surplus calendars to the Salvation Army elderly centre at Yau Ma Tei. In June, we donated 150 rice dumplings to the members of the New Life Psychiatric Rehabilitation Association located at Chuek Yuen. During July, our HAESL members partnered with The Salvation Army to send warm meal boxes and our best wishes to the senior citizens who live alone in Kowloon City.



Other Fundraising and Donations for the Community

- During January, HAESL staff members donated 2 boxes of surplus calendars to the underprivileged families from the H.K.S.K.H. Lady MacLehose Centre.
- In April and May, we set up a donation box to raise funds for the Red Cross and arranged a blood donation day in October.
- In June, we participated in the OPCFHK Fundraising Flag Day to support the Ocean Park Conservation Foundation Hong Kong in the development of environmental conservation.
- During October, our volunteers participated in the Flag Day for HKADA to fight against Alzheimer's Disease in Hong Kong.
- In December, we arranged an Orbis World Sight Day event to raise staff awareness of blindness and support Orbis in improving the eye health of the greater community and enhancing sight-saving effectiveness the world over.



PROTECTING THE ENVIRONMENT

Support the World Wide Fund for Nature Hong Kong (WWF)

As a long-standing supporter of the WWF, HAESL continued to contribute to the Fund and its initiatives. In March 2019, we participated in the WWF Earth Hour event. We also organised a planting workshop in which our staff potted their own plants and helped to decorate the HAESL fence with greenery using recycled plastic bottles. This served as a demonstration in promoting innovative ways to support environmental conservation. An exhibition showcasing green lifestyles in combating climate change was also arranged, including a review of electricity consumption in the workshop.

In May, we joined a tour conducted by the WWF to discover about the Gei Wai Harvesting at Mai Po Nature Reserve. Our HAESL volunteers visited the museum to understand more about the Gei Wai culture and experience a shrimp harvest. The event helped to raise the awareness of the volunteers about the need for environmental conservation and the sustainable use of wetlands in Hong Kong.

Green Power Hike 2019

In January, two teams of HAESL volunteers participated in the Green Power Hike, the annual large-scale charitable fund-raising walkathon for Green Power, to encourage our staff to explore nature and to better appreciate the abundant ecological resources of Hong Kong. Donations received by the organisers are used for environmental education and conservation, including a wide range of environmental monitoring programmes, as well as the promotion of environmental education in local schools.





Cleaning up the Shoreline

In December, HAESL volunteers joined a shoreline clean-up activity at Tsing Lung Tau to help restore its cleanliness. The event provided volunteers with first-hand experience of the marine pollution issues in Hong Kong and the impact of plastic products on the environment.

Planting for the Future

HAESL actively promotes tree conservation by engaging in various planting events. In April, staff participated in a Tree Planting event organized by the Conservancy Association, which combined tree-planting, hiking, and various tasks. Through the challenge, our members learned more about the impact of climate change and the importance of spreading the message to “Save Trees, Conserve Nature”. In addition, our volunteers joined The Conservancy Association to support the survival of the Yellow-breasted Bunting by working with farmers in Long Valley. The team engaged in a series of rice planting tasks and other related activities.



Our Footprint in the Community



Environment Protection
Events & Campaigns



Community Involvement
Events



The Conservancy Association
Guardian of Long Valley Ecopaddy



WWF Gei Wai Harvesting



Tree Planting with
The Conservancy Association



Tai Tong Eco-Park
visit with SEN children



Tsing Lung Tau
Shoreline Cleaning



- New Year Gathering with *Evangel Children's Home*
- Knowing The Guide Dog at ECH Flag Day
- Co-cooking experience with senior citizen



Volunteering at
Pak Sha O Youth Hostel

- *Joyous Kitchen* Rice Dumpling Charity Sale
- Blood Donation 2019
- *Orbis* World Sight Day
- Wall Calendar and Canvas Donation to H.K.S.K.H. Lady MacLehose Centre
- Red Cross Flag Day Donation
- Flag Day for HKADA Donation
- Rice Dumpling Charity Donation
- New comer Team Building Workshop
- ECH Summer Charity Sales



UNICEF "Little Artists, Big Dreams"



HAESL

- *St. James Settlement*
- "PET Bottle Upcycling Workshop"
- Outward Bound Adventure Race 2019



Green Power Hike 2019



- *Swire Properties* "Books for Love" Donation
- *Greeners Action* Red Pocket Envelope Recycle & Reuse
- *WWF* Earth Hour 2019
- OPCFHK Fundraising Flag Day Donation
- No Straw Campaign

Our Environment





As a leading aero engine Maintenance, Repair and Overhaul (MRO) Company, we endeavour to conduct our business in a responsible and sustainable manner. We are committed to monitor and minimise our consumption of energy and natural resources, mitigate environmental impacts which arise from our operations, and take action to address climate change.

In recognition of our work and commitment, the Environmental Campaign Committee and the Environmental Protection Department of Hong Kong has certified HAESL as a Hong Kong Green Organisation for the years 2018–2020.





ENERGY AND EMISSION

Our overall energy usage includes direct and indirect sources. Direct energy sources include aviation fuel and Towngas. Jet A1 is the aviation fuel used for engine testing after maintenance work has been undertaken. Towngas is used for food preparation in the staff canteen.

The main indirect energy source is electricity, followed by fuel for air travel. These are required to support our ongoing business activities.

To monitor energy consumption relative to business activity, HAESL regularly reviews the energy intensity of our operation, by referring to the total energy consumed per unit of hours worked.

Main Energy Source

Direct	 Aviation Fuel
Indirect	 Electricity

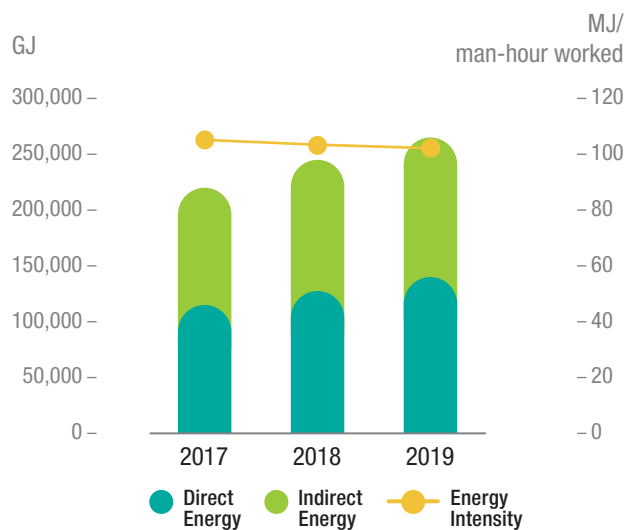
During 2019, the overall energy consumption increased from 2018 primarily due to the significant growth in engine overhaul and maintenance services provided. However an improvement in the energy intensity was achieved.

We have been actively monitoring and striving to reduce HAESL's carbon footprint and achieved a 7.1% reduction in the Greenhouse Gas (GHG) emission intensity when compared with that in 2018. The reduction was mainly attributed to the saving of fuel in engine tests due to a different mix of engine types requiring different amounts of testing.

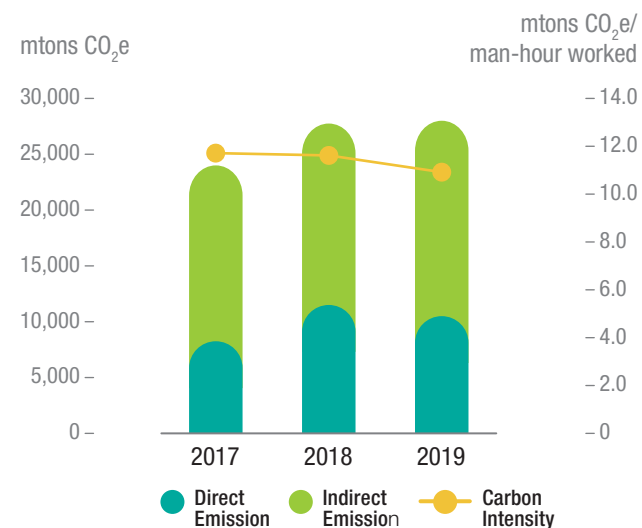


-7.1%
CARBON
INTENSITY

Total Energy Consumption and Energy Intensity



Greenhouse Gas (GHG) Emission and Carbon Intensity of Operation



All Forms of Energy Consumption

Aviation Fuel

HAESL had a year of growth in 2019 and the number of engine tests increased from 236 to 263 (11.4%) year on year. 263 engine tests consumed 3,164 tonnes of jet fuel. The total fuel used increased by 9.1% compared to 2018. The average jet fuel consumed per test was 12.03 tonnes. This was 2.1% lower than 2018, predominantly due to the type of engine test required.

Towngas

Towngas is used to support the canteen operation. In recent years, we changed some of the cooking equipment from consuming gas to electricity. The Towngas consumption decreased from 476,640 MJ in 2018 to 465,072 MJ in 2019, despite a growth in staff numbers and meals served.

Electricity

In 2019, HAESL consumed a total of 34.6GWh of electricity, which was 7.6% more than that in 2018. The increase in electricity usage was driven by the additional workload due to business growth. A series of energy saving measures were carried out, including the installation of LED lights, improvement work of the heating, ventilation & air conditioning system and staff engagement in relation to good house-keeping practices. As a result of the continuous effort in energy conservation, the electricity intensity in 2019 improved by 1.3% compared to 2018.

Solar Energy

Solar energy is a renewable and sustainable energy so HAESL has been exploring opportunities in setting up solar panels on our rooftops. 32 solar panels were installed on the roof of HAESL's Phase VI our plant in mid-2019, aiming to produce about 10,000 kWh per year for CLP Power Hong Kong Limited (CLP) through participating in its Renewable Energy Feed-in Tariff (FiT) Scheme. In view of this successful initial application, HAESL plans to scale up the solar photovoltaic system by installing additional solar panels on the roof of the Phase V building. It is planned to generate an additional 200,000 kWh of electricity annually, after its operation in the third quarter of 2020, for CLP under its FIT Scheme.



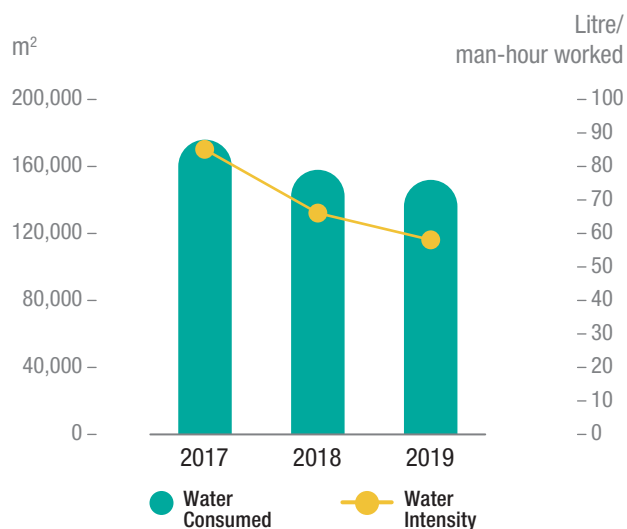
WATER MANAGEMENT

HAESL operates an air conditioning condenser recovery system in order to reduce water usage by our cooling towers. In 2019, 50 water saving aerators were installed in taps to further improve water conservation. We strive to improve water saving through enhancing staff awareness of the importance of water management. Water consumption in 2019 decreased by 3.6% to 151,771 cubic metres and water intensity improved by 11.6%.



-11.6%
WATER INTENSITY
IN 2019

Water Consumption and Water Intensity



EFFLUENTS

The use of chemicals is unavoidable in the MRO industry. The management of chemical waste is therefore central to our sustainability policy. To meet our own environmental responsibilities, our chemical specialists ensure waste is handled appropriately with minimal impact to the community.

HAESL's waste water treatment plants process liquid chemical waste before discharging the treated waste into the mains sewerage system. The remaining sludge, resins and other waste, including heavy metals, are collected from site and processed by a government approved waste disposal company. In 2018, the Environmental Protection Department granted HAESL a licence to commence use a new US\$2.5m waste water treatment plant, which will support our continued meeting of the obligations related to environmental regulations and laws as our business volume grows.



WASTE MANAGEMENT

Due to the growth in workload, the quantity of waste produced increased by 8.4% in 2019. However, the quantity of recyclables collected increased significantly from 122.8 tonnes in 2018 to 147.5 tonnes in 2019, a 19.6% increase compared to the previous year. Tremendous effort was made in encouraging the recycling of wooden waste and engaging the frontline staff. The amount of wooden waste recycled was 103.7 tonnes in 2019, representing an increase of 20.1% above that of the previous year. This was achieved through continuous engagement of staff through various communication channels.

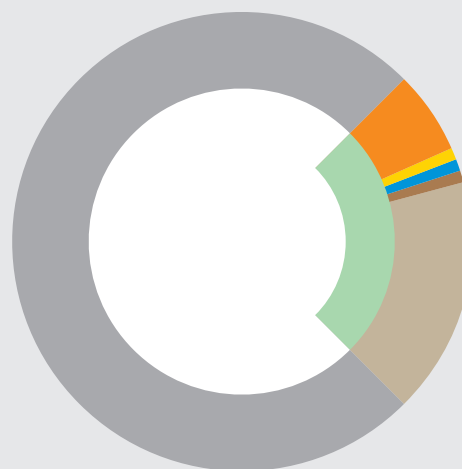
To ensure accessibility of recycling opportunities, many recycling bins are available around our facility. HAESL is keen to explore further opportunities to reuse and recycle whenever applicable. For example, we collect the packaging materials of engine parts sent to HAESL and re-use them when delivering repaired parts back to our customers; whilst reusable plastic and metal containers have been developed for internal movement of engine parts. The distribution of HAESL's solid waste in 2019 is shown in the table below.

No Straw Campaign

HAESL is trying to change staff's habits of using disposable plastic straws as the environmental impact relating to usage of single use plastic has become understood. In 2019, HAESL stopped providing straws at its canteen on Fridays, Saturdays and Sundays has actively participated in the "No Straw Campaign" organised by the Ocean Park Conservation Foundation Hong Kong. In addition, we organised campaigns to promote a straw-free habit and incentivised employee by providing free drinks.



Solid Waste Distribution in 2019



-  Waste Commercial/Industrial kg
-  Recycling – Foodscraps kg
-  Recycling – Metal kg
-  Recycling – Paper kg
-  Recycling – Plastic kg
-  Recycling – Wood kg

Upcycling and Recycling Campaigns

In February 2019, we partnered with the Greeners' Action to collect used red packets for recycling and reuse. In June, we organized a PET bottle upcycling workshop with St. James' Settlement. In September, HAESL participated in the Project Green Moon 2019 organised by the Maxim's Group and Swire Properties to collect mooncake boxes for resource recovery. All proceeds from the project were donated to The Salvation Army. In November, we joined the Recycling Campaign 2019 organised by the St. James' Settlement Jockey Club Upcycling Centre to collect various reusable materials for recycling.

During October the SD team introduced the recycling of glass to support the government initiative of Glass Recycling. Since its introduction, 50kg of glass bottles have been recycled.

During 2019, we developed visual aids and departmental briefings to keep staff up-to-date with the recycling projects and to remind them to keep recycling. As a result of this, the amount of recycled paper products like office paper and cardboard collected in 2019 doubled compared to 2018.

Environmental Conservation Events

HAESL organised 9 events to promote environmental protection in 2019. The events took place both within our premises and in other locations around Hong Kong. In 2019, 77 participants dedicated 230 hours participating in environmental conservation work. Please refer to the "Protecting the Environment" section in "Our Community" for more details.



Our Business and Value Chain





HAESL provides world-class aero engine and component repair services to many of the world's most respected airlines that have chosen Rolls-Royce to power their fleet of Airbus and Boeing Aircraft.

ABOUT OUR SERVICES

HAESL has full capability to perform complete repair and overhaul of the Rolls-Royce RB211-524 and Trent 700, 800 and XWB engines. In addition to the main overhaul shop, we operate a state-of-the-art engine test facility. The test cell is designed and sized for testing a wide variety of high bypass turbo fan engines of up to 130,000 lbs. thrust over the full range of validation and certification requirements.

HAESL also has a broad range of specialised component repair capabilities, allowing it to offer customers cost effective alternatives to outright replacement. We are able to repair parts back to a fully restored condition, giving them the same integrity and durability as new parts. HAESL repairs parts from internal arisings and from the aero engine repair network worldwide. We have a 90% in-house core engine component repair capability.

In 2019, we overhauled engines for Rolls-Royce and 43 airlines flying globally, including those from Hong Kong, Mainland China, Asia Pacific, the Middle East, Europe and



the Americas. We understand that our customers demand a service that is both timely and cost effective. We offer industry leading turn times and competitive pricing through continuous productivity improvements.

To read more about the services we offer, the capabilities we have and the customers we serve, please visit our website www.haesi.com.

ABOUT OUR SUPPLY CHAIN

To support the HAESL operation, our Supply Chain Department provides solutions to satisfy company needs. Our main categories of spend include goods and services to run the company, such as replacement engine components, subcontracted repair services, machinery, IT services, and facility works. In 2019, HAESL engaged over 400 suppliers from all over the world.

HAESL proactively drives sustainability commitment across its supply chain. We choose to partner with suppliers who share our values and meet our standards. Through the Code of Conduct for HAESL Suppliers, we communicate our environmental, social and ethical requirement and concern to our suppliers, partners and stakeholders. Compliance with this Code of Conduct is a core component when developing supplier relationships and making purchase decisions in an attempt to promote and build a responsible, sustainable and manageable supply chain.

ECONOMIC PERFORMANCE

2019 was another successful year for HAESL financially, 242 engines were overhauled and returned to 43 different airlines, a record year for HAESL output. Workload at HAESL during 2019 increased. The following table summarises our economic performance.

Economic Performance	2017	2018	2019	Variance
Engine Output	140	211	242	+15%
Revenues, US\$m	1,230	1,997	2,496	+25%
Dividend, US\$m	56.5	86.9	99.2	+14%
Employee Cost, US\$m	50.5	56.6	62.9	+11%
Taxation, US\$m	11.8	18.8	21.4	+14%
Charitable donations, US\$	50,202	48,001	52,488	+9%

GROWING OUR BUSINESS

At HAESL, we continually strive to develop our business to prepare ourselves for the many opportunities ahead.

Trent XWB

The Trent XWB is one of Rolls-Royce's latest engines and powers the Airbus A350 aircraft. Drawing on Rolls-Royce's unique three-shaft design, advanced materials and the latest fan system technology, the Trent XWB engine balances fuel efficiency and life cycle costs while delivering weight savings and improved aerodynamics. With a 15% fuel consumption advantage over the original Trent engines, it hits current and future emissions targets, goes further on less fuel and offers world beating performance and minimal noise levels. Its great economic value and environmental efficiency have made the Trent XWB the fastest-selling wide-body engine in the world¹.

HAESL is dedicated to developing comprehensive MRO capability for both XWB variants: the Trent XWB-84 that powers the Airbus A350-900 and the Trent



¹ Rolls-Royce plc. *Trent XWB*.
<https://www.rolls-royce.com/products-and-services/civil-aerospace/airlines/trent-xwb.aspx#/>.

XWB-97 that powers A350-1000. In 2019 HAESL further developed its understanding of both variants at the Trent XWB. HAESL staff continued to gain detailed skills and knowledge via training at Rolls-Royce in Derby, UK.

HAESL has obtained full overhaul and testing capability approval for the Trent XWB-84 engine and the Trent XWB-97 engine in 2017 and 2018 respectively. During 2019, we successfully overhauled 13 Trent XWB-84 engines and HAESL's first Trent XWB-97 engine.



Investing for Sustainable Growth

Further to the capability development of Trent XWB engines, HAESL is also investing to develop sustainable growth in many areas.



- The design of the Phase VI facility expansion allowed HAESL to add additional recreational facilities, including a gym, a tennis court, and a rooftop garden for planting. Two new training rooms and a computer-based training room were set up in Phase VI to provide a better training experience for our staff.
- We continue to conduct “Train the trainer” Programmes in which we send HAESL staff to Rolls-Royce and train them to be competent to deliver on-job-training internally in HAESL.
- HAESL is a founding member of the Aviation Services Research Centre (ASRC) of the Hong Kong Polytechnic University. In 2019, HAESL continued to partner with the ASRC on various projects.
- We were pleased to welcome new customers in 2019, which included:

Air Europa, Brussels Airlines, Ethiopian Airlines, European Air Transport, Finnair, Lion Air, Lucky Air, Rossiya Airlines, Scandinavian Airlines, Virgin Atlantic Airways.

CUSTOMER SAFETY AND QUALITY

Safety Management System (SMS)

HAESL's safety management framework comprises two major elements, which are aviation safety and occupational safety. These are essential to the safety of passengers and employees and to our business continuity. Our SMS is a systematic approach in reducing the risk of harm to persons or property damage to an acceptable level, which is fundamental to offering "Best in the World" services.

HAESL continues to deliver training to every employee to refresh their knowledge of the SMS requirements and assure the quality of our SMS. We promote a proactive safety culture, encouraging staff to feel responsible for safety. We have created an atmosphere of trust and openness where people are encouraged and recognised for providing safety-related information.

Personal Data Privacy

HAESL is committed to respecting and safeguarding the privacy of personal data collected and/or processed in adherence with relevant legal requirements, including

the related provisions of the Personal Data (Privacy) Ordinance in Hong Kong. We maintain high standards in how we collect, use, hold and share personal data.

We ensure proper handling of personal data, covering Data Collection, Data Accuracy and Retention, Data Use, Data Security, Information Transparency, and User Rights, which are all in line with our values and personal data privacy policy.

Auditing Systems

An effective auditing system is an essential tool for HAESL to manage our business quality. We understand the compliance of processes and procedures that have already taken place through audits. In HAESL, internal audits are carried out in a strict and professional manner. Corrective and preventive measures will be implemented to stop reoccurrence of non-conformance. There were 33 internal audits in 2019, excluding daily walk-around surveillance.

Furthermore, HAESL's customers, National Aviation Authorities and other certification bodies conduct annual external audits to ensure HAESL is compliant with their requirements. As a Rolls-Royce MRO service provider, HAESL goes through the Rolls-Royce Supplier

Management System Requirements audit (SABRe). In 2019, a total of 23 external audits were carried out. No significant findings were identified during the audits.

Different types of audit take place in HAESL each year

Internal Audits:

Facility audit

Procedure and process audit

Product audit

Documentation audit

Off-site audit

Vendor audit

Night shift audit

Unscheduled audit

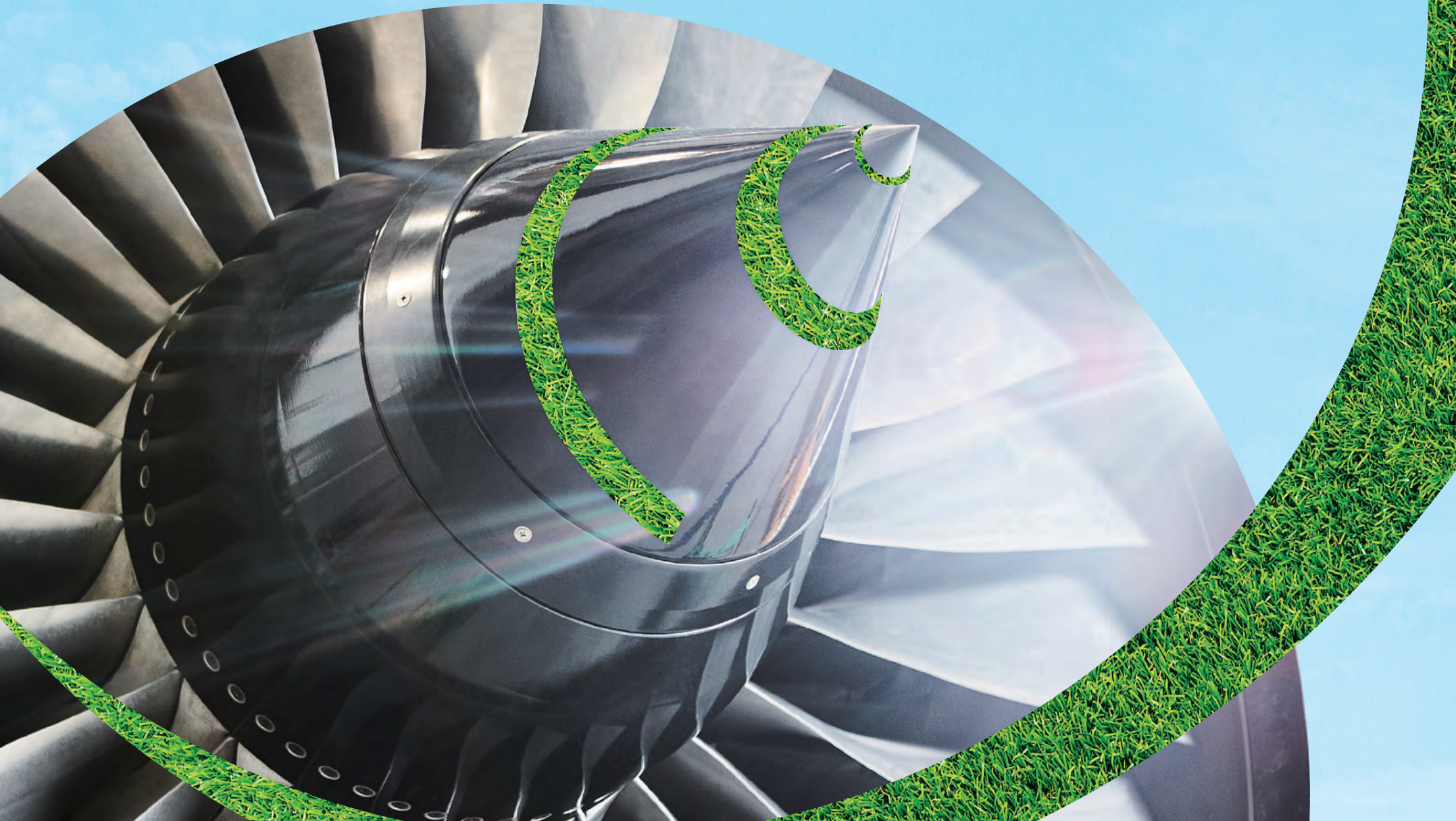
Walk-around surveillances

External Audits:

National Aviation Authority audit

Customer audit

Appendix



PERFORMANCE DATA

Economic Performance		2017	2018	2019	%
Engine output	No.	140	211	242	15%
Revenues generated	US\$M	1,230	1,997	2,496	25%
Dividends paid to shareholders	US\$M	56.5	86.9	99.2	14%
Employee Cost	US\$M	50.5	56.6	62.9	11%
Taxation	US\$M	11.8	18.8	21.4	14%
Charitable donations made directly by HAESL	USD	50,202	48,001	52,489	9%

Environmental Performance		2017	2018	2019	%
Energy Consumption					
Direct Energy Consumption	GJ	113,494	128,056	139,613	9%
Indirect Energy Consumption	GJ	104,561	115,583	124,421	8%
Total Energy Consumption	GJ	218,055	243,639	264,035	8%
Greenhouse Gas Emission					
Direct Emission (Scope 1)	mtons CO ₂ e	8,277	11,331	10,446	-8%
Indirect Emission (Scope 2)	mtons CO ₂ e	15,615	16,380	17,632	8%
Other Indirect Emission (Scope 3) by Business Air Travel	mtons CO ₂ e	277	329	312	-5%
Total GHG Emission	mtons CO ₂ e	24,169	28,040	28,390	1%

PERFORMANCE DATA

Environmental Performance		2017	2018	2019	%
Fuel					
Jet Kerosene – Engine Test	Tonnes	2,570	2,902	3,165	9%
Unleaded Petrol – Passenger Car (Hong Kong)	L	2,185	2,266	2,428	7%
Towngas	MJ	502,512	476,640	465,072	–2%
Electricity					
Electricity – Hong Kong (CLP)	kWh	28,905,086	32,106,306	34,561,510	8%
Refrigerant/Fire Extinguishing Agent					
R134a	kg	114	1,659	341	(0.8)
Water					
Potable Water used	m ³	175,487	157,384	151,771	–4%
Water discharged to sewer	m ³	175,487	157,384	151,771	–4%
Materials					
Paper and paper products consumed	kg	18,146	18,134	19,480	7%
Printing Cartridges purchased	No.	533	650	683	5%

PERFORMANCE DATA

Environmental Performance		2017	2018	2019	%
Non-hazardous Waste Management					
Industrial/Commercial Waste disposed of	kg	310,080	394,650	413,710	5%
Grease trap waste disposed of	kg	75,440	46,000	35,880	-22%
Wood recycled	kg	68,270	86,350	103,730	20%
Food Waste recycled	kg	30,825	25,842	28,016	8%
Paper products recycled	kg	2,859	3,050	7,441	144%
Plastic products recycled	kg	4,072	4,300	4,430	3%
Metal recycled	kg	3,808	3,311	3,875	17%
Printing Cartridges recycled	No.	391	399	529	33%
Glass recycled ^(Note 1)	kg	—	—	64	—
Hazardous Waste Management					
Chemical waste disposed (Liquid)	L	55,600	44,800	87,840	96%
Chemical waste disposed (Solid)	kg	23,734	50,671	88,363	74%
Spent kerosene (aircraft fuel) recycled	L	4,000	4,800	5,400	13%
Lubrication oil recycled	L	17,200	17,200	13,000	-24%
Significant chemicals/oil spills	No.	0	0	0	0%
Compliance					
Significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No.	0	0	0	0%

PERFORMANCE DATA

Occupational Health & Safety Performance		2017	2018	2019	%
Total workforce	No.	932	1,011	1,121	4%
Man-hours worked (Total Attended Hour by all staff, in thousand)	Hour	2,070	2,376	2,592	9%
Work-related fatalities (employees)	No.	0	0	0	0%
Lost time injuries ^(Note 2)	No.	4	4	7	75%
Minor injuries/first aid cases	No.	0	2	2	0%
Total lost day	Day	34.0	29.0	151.5	422%
Lost time injury rate ^(Note 3)		0.39	0.34	0.54	60%
Man day lost rate ^(Note 4)		3.3	2.4	11.7	387%

Note

1. This is a new initiative to recycle glass in 2019. Collection services started in November 2019.
2. **Lost time injuries** are defined as work-related injuries which result in lost time of a minimum of one scheduled working day.
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 total number of lost day 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.

GRI CONTENT INDEX

GRI Standard	Disclosure		Page	Location of Disclosure	Chapter	Additional Notes to Reference	
GRI 101: Foundation 2016							
General Disclosures							
GRI 102: General Disclosures 2016	Organizational profile						
	102-1	Name of the organization	7	About HAESL: Best in the World, Best for the World → Our Story			
	102-2	Activities, brands, products, and services	41	Our Business and Value Chain → About Our Services			
	102-3	Location of headquarters	7	About HAESL: Best in the World, Best for the World → Our Story			
	102-4	Location of operations	7	About HAESL: Best in the World, Best for the World → Our Story			
	102-5	Ownership and legal form	7	About HAESL: Best in the World, Best for the World → Our Story			
	102-6	Markets served	41	Our Business and Value Chain → About Our Services			
	102-7	Scale of the organization	6	About HAESL: Best in the World, Best for the World Our People			
			16	→ About Our Workforce			
			41	Our Business and Value Chain → About Our Services			
			42	Our Business and Value Chain → Economic Performance			
	102-8	Information on employees and other workers	16	Our People → About Our Workforce		Number of employees scope includes all employment types (i.e. Permanent Full Time + Permanent Part Time + Fixed Term + Temporary) as at 31 December of the reporting year.	
	102-9	Supply chain	41	Our Business and Value Chain → About Our Supply Chain			
	102-10	Significant changes to the organization and its supply chain		There were no significant changes to our company and our supply chain in 2019.			
	102-11	Precautionary Principle or approach		HAESL did not apply the Precautionary Principle or approach up to 31 December 2019.			
	102-12	External initiatives		HAESL did not subscribe to any external initiatives up to 31 December 2019.			
	102-13	Membership of associations		HAESL was not a member of any association up to 31 December 2019.			
	Strategy						
	102-14	Statement from senior decision-maker	4	Message from the Director and General Manager			
	Ethics and integrity						
	102-16	Values, principles, standards, and norms of behaviour	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance			

GRI CONTENT INDEX

GRI Standard	Disclosure		Page	Location of Disclosure	Additional Notes to Reference
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016	Governance				
	102-18	Governance structure	10	About HAESL: Best in the World, Best for the World → Governance Structure and Committees	
	Stakeholder engagement				
	102-40	List of stakeholder groups	11	Our Approach to Sustainable Development	
	102-41	Collective bargaining agreements	10	About HAESL: Best in the World, Best for the World → Governance Structure and Committees	
	102-42	Identifying and selecting stakeholders	11	Our Approach to Sustainable Development	
	102-43	Approach to stakeholder engagement	11	Our Approach to Sustainable Development	
	102-44	Key topics and concerns raised	11	Our Approach to Sustainable Development	
	Reporting practice				
	102-45	Entities included in the consolidated financial statements			There were no entities included in HAESL's consolidated financial statements.
	102-46	Defining report content and topic Boundaries	11 50	Our Approach to Sustainable Development Appendix → GRI Content Index"	Refer to each specific topic in the GRI Content Index for where to find its boundaries.
	102-47	List of material topics	11	Our Approach to Sustainable Development	
	102-48	Restatements of information			There were no restatements of information made in this Report.
	102-49	Changes in reporting	2	About this Report	There were no changes in reporting. This report is preapard in accordance with the GI Standards: Core option, same as the 2018 HAESL Sustainable Development Report.
		About HAESL: Best in the World, Best for the World Our Environment+B38 → Energy and Emission	2	About this Report	
	102-51	Date of most recent report			The 2018 HAESL Sustainable Development Report was published in mid 2019, which covered the reporting period of 1 January — 31 December 2018.
	102-52	Reporting cycle			HAESL publishes Sustainable Development Report on an annual basis.
	102-53	Contact point for questions regarding the report	56	Appendix → Request for Feedback	
	102-54	Claims of reporting in accordance with the GRI Standards	2	About this Report	
	102-55	GRI content index	50	Appendix → GRI Content Index	
	102-56	External assurance	55	Appendix → Verification Statement	

GRI CONTENT INDEX

GRI Standard	Disclosure		Location of Disclosure		Additional Notes to Reference
			Page	Chapter	
Material Topics					
200 series (Economic topics)					
Economic Performance					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	6	About HAESL: Best in the World, Best for the World	
	103-2	The management approach and its components	41	Our Business and Value Chain → About our Services	
	103-3	Evaluation of the management approach			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	42	Our Business and Value Chain → Economic Performance	
			46	Appendix → Performance Data	
Anti-corruption					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	
	103-2	The management approach and its components			
103-3	Evaluation of the management approach				
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	HAESL did not have any confirmed incidents of corruption or actions taken in 2019.
Anti-competitive Behaviour					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 206: Anti-competitive Behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	HAESL was not involved in any legal actions for anti-competitive behaviour, anti-trust, and monopoly practices in 2019.
300 series (Environmental topics)					
Energy					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	6	About HAESL: Best in the World, Best for the World	
	103-2	The management approach and its components	34	Our Environment → Energy and Emission	
	103-3	Evaluation of the management approach			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	34	Our Environment → Energy and Emission	Energy sources used by HAESL include jet fuel, electricity and Towngas purchased from other organisations. The majority of our electricity is consumed in Hong Kong where the supplier is franchised, such that we cannot lower the carbon intensity of our electricity by choice of supplier. Each kilowatt hours (kWh) registered by electricity meters represents 3.6 Mega joules. Towngas in Hong Kong is calculated according to “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010)” published by Environmental Protection Department (EPD) of the Hong Kong Government. Each unit registered by a gas meter represents a heat value of 48 Mega joules.
	302-3	Energy intensity	46	Appendix	
	302-4	Reduction of energy consumption		→ Performance Data	

GRI CONTENT INDEX

GRI Standard	Disclosure		Location of Disclosure		Additional Notes to Reference
			Page	Chapter	
Material Topics					
300 series (Environmental topics)					
Water					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	6	About HAESL: Best in the World, Best for the World Our Environment → Water Management → Effluents	
	103-2		37		
	103-3				
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	37	Our Environment	We use municipal water as water supply of which consumption is the amount reported in water bills. We assume that all water withdrawn are discharged eventually in our business with no consumption.
	303-4	Water discharge		→ Water Management	
	303-5	Water consumption		→ Effluents	
Effluents and Waste					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	38	Our Environment	
	103-2		→ Waste Management		
	103-3				
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	38	Our Environment	
			46	→ Waste Management Appendix → Performance Data	
	306-3	Significant spills			
HAESL did not have any spills in 2019.					
Environmental Compliance					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	33	Our Environment	
	103-2		About HAESL:		
	103-3		Best in the World, Best for the World → Ethics and Compliance		
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations			HAESL did not have any non-compliance occurrence related to environmental laws and regulations in 2019.
400 series (Social topics)					
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	22	Our People	
	103-2		→ Safety Culture		
	103-3				
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system Hazard identification, risk assessment, and incident investigation Occupational health services Worker participation, consultation, and communication on occupational health and safety	10	About HAESL: Best in the World, Best for the World → Governance Structure and Committees	
	403-2				
	403-3		Our People		
	403-4	→ Safety Culture			
	403-5	Worker training on occupational health and safety	20	Our People → Staff Development → Safety Training	

GRI CONTENT INDEX

GRI Standard	Disclosure		Location of Disclosure		Additional Notes to Reference
			Page	Chapter	
Material Topics					
400 series (Social topics)					
GRI 403: Occupational Health and Safety 2018	403-6	Promotion of worker health	19	Our People → Building a Strong Workforce → Staff Amenities & Wellness	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	22	Our People → Safety Culture	
	403-8	Workers covered by an occupational health and safety management system			
	403-9	Work-related injuries	22 46	Our People → Safety Culture Appendix → Performance Data	HAESL reports the number of lost time injuries (LTI), the Lost Time Injury Rate (LTIR), the number of lost days, the Lost Day Rate (LDR) and employee fatalities as defined below. 1. Total injuries are the number of injuries in the year which result in a minimum lost time of one working day. 2. Lost Time Injury Rate: represents the number of injuries per 100 equivalent employees per year. It is calculated as the Total Injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year. 3. Lost Days: A Lost Day occurs when, in the opinion of the physician of record, 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, leaves employment. 4. Lost Day Rate represents the number of lost work days per 100 equivalent employees per year. It is calculated as the Total Days Lost 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. 5. Fatality (employee) A loss of life occurring to an employee, as the result of a work-related incident.
	Customer Health and Safety				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	44	Our Business and Value Chain → Customer Safety and Quality	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	44	Our Business and Value Chain → Customer Safety and Quality	All services we provide to our customers are covered by our Safety Management System and Audit Systems to ensure the quality and safety of engines we overhauled.
Customer Privacy					
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	HAESL did not receive any complaints from customers concerning breaches of customer privacy and losses of customer data in 2019.
Socioeconomic Compliance					
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	9	About HAESL: Best in the World, Best for the World → Ethics and Compliance	HAESL did not have any non-compliance occurrence related to laws and regulations in the social and economic area in 2019.

Verification Statement



Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") was commissioned by Hong Kong Aero Engine Services Limited (hereinafter referred to as "HAESL") to undertake an independent verification for the 2019 Sustainable Development Report (hereinafter referred to as "the Report"). The Report stated the sustainability performance of HAESL in economic, environmental and social aspect in the period of 1st January 2019 to 31st December 2019.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. The Report has been prepared in accordance with the Core Option of the GRI Sustainability Reporting Standards (GRI Standards).

Level of Assurance and 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. The extent of this verification process undertaken covered the criteria set in the GRI Standards: Core Option.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying 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

HAESL 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 HAESL.

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 GRI Standards: Core Option;
- The Report illustrates the sustainability performance of HAESL, covering all material aspects, in a balanced, comparable, clear, responsive, fair and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria.

HAESL has reported specifically the sustainability issues identified as the most influencing matters to its business and stakeholders through a materiality identification exercise. The report illustrates the challenges and opportunities associating to HAESL's sustainability context, it covers different projects undertaken in 2019 and the approaches that HAESL adopted to manage the result achieved. HAESL has developed a stringent data management mechanism where all data undergoes robust internal vetting, the basis of credible and transparent reporting is attained. In conclusion, the Report reflects appropriately the commitments and involvement of HAESL towards sustainable development.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam

Director, Corporate Business

June 2020

Two large, concentric, semi-circular arcs made of a green grass texture frame the central text.

THANK YOU FOR READING THIS REPORT.

Request for Feedback

We welcome your views on how we may further improve our economic, environmental and social commitments. Your comments on this report are also appreciated. Please contact us via our website, email at sd@haesl.com or direct mail to the following address:

70 Chun Choi Street
Tseung Kwan O Industrial Estate,
Tseung Kwan O, N.T., Hong Kong.

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