



2020

**Sustainable
Development Report**



**BEST IN THE WORLD
BEST FOR THE WORLD**

2020 HIGHLIGHTS

SOCIAL

Support the staff and the wider community in

fighting against COVID-19



Lowest number of lost-time-injuries (LTIs) in HAESL's history



Training and development:

36.8 hrs
of training per staff



Develop policies to embrace workplace diversity & inclusion

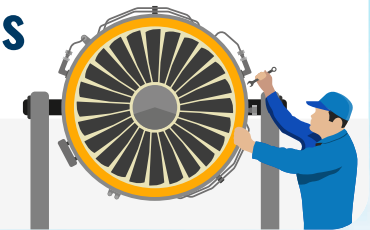


ECONOMIC

New annual record for the engine output:

264 engines
(yoy increased by 9%)

Global Shop with the highest volume of XWB



ENVIRONMENTAL

Installed **200kW**
solar panels on Phase 5 roof



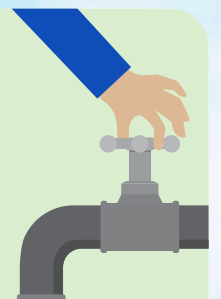
Increased recycling rate to
30.6%



Established Energy & Water Saving Working Groups



Reduced
22%
of water consumption



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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/sustainabilityreports/>

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 2020 to 31st December 2020. 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.

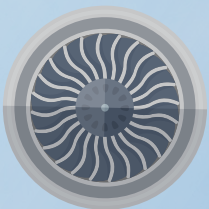
PRACTICAL INFORMATION

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

With the advent of COVID-19, 2020 was an extremely difficult year for individuals, families and companies across the globe. HAESL was fortunate that in the first half of the year there was a supply of engines still needing overhaul. However in the second half of the year the volumes reduced as the reduction in flying was felt. Nevertheless at year end HAESL had achieved a record output of 264 engines in the year. Our turnaround times remained very low, helping our customers to meet their engine needs.



OUTPUT OF
264
ENGINES



The fantastic HAESL Team are vital to everything we achieve. Our teamwork and quality of performance were again recognised by Rolls-Royce as they rated HAESL in the top 3 companies world-wide for their "Trusted to Deliver Excellence" award for the second year in a row, from amongst their top 120 global suppliers.

The health and safety of our workforce is our first priority. In 2020 HAESL achieved a record low number of LTIs: two in the year. Set against the background of the record high number of engines output in the year, this reflects the strength of the HAESL safety culture and the responsibility adopted by all staff from the Senior Leadership down to emphasise safety.

Proactive safety reporting was also at an all-time high as the team embraced the approach of identifying safety hazards.

HAESL adopted a broad range of measures to support social distancing and good hygiene to keep staff as safe as possible from COVID-19 infection, while keeping operations running to support our customers. One member of staff did contract the virus during the year but it was not passed on to any of his colleagues and he made a good recovery. To support the fight against COVID-19 together with the wider community, HAESL packed and donated food items to the underprivileged through collaboration with Foodlink.

At HAESL we believe in equal opportunities for all our employees and recognise that our business will benefit from the diversity of our people. In addition to the Diversity and Inclusion Policy, policies covering Respect in the Workplace, Flexible Working Guidelines and Whistleblowing were adopted to support an inclusive and supportive working environment. Wellness programmes were implemented for our staff to enhance both their emotional and physical wellbeing.

We invested in a number of environmental improvement programmes during the year to further enhance our environmental protection. A 200kW solar panel system was installed and began operating in mid-2020. Aged chillers and an air compressor were replaced by more energy efficient models. We also carried out a series of water saving and recycling initiatives that resulted in HAESL reducing water consumption by 22%. We achieved a 30% recycling rate. We will continue to explore the development of renewable energy and alternative sustainable fuel options as we strive to achieve our vision of being: "Best in the World, Best for the World".

ANGUS BARCLAY

Director and General Manager



ABOUT HAESL:

**BEST IN THE WORLD
BEST FOR THE WORLD**




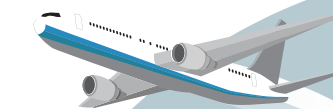
OUR STORY

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.



1950

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).



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.


1940s



Rolls Royce entered civil aviation market; which become the cornerstone of universal acceptance of gas turbines by the airline industry.

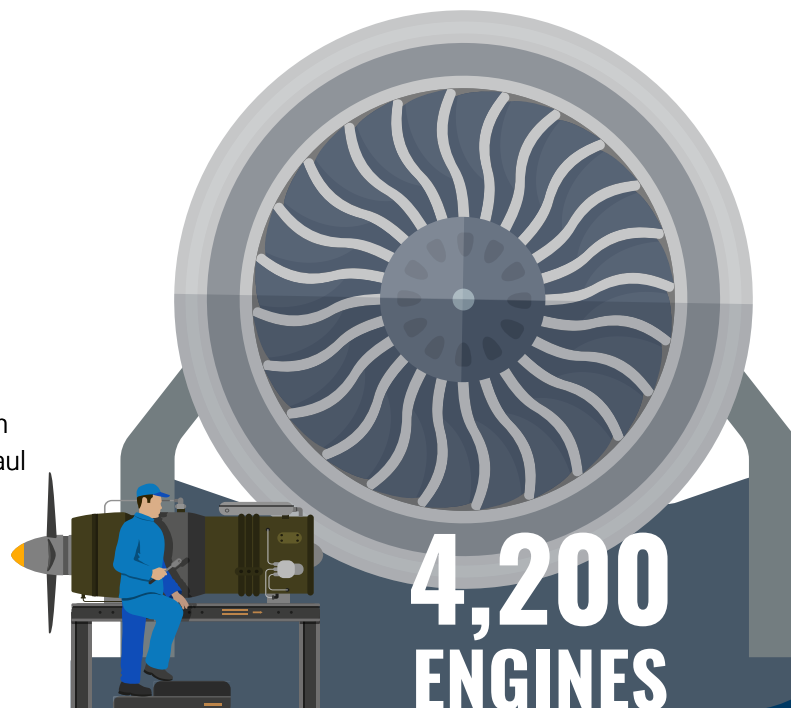
1953

1995

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.

1997

HAESL 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.

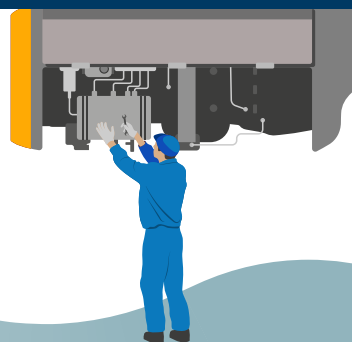


4,200
ENGINES

Up to 31 December 2020, HAESL has overhauled more than 4,200 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.

2020



Looking forward, HAESL will continue to develop knowledge and capability in overhauling the Trent XWB engine. 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 (MRO) organization 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 of **“Tea & RICE” - Teamwork & Respect, Integrity, Commitment and Excellence** – we are working to turn our vision into reality.



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:



These policies are introduced and reinforced to all new and existing staff members through induction training and refresher training respectively. A 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.



A large industrial turbine engine, likely a jet engine, is shown from a low angle looking into the compressor section. The blades are arranged in a circular pattern, creating a strong sense of depth and symmetry. A worker in a blue uniform with the HAESL logo on the back is visible on the right, wearing gloves and looking up at the engine. The background is a solid blue color with a white circular graphic element on the left.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

SUPPORT OF UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our sustainability agenda is aligned to the United Nations' Sustainable Development Goals (SDGs). We support all 17 goals and believe that we have a role to play in contributing to a more sustainable world. Of these goals, we have identified eight where we have more contributions.

MATERIALITY ASSESSMENT

Understanding the materiality of various sustainability issues is essential to our sustainable development. 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. In 2018, HAESL undertook a detailed materiality assessment to identify and evaluate sustainability topics that matter most to our business and stakeholders. In 2020, HAESL reviewed and reconfirmed the 2018 findings.

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:



Employees

(including managerial staff and general staff)



Board Members



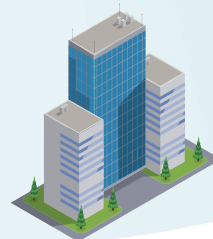
Shareholders



Customers



**Suppliers and
business partners**



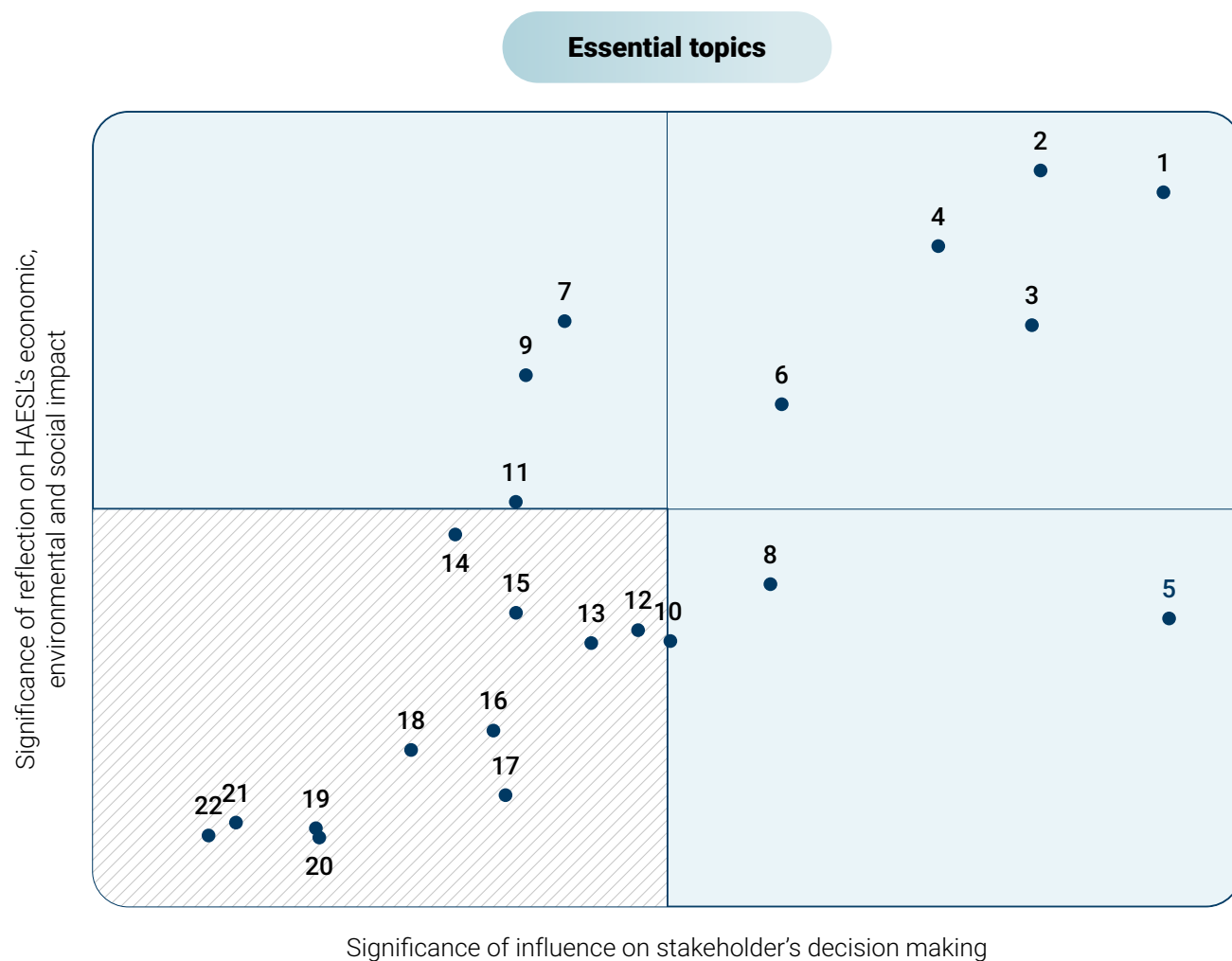
**Organisations from
our local community**



**Government
authorities**

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



#	Topic description
1	Staff occupational health and safety
2	Socioeconomic compliance
3	Anti-corruption
4	Environmental compliance
5	Economic presence
6	Customer health and safety
7	Water and effluent management
8	Anti-competition behaviour
9	Waste management
10	Customer privacy
11	Energy consumption
12	Local labour market presence
13	Material management
14	Emissions
15	Staff employment
16	Staff career development
17	Labour management communication
18	Non-discrimination
19	Staff diversity and equal opportunity
20	Assessment on suppliers' performance on environmental topics
21	Local communities
22	Indirect economic impacts





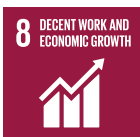






Among 22 listed topics, 11 topics were scored higher by our stakeholders and were assessed as essential to HAESL's sustainable development. In this Report, essential topics are prioritised with topic-specific disclosure according to the GRI Standards.

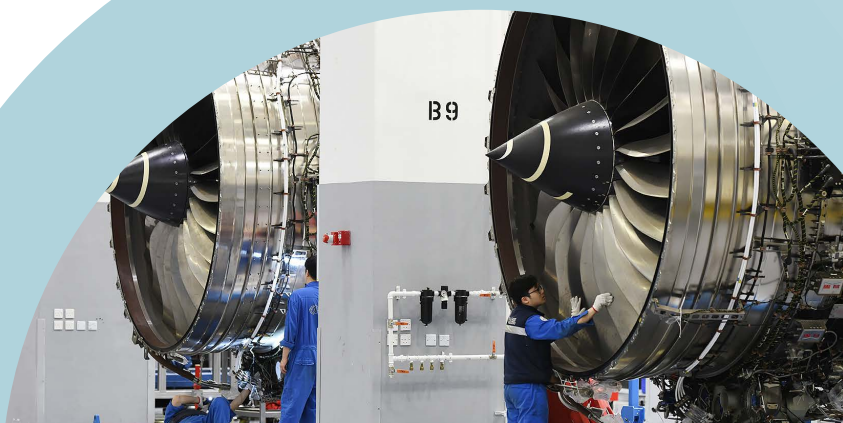
Staff diversity and equal opportunities while not yet considered as a top priority by our stakeholders is viewed as an emerging material topic; we recognise the importance of diversity and inclusion to our business and have an internal plan and details within this report.

The essential and emerging material topics were re-organised under the categories of environmental, social and governance and aligned with the UN SDGs into twelve areas for greater focus and clarity.



The information of the essential topics can be found from the table below

Main aspect	Relevant SDG	Essential topics	Where to find the relevant information page	Page
Social	   	1. Staff occupational health and safety	Our People	16–26
		2. Socioeconomic compliance	About HAESL: Best in the World, Best for the World	5–10
		3. Anti-corruption	About HAESL: Best in the World, Best for the World	5–10
		6. Customer health and safety	Our Business and Value Chain	40–44
		8. Anti-competition behaviour	About HAESL: Best in the World, Best for the World	5–10
		19. Customer privacy	About HAESL: Best in the World, Best for the World	5–10
		19. Staff diversity and equal opportunities	Our People	16–26
Environmental	  	4. Environmental compliance	Our Environment	33–39
		7. Water and effluent management	Our Environment	33–39
		9. Waste management	Our Environment	33–39
		11. Energy consumption	Our Environment	33–39
Economic	 	5. Economic presence	Our Business and Value Chain	40–44



OUR PEOPLE



The effect of COVID-19 on people's health and the world's economies continues to dominate our outlook as a community and a business. In Hong Kong the virus was comparatively well controlled for the entirety of 2020. Our staff's health is of the utmost importance and throughout the year we upheld core COVID mitigation measures.

At the same time, we treat this downturn as an opportunity – to build our skills, develop our crosstraining, review our processes and tooling development and so aim to emerge from this period of industry and global economic crisis as a resilient company with a bright future.

An engaged workforce with a strong safety culture and ambition for continuous development is central to making our business successful and sustainable. We continue to put workplace safety as our highest priority, and we are proud to announce that we achieved the lowest number of LTIs in our history with two in 2020.

ABOUT OUR WORKFORCE

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

Figure 1:
Total workforce by gender

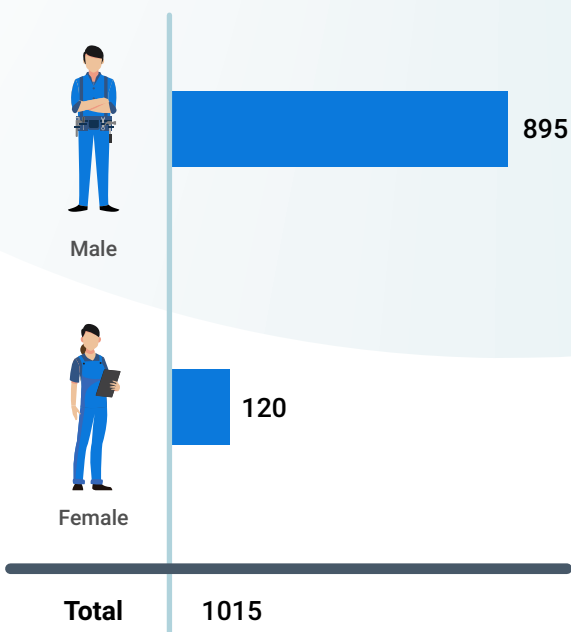


Figure 2:
Total workforce by age group

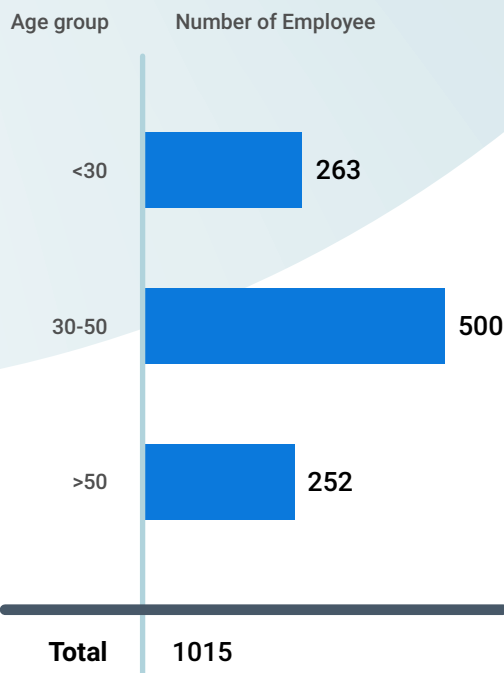
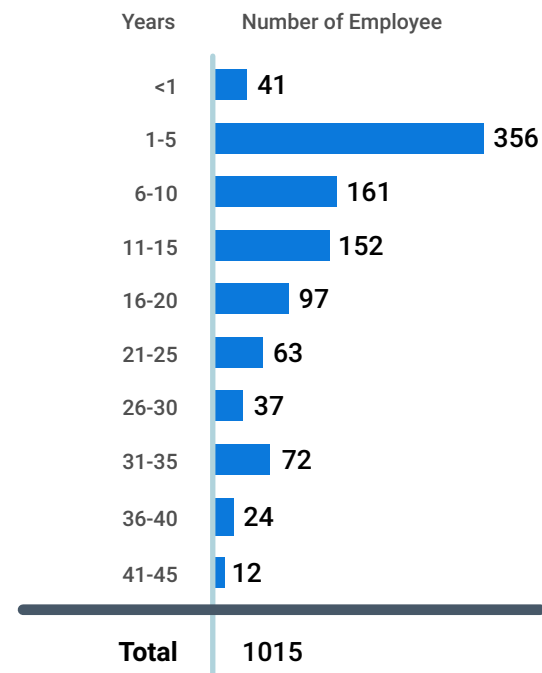


Figure 3:
Total workforce by year of service



SUPPORTING OUR STAFF IN FIGHTING COVID-19

The world is facing unprecedented challenges as a result of COVID-19. Our highest priority very much remains the health and wellbeing of our staff as we endeavour to keep the business operating as usual for the benefit of all. We have introduced a series of programmes to support staff emotionally, financially and physically through social distancing measures, wellness programmes, additional skills training courses and special loans.

SOCIAL DISTANCING

We have set in place a range of approaches to combat the virus, including temperature taking, adopting work-from-home practices and technologies, reducing the number of staff on company coaches, provision of takeaway lunch boxes at meal times, postponing training where sensible and minimising face to face meetings. Additional lap-tops, remote access facilities and e-solutions for video conferencing and online meetings were purchased to support remote work among staff. In an effort to protect our staff and recognize the densely populated environment coupled with the highly contagious nature of COVID, staff members living in the same building of a confirmed positive case are required to home quarantine with pay and self-monitor.

DISTRIBUTION OF ANTI-EPIDEMIC MATERIAL

During COVID-19, personal protection equipment (PPE) is vital to safeguard the well-being of our colleagues. Surgical mask is the most effective means of protection and the supply was limited due to worldwide shortage and export restriction at the beginning of the pandemic. Despite the challenge, HAESL's Purchasing Team secured a continuous supply of surgical masks after approaching vendors in different regions, both local and overseas, around the clock. We were fortunate to provide such PPE to our staff members during the difficult time.



In addition to the daily provision of masks, HAESL distributed anti-epidemic packs to our employees in September 2020 to help them and their family members in fighting against COVID-19. There were three anti-epidemic materials in the pack, including surgical masks, hand sanitiser and alcohol wipes.

SPECIAL PERSONAL LOAN SCHEME

To support staff who are facing financial burden during this difficult time, HAESL launched a Special Personal Loan Scheme to permanent General Staff. The eligible staff were able to apply for this special one-off interest-free loan with the loan capped at 50% of a single month's basic salary.



TRAINING REINFORCEMENT

Internal classroom training was adjusted in line with social distancing measures and limitations in class size. For some courses E-learning was introduced for effective social distancing and continuous learning.



BUILDING A STRONG WORKFORCE



WELLNESS PROGRAMME

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. The recreational facilities were temporarily closed at certain periods to prevent people from gathering and the novel coronavirus infection from spreading.



Wellness Wednesday

Healthy employees are happier, better engaged and more productive. We provided health talks to staff focusing on both emotional and physical wellness to enhance their wellness in the workplace. In 2020, we organised a "Wellness Wednesday" campaign to enhance employees' understanding of physical and emotional health and promote good health habits in the workplace. In this programme, we have shared information on mental and emotional health, health and safety, physical health and food power every Wednesday from August through September 2020.



Employee Assistance Programme

HAESL has launched the Employee Assistance Programme (EAP) to provide staff with counselling services related to mental or psychological issues, as well as professional consultation services designed to assist staff in resolving and handling family or work-related issues.





RESPECT

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 provide a happy workplace. All HAESL employees are required to comply with HAESL's "Diversity and Inclusion Policy" and the newly established "Respect in the Workplace Policy" and "Whistleblowing Policy", as specified in HAESL's Code of Conduct. Bilingual versions of policies were developed to facilitate clear communication.

Respect in the Workplace Policy

To further embed the D&I concept in our daily work, a new policy, Respect in the Workplace, was established in October 2020. HAESL believes in creating an environment where all employees feel comfortable at work and are able to realise their full potential. A workplace free from discrimination, harassment and bullying is the foundation for creating such an environment.

Whistleblowing Policy

HAESL encourages all employees to report improprieties promptly and anonymously in accordance with HAESL's "Whistleblowing Policy", which was formulated in October 2020. The policy sets out how reports of improprieties can be made and how they are reviewed and investigated.



Workplace D&I and Unconscious Bias Workshop

Four online workshops on Workplace Diversity & Inclusion and Unconscious Bias were arranged for all Contract Staff and the Recruitment Team in August and September 2020. Staff awareness on D&I and unconscious bias concepts were reinforced through these workshops.

An article about "Workplace Diversity & Inclusion and Unconscious Bias Workshop" was published in HAESL.com. The workshops raised our awareness of unconscious bias by providing various examples and sharing tips in building a harmonious, diverse environment.



HAESL WOMEN'S NETWORK

The Maintenance, Repair and Overhaul (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.

Due to the pandemic, most of the HWN activities were cancelled, however, we organised an online workshop in late 2020 to deliver HWN's message and get connected with our staff. HAESL participated in the Swire Women's Network Superhero photo campaign and was honored to be selected as one of the winners across the Group. Our photo showcased the contribution made by female employees in HAESL and we are proud to have these superheroes in all aspects of our operation.



FLEXIBLE WORKING GUIDELINE

HAESL issued a set of Flexible Working Guidelines in September 2020 aiming to facilitate more flexible working arrangements among our staff. They provide guidance to staff on what options are possible and to assist Function Heads with implementing and administering the guidelines effectively. These guidelines outline the standard Flexible Working practices, including Choice of Roster, Compressed Working hours, Temporary Reduced Work, Unpaid Leave, Flexible Working Hours and Working From Home. In adopting these policies we encourage our employees to be the best versions of themselves.



Age Diversity

An article on "Age Diversity – Communication Among Different Generations" was published in our newsletter – HAESL.com. New joiners and experienced colleagues were interviewed and their differences in working styles, knowledge, expectations, thoughts and values were captured and shared. We hope staff recognise that these differences can be used as a strength to learn from each other and help one another to grow as a team. HAESL is a diverse and inclusive workplace where age does not define our value and every individual's strengths and contributions shall be recognised and respected.



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 2020, due to COVID-19 preventing face to face from hall briefings, the half year Staff Briefing was combined with the Storyboard video briefing by the DGM to deliver both an overview of the business and comment on the half year results for 2020. Staff feedback and queries were then collected via on-line platforms in the portal and the HAESL.app.

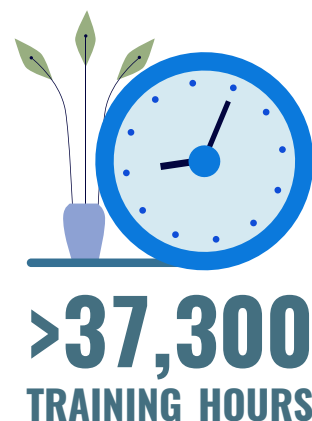




STAFF DEVELOPMENT

As an aero engine overhaul and component repair company, our employees are required to maintain a 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 2020, HAESL provided in excess of 37,300 training hours to its employees with an average of over 36 training hours for each employee. The training hours in 2020 were fewer than the previous year as some courses had to be cancelled or postponed due to waves of outbreak of COVID-19.



Employee category	No. of employees (as at 31 Dec 2020)	Total training hours in 2020	Average hours of training in 2020 (hours/ employee)
General Staff	892	34,059	38.18
Supervisory Staff	85	2,494	29.34
Management Team	38	775	20.38
Total	1,015	37,328	36.77

A total of 65 in-house training classes were scheduled in late 2020 to cater for the training needs accumulated in the first half of the year. Two tailor made courses, Creativity at Work and Interpersonal Communication Skills, were organised for MRO IT Solution Project team members to enhance their problem solving skills and introduce different approaches in generating clearer and simpler ideas.

HIGH PERFORMANCE CULTURE

Although High Performance Culture (HPC) Classes and Champion Meetings were suspended due to COVID restrictions, we remain committed to the HPC ethos. An article highlighting key themes (e.g. "Be Here Now", "Mood Lift" and "Teamwork") was published in the 81st Issue of HAESL.com, our internal quarterly issued newsletter, to remind staff about HPC concepts which are useful for coping with distractions, handling mood variations and reinforcing the value of team spirit.



SAFETY TRAINING

New employees are provided with safety training as part of their induction into HAESL as 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.

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.

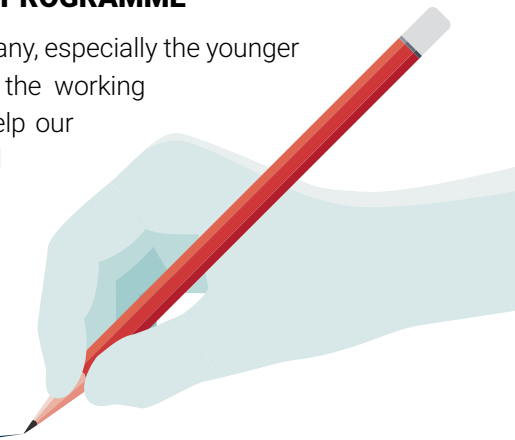
HAESL supports lifelong learning for staff which involves both refresher training and the opportunity to attend further training programmes.



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 438 potential safety hazards during 2020. 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.



4,723 ICIR OBSERVATIONS WERE SUBMITTED



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 – the quality of the report, the severity of the impact, the likelihood of occurrence and the effort made to tackle the problem. The top ranking submissions are recognized on a quarterly and annual basis. In 2020, 4,723 ICIR observations were submitted, which was 1,475 more than in 2019. The Lost Time Injury Rate decreased from 0.54 to 0.16. HAESL management believe all injuries are avoidable and will strive to reduce the number of injuries in 2021. Safety remains as our first priority. Our man-day lost rate decreased from 11.7 in 2019, to 4 in 2020. This reflected the decreased number of lost time injuries which reduced to two in 2020, a record low number of injuries for HAESL. Our goal is to achieve zero harm.

HAESL believes 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.

**LOST TIME INJURY RATE
DECREASED FROM
0.54 to 0.16**




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 annually. 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.

Kelvin TOP-SET

In an effort to continually improve and understand the root causes behind safety incidents, Kelvin TOP-SET, was adopted in HAESL during 2020 Safety and Health investigations.



Kelvin TOP-SET is an incident investigation methodology which helps the users to investigate incidents thoroughly and to solve complex problems by following a simple step-by-step process. It is suitable to use in the investigation of all levels and types of incidents.



With the assistance of the HAECO Hong Kong Learning & Development Team, HAESL arranged training sessions for staff to become familiar with this new methodology. The course introduced the Kelvin TOP-SET incident investigation system and teach the participants the specific steps of investigating an incident using the TOP-SET process.

The system aligned HAESL to the HAECO group investigation procedures and allowed for standardized sharing among the wider group. By using this system, we were able to reduce the likelihood of incident recurrence and further improve our safety performance.

Seat Belt Awareness Campaign – Safety Representatives

To support safety and reduce the risk of serious injury or death from traffic accidents, a Seat Belt Awareness Campaign was launched in HAESL in June 2020. The Campaign aimed to encourage staff to adopt the habit of wearing safety belts aboard coaches. For 3 months, over 40 managers, led by the DGM and the GMs, alternated in boarding the Company coaches before departure to remind staff to put on their safety belts and head home safely.



**Seatbelts
Are
For
Everyone**



OUR COMMUNITY





At HAESL we understand that connecting with and supporting our local 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 2020, HAESL invested US\$ 33,366 to support the community, 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. Unfortunately, due to health and safety concern associated with COVID-19, a number of community involvement events had to be cancelled. Activities with proper social distancing measures in place were organised instead.



HAESL will continue to make charitable contributions to important causes and non-profit organisations focusing on the areas of community engagement, youth development and environmental at conservation. Understanding that giving back to the community has a positive effect on both the community and the individual, HAESL has a Volunteer Service Leave Policy to encourage our staff to volunteer and become involved in the community through incentivising staff with additional leave days.



**2 DAYS OF
VOLUNTEER SERVICE LEAVE**

COMMUNITY ENGAGEMENT

FOOD DONATION FOR FIGHTING AGAINST COVID-19



To fight against COVID-19 together with the community, HAESL donated a total of 500 packs of food items to the underprivileged in Kwun Tong through collaborating with a local food bank named Foodlink.

A group of 17 volunteers from HAESL performed the food packing, which including rice, noodles, canned meat, soup and healthy drinks, at the Foodlink offices on 7th November 2020. Volunteers were divided into groups of 3-4 people and maintained social distance throughout the volunteering session. Foodlink then helped to distribute the packed food to residents of subdivided flats and elderly persons living alone in Kwun Tong district.



NGONG PING FUN WALK



To support both the young and the elderly, HAESL organised fundraising for the Hong Kong Youth Hostel Association and a volunteer service for the Salvation Army elderly center members.





RICE DUMPLING CHARITY SALE

In celebration of the annual Dragon Boat Festival, rice dumplings were offered to staff during a charity sale. All proceedings were donated to the Joyous Kitchen – Christian Family Service Centre to provide hot meals to the underprivileged.



DIY ROCK CANDY WORKSHOP FOR THE ELDERLY

In tying together our D&I initiative on age diversity and community outreach, HAESL volunteers assisted the elderly in making DIY rock candy in collaboration with the Salvation Army.

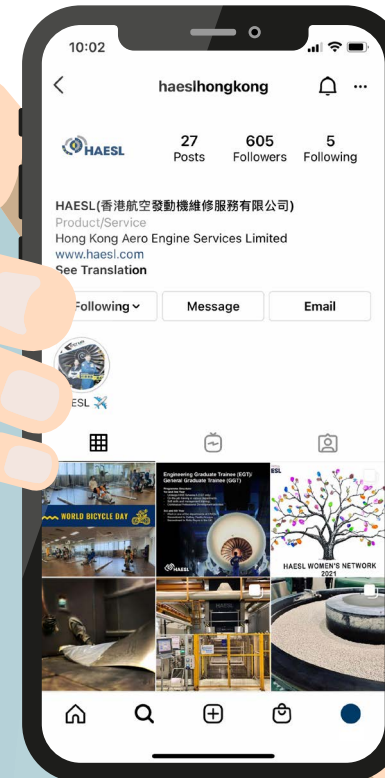


HAESL INSTAGRAM

Social media has become an indispensable part of our lives. For HAESL, we have used Instagram to reach out to a much broader audience. Our Instagram page focuses on sharing interesting facts about our daily operation, technical knowledge and occasionally some major company events to the general public.

Through constantly producing meaningful and educational content we hope to showcase our expertise in engine repair and maintenance, to make aero engine maintenance more accessible to the public.

In the past two years, we have introduced the working principle of different systems and a wide range of repair techniques. We are also keeping our followers updated with the latest news and developments in HAESL such as the induction of XWB engines.





YOUTH DEVELOPMENT

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 2020, HAESL donated materials and offered free Nagomi Art lessons to children at ECH as art can be a medium for them to express their emotions under COVID-19. HAESL volunteers were not able to join the children in person due to epidemic.



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

HAESL SCHOLARSHIP 19/20

Three HAESL scholarships were offered to outstanding undergraduates from the engineering faculty of the Hong Kong Polytechnic University. Internship opportunities were also provided to them as a way to deepen their understanding of the MRO industry and assist them with their career development.

PLANT VISIT FOR SWIRE MANAGEMENT TRAINEES

As in previous years, HAESL arranged plant visits for the SWIRE Management Trainees in September 2020 to enhance their understanding of the industry. What was different this year was that only half of the trainees were able to visit us physically due to special measures taken at times of pandemic, while the other half had to join us online.



ENVIRONMENTAL PROTECTION

EARTH HOUR

To support the Worldwide Fund for Nature (WWF) initiative, Earth Hour, a do-it-yourself (DIY) self-absorbent potted plant workshop was organised online with a tutorial video demonstration. Eighty five staff upcycled used containers and transformed them into flower pots. Staff then helped to disseminate the message of the Earth Hour through posting their finished product on social media platforms.

A "Go-Look-See" was organised during the Earth Hour to ensure all computer monitors and workshop lightings were turned off after work.



RED PACKET RECYCLE & REUSE 2020

HAESL participated in the Lai See Reuse and Recycle Programme organized by the Greeners Action in 2020. A total of 5kg of red packets were collected from our staff for reuse purpose.



TOYS AND BOOKS DONATION

About 400 books and 45 toys were collected from staff and donated to the Salvation Army to support the concept of circular economy and to promote reuse.



OUR ENVIRONMENT



As a leading aero engine 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 actions to address climate change. 3-year internal environmental targets on carbon, water intensity and recycling rate were established.

To drive continual improvement in energy and water conservation, HAESL has established two taskforces in 2020, namely the Energy Saving Working Group and the Water Saving Working Group. Led by the General Manager of Operations (GMO), the two working groups aim to identify energy and water saving opportunities through performance analysis and monitoring. The two groups also serve as a cross-departmental platform for information exchange and best practice sharing among operation teams and the SD Department.

ENERGY AND EMISSIONS

Our main direct and indirect energy/ emission sources are aviation fuel and electricity respectively. The aviation fuel, named "Jet A1", is used for engine testing after undertaking the engine maintenance work. The electricity is consumed to support our plant equipment and facilities, including but not limited to heating, ventilation and air-conditioning (HVAC) system, lighting, air compressors, vacuum furnaces, and other repairing machinery.

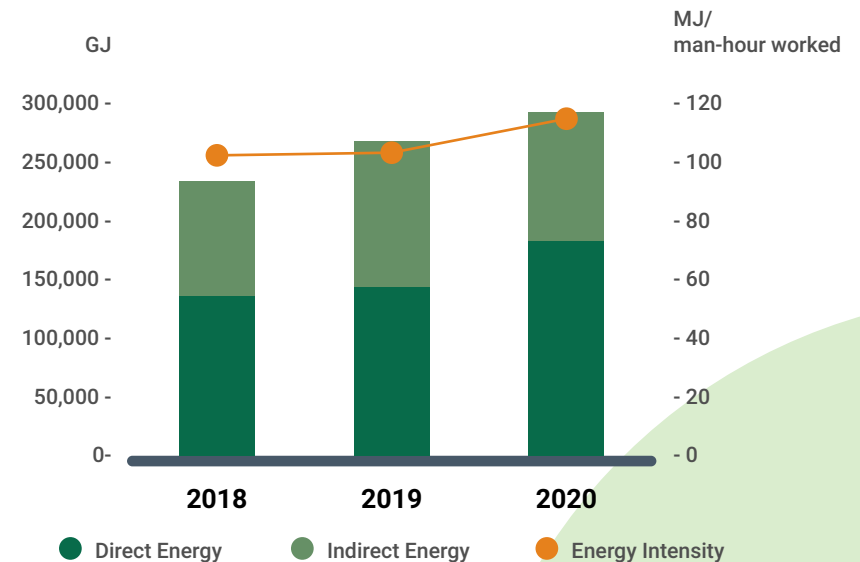
To monitor the energy consumption against our business activity, energy intensity is used to indicate the total energy consumed per unit of hours worked. In 2020, the total energy consumption increased year-on-year by 9%, with 22% increase in direct energy and 6% reduction in indirect energy.

The direct energy consumption increased primarily due to the significant growth in engine output and thus additional jet fuel required for engine tests. Additional jet fuel is required in testing Trent XWB engines due to their high complexity.



The indirect energy consumption, mainly electricity usage, reduced despite the business growth. In addition to upgrading and improving energy efficiencies of our equipment/ facilities, we have engaged our staff in energy conservation through turning off the lights during lunchtime, Earth Hour campaigns and regular training and briefing sessions.

Figure 4:
Total Energy Consumption and Energy Intensity

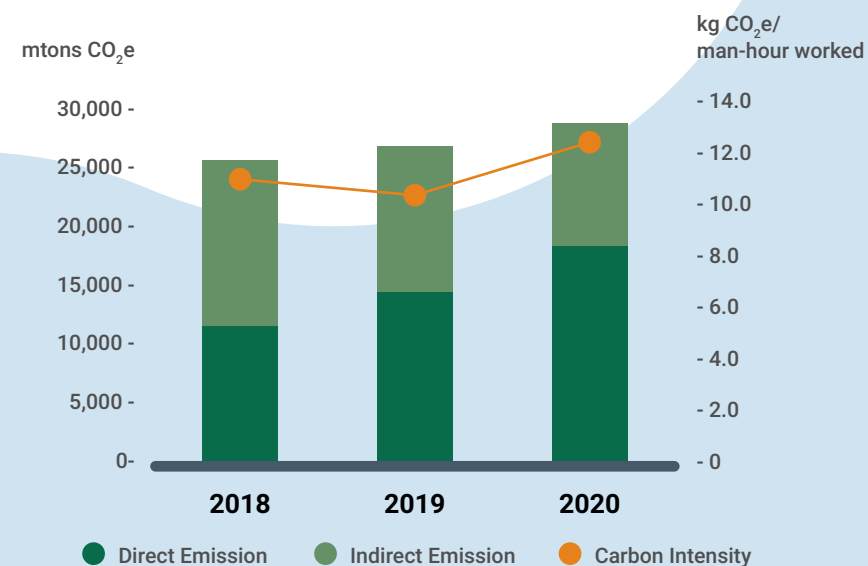




Similar to total energy consumption, greenhouse gas (GHG) emissions showed an increasing trend in 2020. With the increase in jet fuel consumption, direct GHG emissions rose significantly.

HAESL understands that engine tests are an indispensable part of our MRO services. Sustainable Aviation Fuel (SAF) is a potential environmentally friendly substitute for the jet fuel used in engine tests. The use of SAF in engine tests. The use of SAF in engine tests will require OEM support and availability of supply in Hong Kong, both of which have yet to be established. We will continue to explore sustainable alternatives and maximise energy efficiency of our operation to help combat climate change.

Figure 5:
Greenhouse Gas (GHG) Emission and Carbon Intensity of Operation



ENERGY CONSERVATION

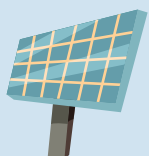
ELECTRICITY REDUCTION

To steer the direction in energy saving programmes, the Energy Saving Working Group was established in September 2020, engaging the operation teams, Facility Management and Sustainable Development departments. The Working Group reviewed and analysed past energy and emission performances, and plan to establish a detailed energy profile of the Company. Further energy saving opportunities will be identified for continuous improvement based on the energy profile.

In late 2020, we began the replacement of two aged water-cooled chillers with higher efficiency models. This energy saving initiative will help to reduce about 800,000 kWh of electricity annually. An oil-free air compressor with variable speed drive was also installed to enhance energy efficiency. Two electrical vehicle chargers were installed to provide a charging service to our staff members. This initiative incentivized our staff in adopting electrical vehicles which help to improve the roadside air quality of Hong Kong.



800,000
KWH ELECTRICITY



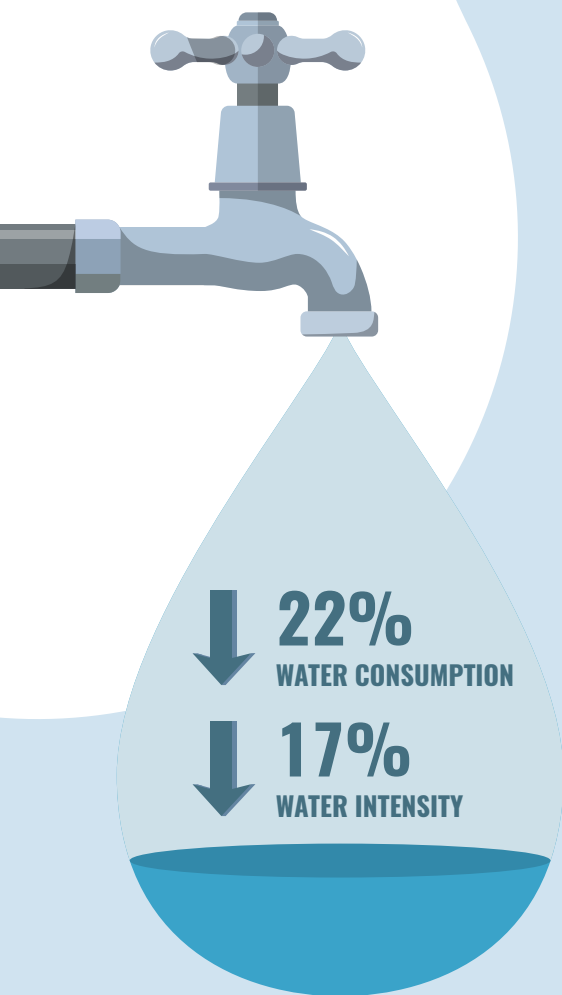
210,000
KWH RENEWABLE ELECTRICITY

RENEWABLE SOLAR ENERGY

To utilise the space available on our facility's rooftops, we have established two sizeable solar photovoltaic systems with capacity of 10kW and 200 kW in 2019 and 2020 respectively. A total of over 500 solar panels were installed, aiming to produce about 210,000 kWh of renewable electricity annually for CLP Power Hong Kong Limited (CLP) through participating in its Renewable Energy Feed-in Tariff (FiT) Scheme.

In view of these two successful applications, HAESL plans to scale up the solar photovoltaic system to support the development of solar energy in Hong Kong. A Feasibility study will be carried out on other buildings to further explore the opportunity.





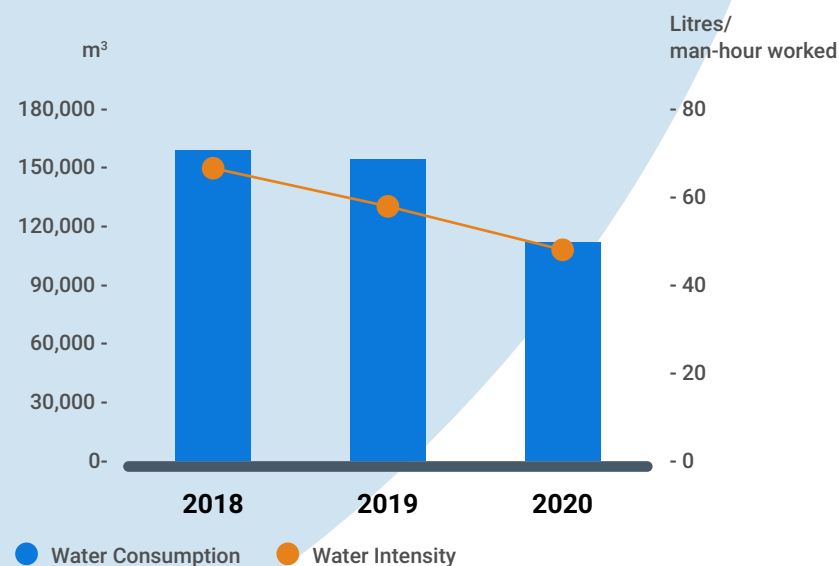
WATER CONSERVATION

In 2020, HAESL achieved a 22% reduction in water consumption and a 17% reduction in water intensity. Various types of water reuse initiatives were carried out, for example, recovery of condensate from Air Handling Units (AHUs) and reuse of the water used in cooling towers of the HVAC system in the flushing system. HAESL also endeavored to reduce water wastage through adopting water saving aerators and identification of water leaks.

The Water Saving Working Group established in September 2020 reviewed the water usage profile and will plan water saving initiatives to achieve further reduction.



Figure 6:
Water Consumption and Water Intensity



WASTEWATER MANAGEMENT

Wastewater generated from chemical cleaning, non-destructive-testing, electroplating and all other MRO activities, contains various kinds of chemicals. All wastewater is collected and diverted into our licensed wastewater treatment facilities for proper treatment before discharge. Sample wastewater is both tested in-house and by the Environmental Protection Department regularly.

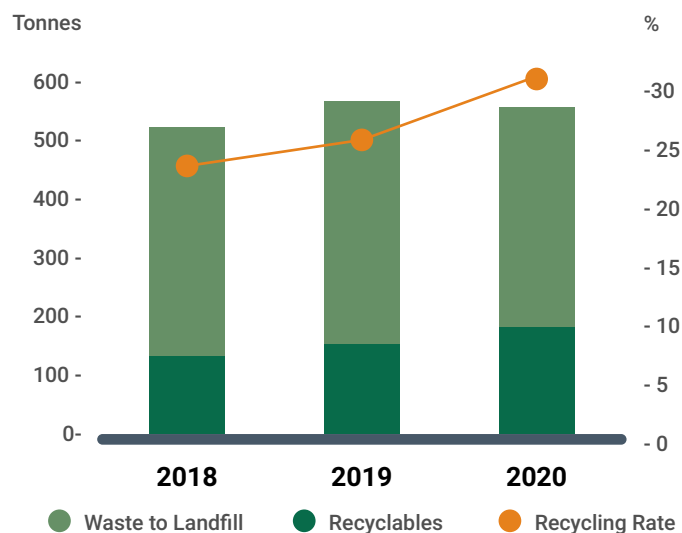
The residue of wastewater treatment, including sludge, resins and heavy metals, is handled by the government-approved chemical waste collectors.

WASTE MANAGEMENT

The quantity of waste generated remained constant in 2020, but the quantity of recyclables increased significantly so HAESL's recycling rate increased from 25% to 31%. With the appointment of a new recycler in late 2019, the collection services were improved. This helped to empty collection bins reliably and facilitate more recycling activities on-site. The total quantity of recyclables increased by 16% as a result.

A "Bring Your Own Cutlery" Campaign was also launched to encourage staff to reduce usage of disposable items.

Figure 7:
Quantity of Total Waste in 2020



22%

TOTAL QUANTITY OF RECYCLABLES

A Sustainable Development Steering Group will be formed in 2021 to oversee and set the direction for the three areas of energy, water and waste. To better understand HAESL's waste profile, a waste audit is planned in 2021. The waste will be categorized into recyclables and non-recyclables and other sub-categories before being weighed.

RECYCLING CAMPAIGNS

HAESL has been collecting a range of materials for reuse or recycling, including: wood, paper, plastics, metal, glass, polyfoam, food waste, florescent lamps, waste electrical and electronic appliances, ink and cartridges and furniture. Additional recycling activities were organized to address different festive recycling needs. Used red packets were collected during the Chinese New Year; while mooncake boxes were collected during the Mid-Autumn festival.

Figure 8:
2020 Solid Waste Distribution



Industrial / Commercial Waste Disposed of



Wood Recycled



Paper Products Recycled



Food Waste Recycled



Metal Recycled



Plastic Products Recycled





AWARDS AND RECOGNITION

HAESL has actively participated in environmental awards and certificates to benchmark our achievements. We have been awarded the Hong Kong Green Organisation Certificate for 2020-2022 in recognition of our environmental work and commitment by the Environmental Campaign Committee (ECC) and the Environmental Protection Department (EPD) of Hong Kong. HAESL also obtained the EnergywiSe and WastewiSe Certificate issued by the ECC and EPD, recognising our actions taken to achieve energy and waste reduction.





OUR BUSINESS AND VALUE CHAIN

ABOUT OUR SERVICES

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.

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 also operate an 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 2020, we overhauled engines for Rolls-Royce and 34 airlines flying globally, including those from Hong Kong, The Chinese mainland, 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 Strategic Purchasing 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 2020, 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 requirements 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 to promote and build a responsible, sustainable and manageable supply chain.



INTERESTING FACT

TURBO FAN ENGINES OF UP TO
130,000 lbs



90% IN-HOUSE
CORE ENGINE COMPONENT
REPAIR CAPABILITY



ECONOMIC PERFORMANCE

The aviation industry suffered greatly in 2020 due to COVID-19. HAESL felt the impact of the global contraction in flying hours while taking the opportunity to clear a backlog of orders. 2020 was considered a comparatively successful year for HAESL financially. 264 engines were overhauled and returned to 43 different airlines, a record year for HAESL output. The following table summarises our economic performance.

Economic Performance	2018	2019	2020
Engine Output	211	242	264
Revenues, US\$m	1,997	2,496	2,563
Dividend, US\$m	86.9	99.2	79.5
Employee Cost, US\$m	56.6	62.9	59.4
Taxation, US\$m	18.8	21.4	17.3
Charitable donations, US\$	48,001	52,488	33,366

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 low noise levels. Its great economic value



INTERESTING FACT



XWB IS 15% MORE FUEL EFFICIENT THAN THE ORIGINAL TRENT ENGINES

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 XWB-97 that powers A350-1000. HAESL staff were sent to Derby, UK to gain detailed skills and knowledge through training at Rolls-Royce in 2019. Despite the impacts of COVID-19, HAESL continued to develop to maturity both its Trent XWB -84 and -97 engine variant engine maintenance services capabilities in 2020.

HAESL obtained full overhaul and testing capability approval for the Trent XWB-84 engine in 2017 and the Trent XWB-97 engine in 2018. HAESL is now globally the number one volume supplier of aftermarket services for the -84 variant and the sole AMC capable of workshop maintenance for the -97 variant. During 2020, we successfully overhauled over 100 Trent XWB-84 and XWB-97 engines.



**WE OVERHAULED
OVER 100
TRENT XWB ENGINES
IN 2020**

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

INVESTING FOR SUSTAINABLE GROWTH

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



- HAESL is a founding member of the Aviation Services Research Centre (ASRC) of the Hong Kong Polytechnic University. In 2020, HAESL continued to partner with the ASRC on various projects.
- We were pleased to welcome new customers in 2020, which included:



CUSTOMER SAFETY AND QUALITY

SAFETY MANAGEMENT SYSTEM (SMS)

HAESL's safety management framework comprises two major elements: 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 delivers 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 Hong Kong Personal Data (Privacy) Ordinance. 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

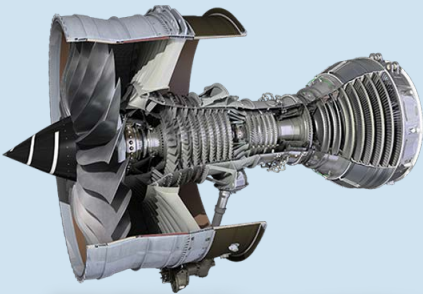
An effective auditing system is an essential tool for HAESL to manage our business quality. We understand the compliance of processes and procedures that have already taken place through audits. In HAESL, internal audits are carried out in a strict and professional manner. Corrective and preventive measures will be implemented to stop reoccurrence of non-conformance. There were 38 internal audits in 2020, 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 2020, a total of 22 external audits were carried out. No significant findings were identified during the audits.

Figure 9:
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



PERFORMANCE DATA

Economic Performance		2018	2019	2020	%
Engine output	No.	211	242	264	9%
Revenues generated	US\$M	1,997	2,496	2,563	3%
Dividends paid to shareholders	US\$M	86.9	99.2	79.5	-20%
Employee Cost	US\$M	56.6	62.9	59.4	-6%
Taxation	US\$M	18.8	21.4	17.3	-19%
Charitable donations made directly by HAESL	USD	48,001	52,489	33,366	-36%

Environmental Performance		2018	2019	2020	%
Energy Consumption					
Direct Energy Consumption	GJ	128,056	139,613	170,653	22%
Indirect Energy Consumption	GJ	115,583	124,421	116,980	-6%
Total Energy Consumption	GJ	243,639	264,035	287,633	9%
Greenhouse Gas Emission					
Direct Emission (Scope 1)	mtons CO ₂ e	11,331	10,446	13,661	31%
Indirect Emission (Scope 2)	mtons CO ₂ e	16,380	17,632	16,187	-8%
Other Indirect Emission (Scope 3) by Business Air Travel	mtons CO ₂ e	329	312	34	-89%
Total GHG Emission	mtons CO ₂ e	28,040	28,390	29,882	5%
Fuel					
Jet Kerosene - Engine Test	Tonnes	2,902	3,165	3,873	22%
Unleaded Petrol - Passenger Car (Hong Kong)	L	2,266	2,428	1,448	-40%
Towngas	MJ	476,640	465,072	474,144	2%

PERFORMANCE DATA

Environmental Performance		2018	2019	2020	%
Electricity					
Electricity - Hong Kong (CLP)	kWh	32,106,306	34,561,510	32,362,836	-6%
Refrigerant / Fire Extinguishing Agent					
HCFC-22	kg	–	–	24.95	–
R134a	kg	1,659	341	1,036	204%
HFC-410A	kg	–	2.72	2.72	0%
HFC-404A	kg	–	–	13.50	–
Water					
Potable Water used	m ³	157,384	151,771	117,838	-22%
Water discharged to sewer	m ³	157,384	151,771	117,838	-22%
Materials					
Paper and paper products consumed	kg	18,134	19,480	16,515	-15%
Printing Cartridges purchased	No.	650	683	706	3%
Non-hazardous Waste Management					
Industrial / Commercial Waste disposed of	kg	394,650	413,710	389,260	-6%
Grease trap waste disposed of	kg	46,000	35,880	24,840	-31%
Wood recycled	kg	86,350	103,730	93,690	-10%
Food Waste recycled	kg	25,842	28,016	23,377	-17%
Paper products recycled	kg	3,050	7,441	41,472	457%
Plastic products recycled	kg	4300	4430	5,336	20%
Metal recycled	kg	3,311	3,875	7,424	92%
Printing Cartridges recycled	No.	399	529	357	-33%

PERFORMANCE DATA

Environmental Performance		2018	2019	2020	%
Hazardous Waste Management					
Chemical waste disposed (Liquid)	L	44,800	87,840	159,740	82%
Chemical waste disposed (Solid)	kg	50,671	88,363	113,097	28%
Spent kerosene (aircraft fuel) recycled	L	4,800	5,400	5,200	-4%
Lubrication oil recycled	L	17,200	13,000	14,800	14%
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%

Occupational Health & Safety Performance		2018	2019	2020	%
Total workforce	No.	1,011	1,121	1,015	-9%
Manhours worked (Total Attended Hour by all staff, in thousand)	Hour	2,376	2,592	2,441	-6%
Work-related fatalities (employees)	No.	0	0	0	0%
Lost time injuries ^(Note 1)	No.	4	7	2	-71%
Minor injuries / first aid cases	No.	2	2	2	0%
Total lost day	Day	29	151.5	49.5	-67%
Lost time injury rate ^(Note 2)		0.34	0.54	0.16	-70%
Man day lost rate ^(Note 3)		2.4	11.7	4	-66%

Note

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

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 2020 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 2020 to 31st December 2020.

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 2020 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
April 2021



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:

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Tseung Kwan O Industrial Estate,
Tseung Kwan O, N.T., Hong Kong.