



sustainable  
development  
report 2010

Best in the World

Best for the World



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## About this Report

This document is Hong Kong Aero Engine Services Limited's (HAESL) report in line with the policy of the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

HAESL published an annual Environmental, Health and Safety Report in 2004, 2005 and 2006 migrating to a Corporate Social Responsibility Report in 2007 and a Sustainable Development Report from 2008. This Sustainable Development Report covers the calendar period from 1st January 2010 to 31st December 2010 and is verified by the Hong Kong Quality Assurance Agency (HKQAA) who has confirmed that this report complies with GRI G3 Guidelines' B+ reporting level according to the extent of coverage and information provided. (See page 50 for full explanation)

Information in this report covers the activities of HAESL's business, which operates on a single site in Hong Kong. It does not include information relating to Singapore Aero Engine Services Pte Limited (SAESL) in which HAESL has a 20% shareholding. This report covers information on HAESL's governance procedures, economic, safety, environmental and social performance and key initiatives undertaken by the Company.

The report focuses on the GRI performance indicators that are most relevant to HAESL's activities. Whilst we have endeavoured to provide the most accurate view of the Company's performance, we acknowledge that further improvements can be made with respect to data collection and we will continue to refine and improve the accuracy in future reports.

Any feedback on our performance, our initiatives or how we might improve the content and presentation of this report would be most welcome. Please contact our Sustainable Development Manager or Health & Safety Leader by email at [sd@haesl.com](mailto:sd@haesl.com) or through our website at [www.haesl.com](http://www.haesl.com).

# COMPANY PROFILE

Hong Kong Aero Engine Services Ltd (HAESL) provides repair and overhaul services for ‘large fan’ civil aero engines and their components to airlines in Hong Kong, Mainland China, the Middle East and elsewhere in the world. A joint venture between Hong Kong Aircraft Engineering Company Limited (HAECO) (45%), Rolls-Royce (45%) and SIA Engineering Company (10%), HAESL combines the strength and experience of two of Asia’s most successful aircraft maintenance, repair and overhaul companies with a world-leading name in the development and manufacture of gas turbine engines.

HAESL started operations in 1997, initially taking over HAECO’s own engine overhaul operations, and is now a leading repair and overhaul facility for Rolls-Royce’s range of RB211 and Trent aero engines. Located at Tseung Kwan O, in Hong Kong’s New Territories, HAESL employs over 900 staff and operates from an advanced US\$150 million facility, with overhaul capacity in excess of 250 engines per year. It is also equipped with one of the largest test cells in Asia – capable of testing engines generating up to 130,000 pounds of thrust.

The company has significant component repair capability – up to 90% on components from the engines that it overhauls – and has developed five Centres of Excellence (CoE) supporting fan blade, turbine blade, HP/IP bearing support, honeycomb and seal fin repairs on components from Rolls-Royce engines around the globe. The construction of

HAESL’s new component repair Centre of Excellence facility (Phase 5) was completed in 2010 and the new US\$50 million facility is another important milestone in the development of HAESL’s capabilities.

Over 2,500 Rolls-Royce RB211 and Trent aero engines have been serviced by HAESL since the Company commenced operations. In 2011 HAESL will start to develop capability readiness for the Trent XWB, designed for all versions of the Airbus A350 XWB, which will have the lowest carbon emissions of any widebody aero engine and will be the most environmentally-efficient engine in the Trent family.

HAESL is committed to being an environmentally responsible company that contributes to sustainable development, and this is reflected in the Company’s vision statement:

**The new Trent XWB will be 16% more fuel efficient than the first Trent aero engine delivered fifteen years ago.**

“ **Best in the World**  
**Best for the World** ”

## Corporate Membership

**World Wide Fund for Nature**  
Silver Member



## Awards / Recognition

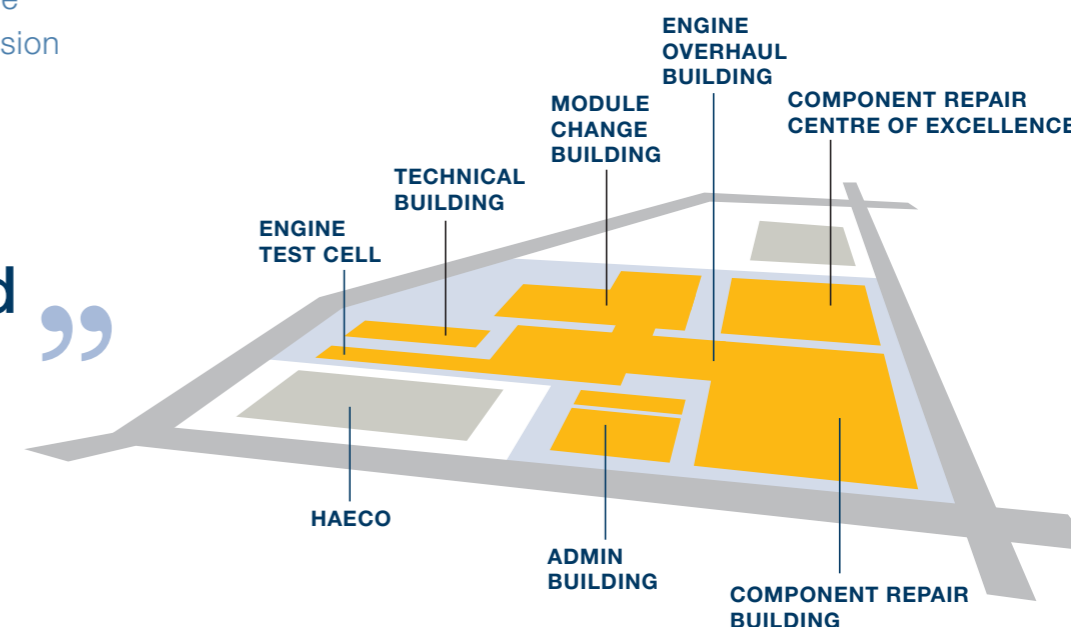
**The 9th Hong Kong Occupational Safety and Health Awards: Occupational Safety and Health Annual Report Award – Bronze Award**  
Occupational Safety & Health Council and Labour Department

**2010 Hang Seng Pearl River Delta Environmental Awards – Green Medalist**  
Federation of Hong Kong Industries and Hang Seng Bank

**Certificate of Merit – Manufacturing 2009**  
Hong Kong Awards for Environmental Excellence

**Clean Air Charter Certificate 2009**  
Hong Kong General Chamber of Commerce

**Indoor Air Quality Certificate 2010 (Admin Building) – Good Class**  
Environmental Protection Department



# HAESL AIRWORTHINESS APPROVALS





**Sustainability is now a core component of HAESL's overall strategy.**

## CHAIRMAN'S MESSAGE

In 2009, HAESL adopted the Global Reporting Initiative (GRI) as an international standard on reporting and I am delighted to report that we progressed from a C+ to a B+ rating in 2010. In accordance with HAESL's vision to be "Best in the World, Best for the World", this achievement reaffirms our aim to deliver world-class levels of operational performance combined with a commitment to operating as an environmentally and socially responsible organisation.

Sustainability is now a core component of HAESL's overall strategy. I am very pleased to report that, in close partnership with our key stakeholders, we continue to make significant progress in identifying opportunities to improve our health, safety and environmental performance.

In 2010, we undertook a detailed process of stakeholder mapping which has helped us to appreciate the issues that are most important to all our stakeholders, particularly our employees. As a result, HAESL is now better prepared to assume an important role as a sustainability leader in both our industry and the community in which we live and work.

The measure of our success will depend increasingly on our ability to communicate, cooperate and collaborate with all of our stakeholders to promote the concept of sustainable development and we will continue to encourage them to be more proactive in addressing the main challenges to sustainable development both at work and in the community.

Finally, I would like to congratulate all of the management and staff on their significant achievements in 2010 which have been recognised by the award of the "Green Medal" at the Hang Seng Bank (Pearl River Delta) Environmental Awards, and the Merit Award at the Hong Kong Awards for Environmental Excellence in the Manufacturing Sector.

**Tony Wood**

*Chairman*

Hong Kong Aero Engine Services Limited  
May 2011

# DIRECTOR & GENERAL MANAGER'S STATEMENT

At the time of writing we are celebrating the anniversary of the centenary of powered flight in Hong Kong. It is exactly one hundred years since a Farman biplane flew from the beach in Sha Tin on 18 March 1911. It is also important to recognise HAESL's significant contribution to Hong Kong's aviation history over the last fifteen years.



The measure of HAESL's future success will extend beyond financial and operational performance as the focus on our environmental impact, on our relationship with our employees, our customers, our suppliers and our community intensifies. In accordance with our Sustainable Development Policy and our vision to be "Best in the World, Best for the World", we are committed to sustainable economic growth without harming the planet or exhausting its resources, while ensuring the safety and wellbeing of our employees, developing productive long term relationships with our stakeholders and supporting our local community.

As I reported in 2009, we will continue to focus on raising the awareness of and engaging with our employees in environmental, community and health and safety initiatives to embed the concept of sustainable development into our long term business strategy. We have made some good progress in 2010, in particular in increasing the quality and frequency of our stakeholder dialogue.

Supported by the HANDSAFE programme and the "I Care, I Report" near-miss reporting system, we have also made significant progress on our journey to a Zero Tolerance approach to loss time injuries and accidents in the workplace. Employee and stakeholder awareness and support for continuous improvement in health and safety performance is the key to sustainment. In recognition of the progress we have made this year, our target for 2011 is zero loss time injuries. To further this goal we have allocated resources to support key workstreams including comprehensive risk assessment and hazard elimination.

Our employees continue to support actively the volunteering, charitable and community events in addition to numerous staff sporting activities, and I am grateful to everyone who participates, both in the events themselves and in the meticulous planning and careful organisation.

As the aviation industry recovers from the effects of the vagaries of the financial markets and the environment, as evidenced by the eruption in Eyjafjallajökull, it is more important than ever that HAESL continues to meet its responsibilities to operate as a sustainable organisation to ensure that the Company, together with all of our stakeholders, continues to thrive in the future.

There are many challenges ahead as we begin to look forward to the next century of powered flight, however I am confident that HAESL's increasing commitment to sustainable development will ensure that we, together with our stakeholders, are well placed to take full advantage of the exciting opportunities that lie ahead.

**HAESL's increasing commitment to sustainable development will ensure that we are well placed to take full advantage of the exciting opportunities that lie ahead.**



**Tim Blackburn**  
Director & General Manager  
May 2011

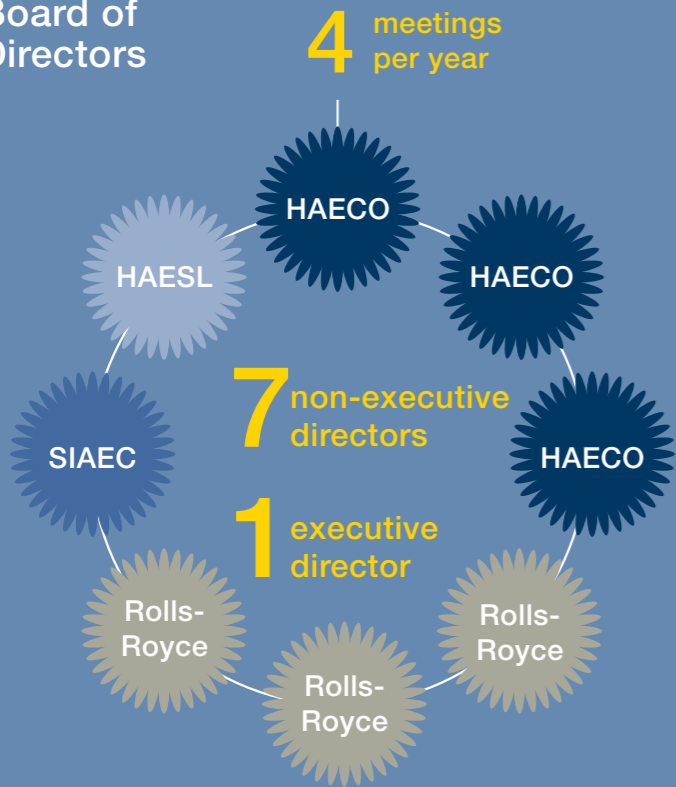


# GOVERNANCE AND STAKEHOLDER ENGAGEMENT

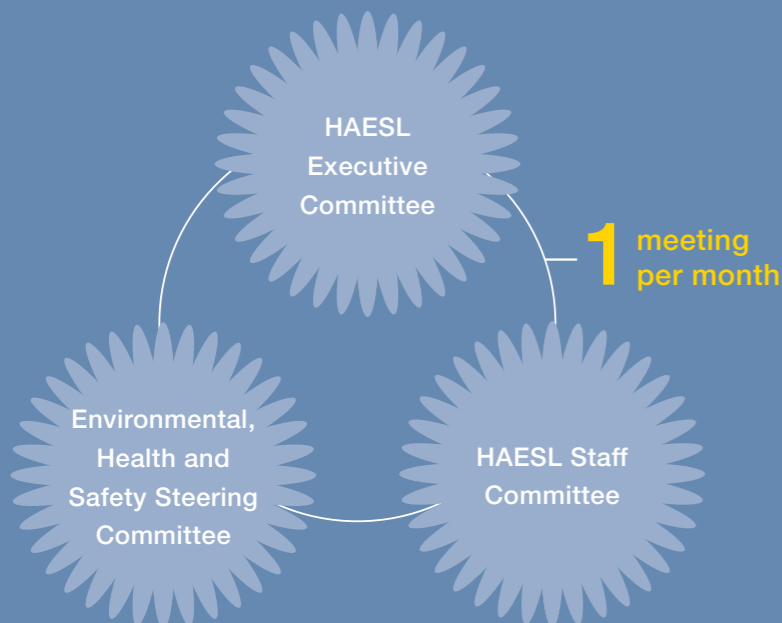


# GOVERNANCE AND STAKEHOLDER ENGAGEMENT

Board of Directors



HAESL's sustainable development governance structure



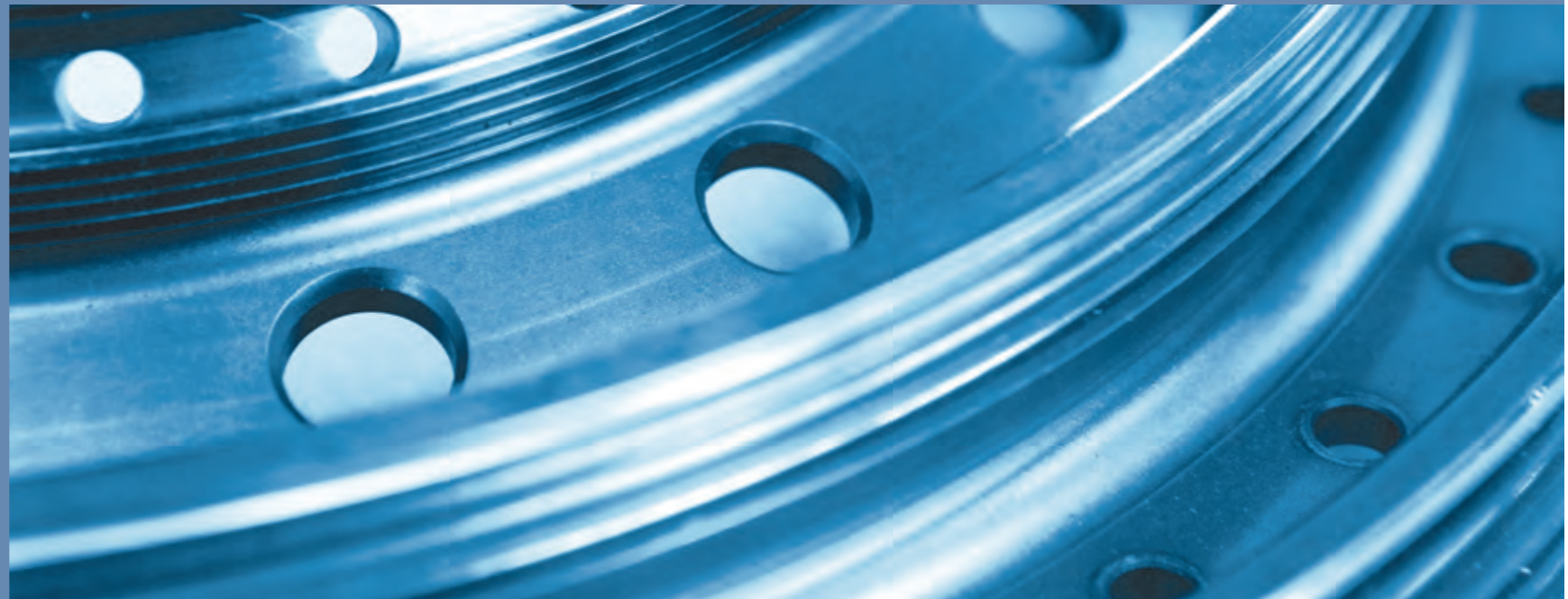
## Governance

HAESL is committed to operating with integrity and to the highest ethical standards. Its highest governance is the Board of Directors. The Board, made up of seven non-executive directors and one executive director, meets four times a year. It is comprised of three members from HAECO, three members from Rolls-Royce, one member from SIAEC and the Director & General Manager of HAESL. In addition to providing the Board with information on the Company's key issues, strategy and risk management, the Director & General Manager presents a sustainable development paper at each meeting. Outside of board meetings, HAESL submits regular data on sustainable development measures to its shareholders and the sharing of this performance information helps identify any gaps in relation to its "best in class" aspirations.

Our target is to ensure HAESL's sustainable development performance is the best, or among the best, when compared with our industry peer group in the aero engine and component overhaul business – a group that is global by nature.

Within the business, HAESL's sustainable development issues are governed by a combination of the Environmental, Health and Safety Committee, the HAESL Executive Committee (comprising Director & General Manager, GM Operations, GM Commercial and GM Finance & Administration) and the HAESL Staff Committee (HAESL Executive Committee and Human Resources Manager). Each committee meets once a month.

Management and the wider workforce are in regular monthly dialogue through the two main staff representative bodies - the General Staff Consultative Committee and the Contract Staff Association. These scheduled meetings are augmented by briefings and discussions on specific issues as circumstances dictate.



## EHS and Risk Management

HAESL's **Environment, Health & Safety (EHS) Steering Committee** is chaired by the Company's Director & General Manager – Tim Blackburn, and includes representatives from the main departments within the Company. The role of the committee is to cover strategy and policy setting, project governance, legislative compliance and reviews of performance against current EHS objectives as a cross-department workgroup. The committee meets every two months.

Listening to and communicating with the frontline workforce is crucial. The **EHS Workgroup** is made up of elected representatives from various departments. It is chaired by the EHS coordinators and meets every two months. The workgroup provides a forum for the elected representatives to gather more feedback and assists the Steering group in the implementation of EHS policy.

As part of our continuing efforts to pro-actively identify and reduce risk, a new 'deep-dive' risk assessment process has been introduced. This risk assessment identifies both Product Safety and H&S risks at a detailed working level. The risk process identifies each step, or activity, within the maintenance process (such as the fitting of fan blades on engine build) and identifies, through visual monitoring of the process as it happens in real-time, any risks which could cause product damage or injury to the operator. Each individual risk is then categorised in terms of likelihood and severity whilst taking into account the current control methods. Any actions which could be undertaken to reduce the 'high scoring risks' are also identified. This process is underpinned by a comprehensive risk governance structure which is supported by HAESL senior management.

## Stakeholder Engagement

The benefits of stakeholder engagement are significant for our operations. They include the ability to identify more accurately the issues that should be considered in setting priorities for the Company to address and shape future corporate sustainable development strategies. We are therefore committed to an ongoing and productive engagement with our stakeholders and have carried out a number of dialogues since 2008. We have been reporting our social and environmental performance through annual publication of specific reports since 2004.

In 2010, in conjunction with an independent third party, HAESL undertook a comprehensive review of all key stakeholders and engaged with eleven stakeholder organisations and three employee focus groups to investigate their views on HAESL's

environmental and social performance. Specifically, all of the stakeholders were asked to express the key sustainability issues facing HAESL and the industry in general and how they would like to see HAESL respond. The main issues highlighted were employee recruitment and retention, waste management, aviation fuel consumption and the proximity and overuse of the adjacent SENT landfill site. The overall findings will be key to determining the priorities and the focus for HAESL's sustainable development agenda in 2011.

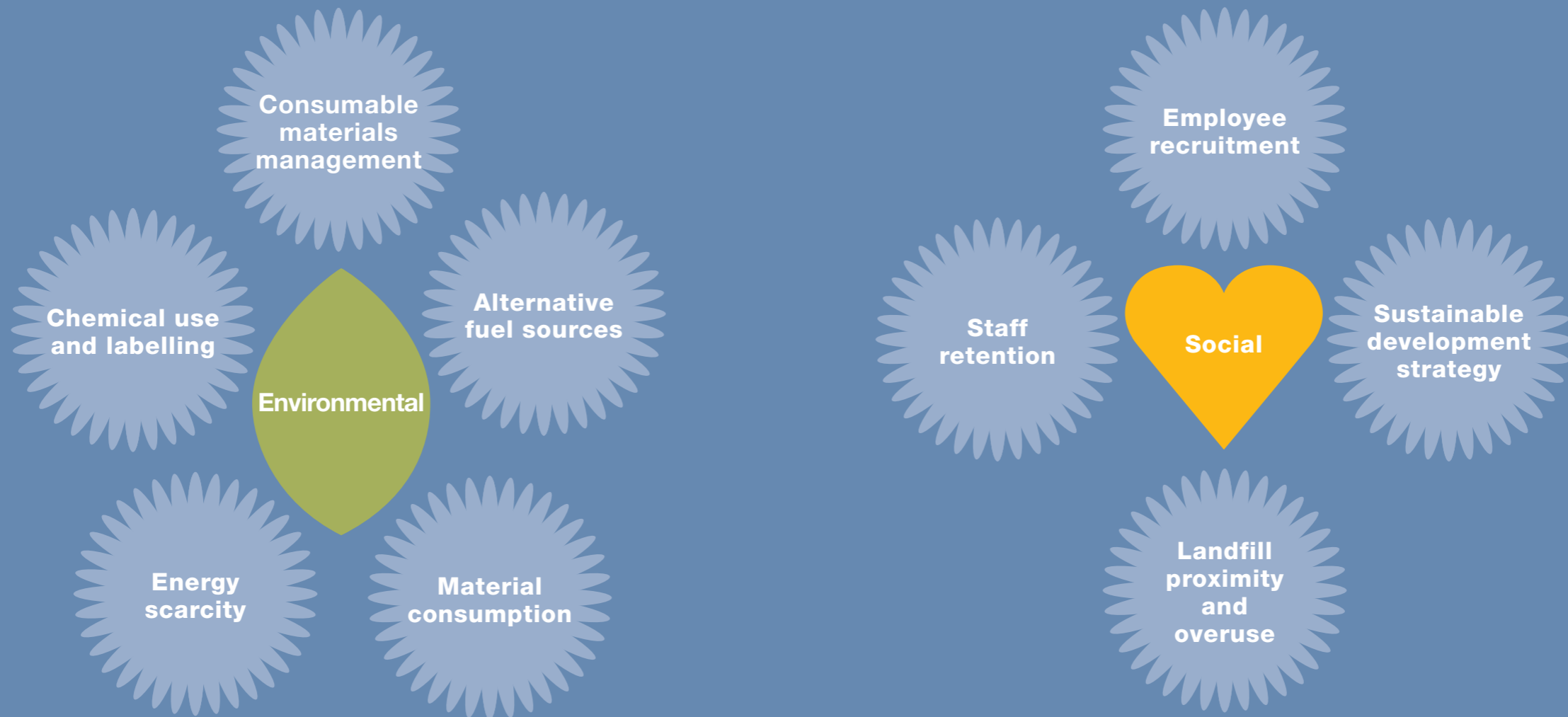
We engaged with stakeholders from different levels of seniority and operational functions in Hong Kong. A total of 40 of HAESL's internal and external stakeholders were consulted in 2010:

Stakeholders	Profile	Our Engagement
Customers	Airlines	Customer satisfaction surveys and focus group meetings
Employees	Approximately 900 HAESL employees	Consultative group, focus group meetings, Contract Staff Association (CSA) and General Staff Consultative Committee (GSCC)
Suppliers	Local and international	Code of conduct questionnaires and compliance checklists
Business partners	International	Ongoing dialogue with our joint venture partners
Government and Regulators	Hong Kong SAR Government	Ongoing dialogue and business associations
Investors and their advisors	Local and international	Focus group meetings and shareholder meetings
Local Communities	Tseung Kwan O Industrial Estate	Focus group meetings
Non-governmental Organisations	Numerous business forums and academic institutions	Focus group meetings and ongoing dialogue through various associations

While all stakeholders commended HAESL for its environmental, health and safety performance, the review has highlighted a general lack of awareness of HAESL's sustainability efforts amongst some employees, suppliers and the local community. Given that many of the issues raised are shared, there is clearly an opportunity to increase our levels of communication, cooperation and collaboration with key stakeholders and, where appropriate, for HAESL to assume a role as a sustainability leader in both our industry and the local community.

Dialogue with our stakeholders provided feedback on a wide range of issues including leadership practices, employee engagement, knowledge accessibility, workforce optimisation, sustainable development strategy and communication. The feedback from the dialogue was very valuable for the business. Findings and comments identified by stakeholders are summarised below.

We will be actively seeking to improve the relevance and increase the accessibility of the Sustainability Report whilst ensuring that the communication of the content and key messages is enhanced. One of our priorities for 2011 will be a comprehensive review of the implementation of HAESL's Supplier Code of Conduct and Sustainability Policy to enhance the level of awareness and engagement within HAESL's supply chain.





### Living Our Values

During 2010, HAESL’s leadership team identified a set of core values which underpinned the vision to become “Best in the World, Best for the World”. These five values are Teamwork, Integrity, Respect, Commitment and Excellence. Although the words and definitions on a sheet of paper imply good intent, the challenge was to understand how we “walk the talk” and live up to those values in our everyday activities across every level of the organisation. In order to provoke debate and enhance the understanding of

the HAESL Values, a “Living Our Values” survey was undertaken in Q4 2010 to give employees the opportunity to define what each value meant to them. The results of this survey provided HAESL with clearly articulated definitions for each value, as well as desired behaviours within HAESL, which will enable the organisation to take further positive steps towards living up to our core values.



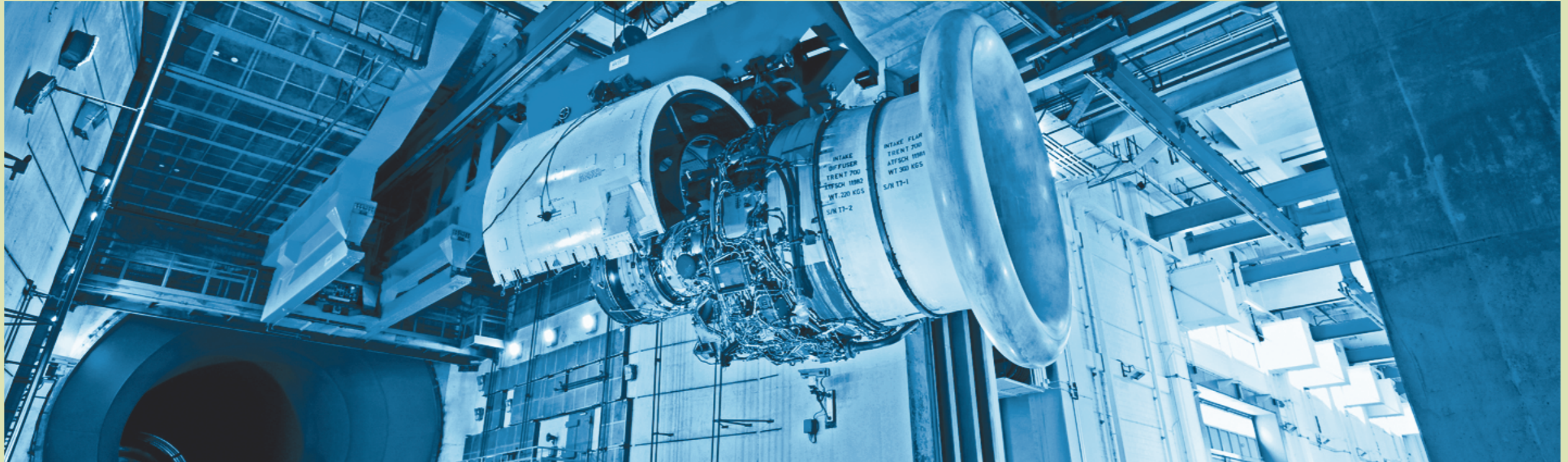
# ENVIRONMENT



# ENVIRONMENT

## Our Environmental Performance

As part of our commitment to building a greener future, we continue to strive to reduce our carbon footprint. We work proactively to protect, conserve and improve the environment through our day-to-day operations. Our efforts include reducing the energy, water, materials and other resources we consume. At the same time, we also work to minimise environmental pollution such as emissions, effluents, noise and waste.



The main sources of energy consumption to support HAESL's operations in 2010 were:



Electricity

**21,260kWh**



Towngas

**846,100MJ**



Aviation Fuel

**1,980T**

## Conserving Our Resources

### Electricity Consumption

Electricity is mainly consumed in our operations. The total purchased electricity in 2010 was 21,260kWh, which represented an increase of 7.1% over 2009, an adverse impact due to increased business volume as sold manhours increased 9.5% and the expansion at our new centre of excellence building in 2010.

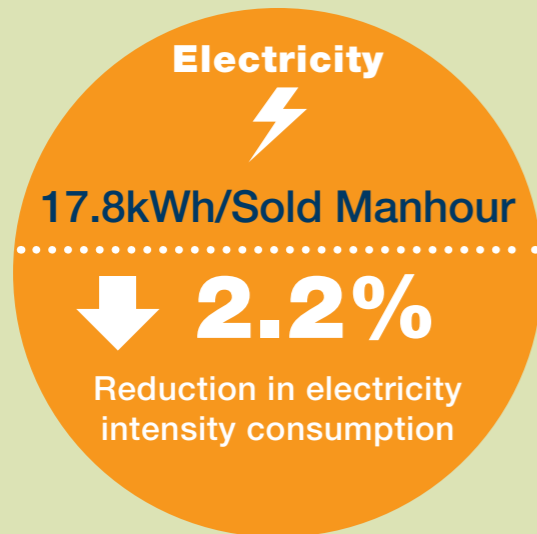
In 2010, our total electricity usage was 17.8kWh per sold manhour, a reduction of 2.2% compared with 2009. To counter the impact of the expansion of the facility, continuous efficiency improvements were made, including further upgrades to the Building

Management System (BMS) to provide a more accurate control of facility air-conditioning and to improve our visibility of electrical usage within individual processes and functions. This in turn will facilitate a more targeted approach to energy reduction initiatives. Other projects included additional sub-metering, developing separate energy reporting mechanisms for core building services and production equipment with appropriate weightings for effects of weather against production output volume, and researching and testing of Light Emitting Diode (LED) tube lights.

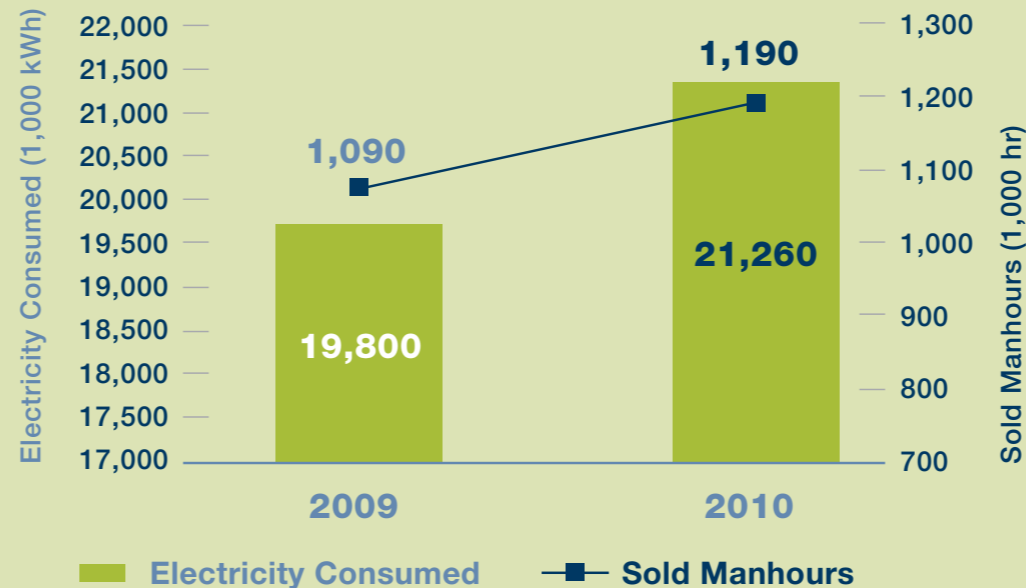
### Energy Management Project

During 2010, a combination of routine checks and adjustments were made to the BMS and regular information data retrieval from the BMS was processed to allow feedback on consumption. We investigated the detailed breakdown in electricity use in production process equipment and arranged additional power metering for heavy usage process equipment.

### 2010 Electricity Intensity Consumption

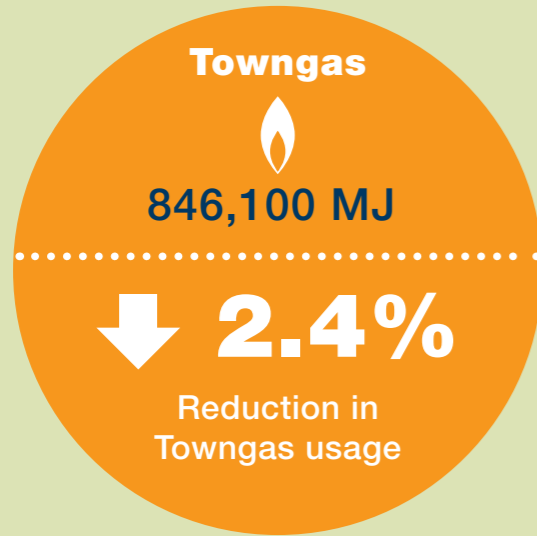


Electricity Consumption vs. Sold Manhours



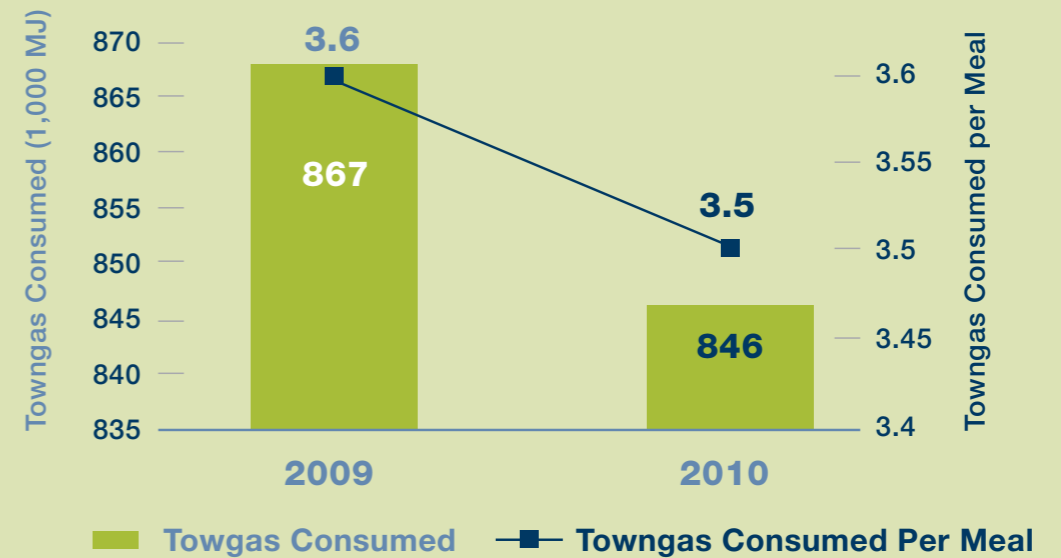


### 2010 Towngas Consumption

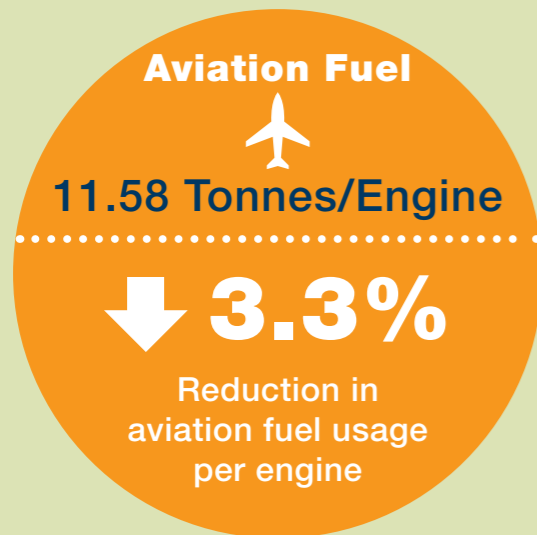


A further reduction in gas usage occurred in 2010. This was attributed to the implementation of a “Gas Consumption Reduction in the Staff Canteen” project. This project focused on reducing gas consumption by reviewing current cooking processes or methods, identifying and eliminating waste and developing a future cooking process with more effective and efficient use of gas. As a result, it helped to improve efficiency and reduced Towngas usage by 2.4%.

### Towngas Consumption per Meal Consumed

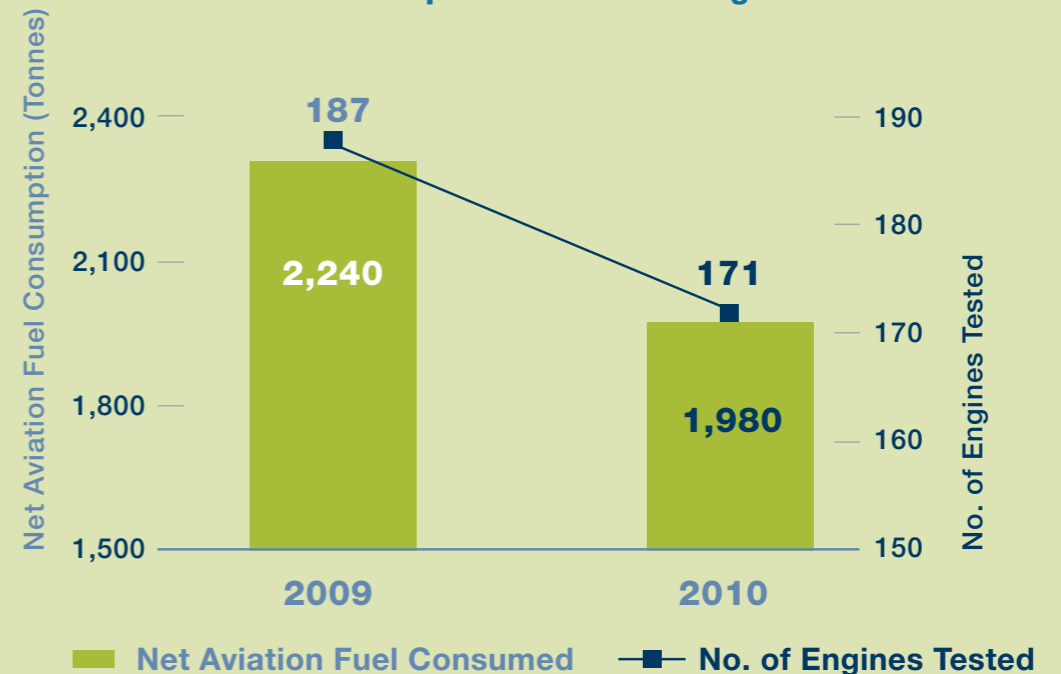


### 2010 Aviation Fuel Consumption



Aviation fuel consumption relates to engine thrust, fuel efficiency and the number of each engine type tested. In 2010, aviation fuel consumption fell by 11.7%. This was a result of an absolute reduction in the number of engines tested and the product mix of those engines.

### Aviation Fuel Consumption vs. No. of Engines Tested



**↓ 9.1%**  
**Total CO<sub>2</sub> emissions**  
 Reduction in 2010

## Managing Our Carbon Footprint

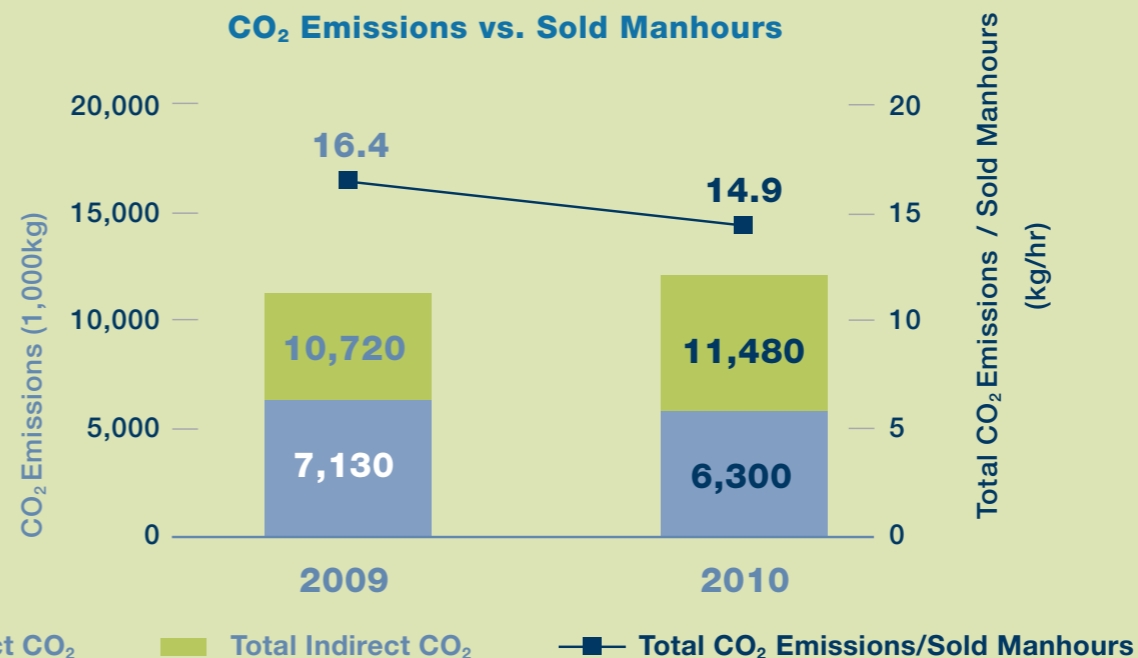
Carbon dioxide (CO<sub>2</sub>) emissions are widely acknowledged as a cause of global warming and climate change. Therefore, reducing carbon dioxide emissions is one of our biggest challenges. HAESL's carbon dioxide emissions are mainly attributed to the consumption of electricity in production process equipment, air-conditioning, compressed air plant and lighting; the consumption of Towngas in the kitchen supporting the staff canteen; and the consumption of aviation fuel in engine tests. In 2010, our total carbon dioxide emissions were approximately 14.9kg per sold manhour, which is 9.1% less than the previous year.

In 2008, HAESL first joined the Cathay Pacific "Fly Greener" Offset Scheme to offset emissions attributable to employee business trips involving travel by air. The total distance of HAESL's business travel in 2010 was 764,083km, producing 189,013kg of

CO<sub>2</sub> of emissions. A payment of HKD13,987 was made to offset this travel. In 2011, the Company will adopt the use of video conferencing systems to conduct meetings to reduce carbon dioxide emissions.

In February 2009, HAESL joined the "Clean Air Charter Certificate Scheme" launched by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. Under the Scheme, we adopt energy-saving and Greenhouse Gas (GHG) emission reduction initiatives in our operations to control the levels of carbon dioxide emissions.

In order to account for and report on GHG emissions and removals for HAESL buildings, we carried out an internal carbon audit\* for our operations during late 2010.



**Progress Against 2010 Action Plan**

**Status**

**Objectives for 2011**

Implemented an internal “Carbon Audit” in December 2010.*	✓
Improved the responsiveness of BMS system maintenance and reduced energy waste by periodic BMS review meetings.	✓
Additional sub-metering to improve breakdown of data capture for process and central system electricity use.	On going
Developed BMS upgrade to include new chiller systems and additional power analyser interfaces to enhance data capture.	On going
Integrated operation of new chiller into existing chiller population and developed an optimised mix of plant use for the best efficiency under varying loads.	✓

- Review scope to reinforce resilience against water supply failure and investigate environmental benefit for additional water recycling and water conservation measures.
- Maintain and enhance separate energy reporting mechanisms for core building services and production equipment with appropriate weightings for effects of production output.
- Develop and procure further energy efficiency improvements.
- Progress CO<sub>2</sub> management systems.

\* The audit was performed in conformance with Electrical & Mechanical Services Department methodology, “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, 2010 Edition”.

**Waste Management**

**Implement 5Rs principle to reduce waste**

HAESL continues to apply the 5Rs principle – Reduce, Re-use, Recycle, Recover and Replace to all of our business practices – from our office activities, to our workshop operations and the environmental packaging of the aero engine parts. Under our Sustainable Development Policy, we have expanded the scale and scope of the types of used materials collected for recycling and reuse. Scrapped waste aluminium as well as bolts and nuts were included on the current list ranging from paper, waste steel and titanium alloy to printing toner cartridges.

We have been supporting the Computer Recycling Programme organised by the Environmental Protection Department and a number of charitable organisations. The programme collects used

computers and computer parts for refurbishment and then donates them to the needy. By the end of 2010, we had donated 87 computers and 209 accessories under this programme.

We also introduced a continuous foam tube machine to replace the traditional bubble wrap or polyethylene foam packaging. The continuous foam tube machine is a computerised packing machine that dispenses the desired amount of continuous foam tubes, thus avoiding over-packaging and materials waste. The material for the foam tube is reusable.

Meanwhile, we modified the packaging standard, only using environmentally-friendly/reusable materials with a higher quality as well as continuously developing aluminum containers for frequently-shipped items instead of using plywood boxes in order to sustain

resources over the long term. We also encouraged better planning of the packaging size/cube to enhance space utilisation and reduce weight, which can help to save fuel consumption during transportation.



### Materials Used in Workshops



We recognise that materials, parts and products used in our everyday operations impact the environment in different ways through their manufacturing, use and ultimate disposal. HAESL endeavours as much as possible to reduce the consumption of materials, as well as to recycle when possible to sustain our natural resources. For the details of our performance in other industrial materials recycling, please refer to the section “Performance Data”.

### Materials Used in Offices

Waste paper and toner cartridges are the main materials used in our office environment and the ones we try to recycle. Waste paper is collected through various collection points and picked up by paper recyclers. In 2010, we collected 11,360 kg of waste paper for recycling. In 2011, we will make every effort to reduce our paper consumption. Used toner cartridges are collected by recycling collectors, then refilled and reused. We will strive to strengthen this practice. More statistical data on used toner cartridges collection is provided in the “Performance Data”.



**11,360 kg**  
**Waste Paper**

Collected for  
recycling in 2010

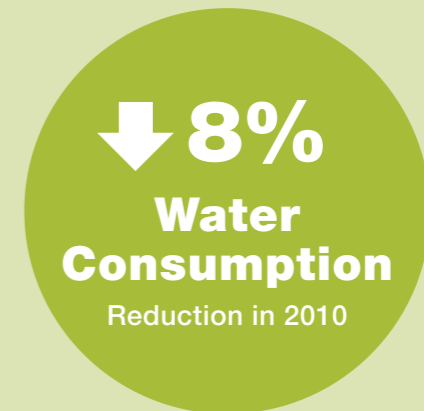
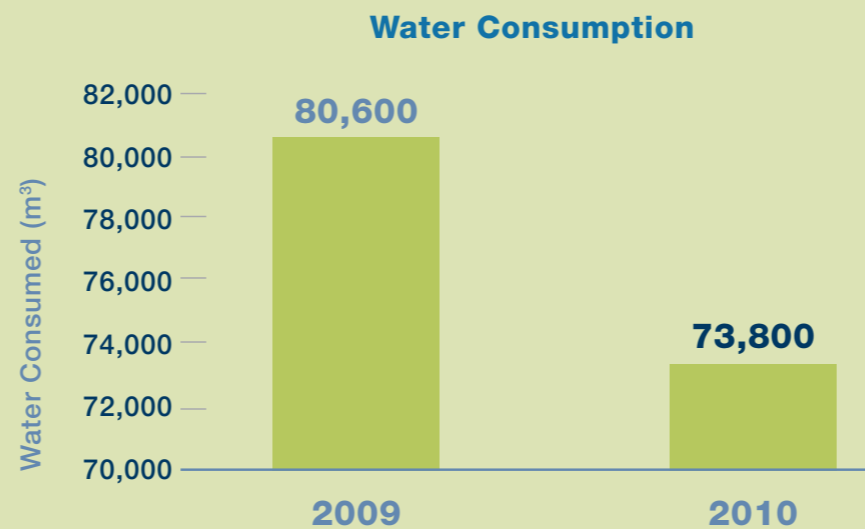


### Chemical Waste

The Company's effluent treatment plant treats chemicals in the plant's effluent. Suspended or dissolved metals are ionized and precipitated; heavy metals including hexagonal chromium, cadmium, nickel and others are separated from waste water and disposed of as sludge and resin by an approved disposal company. Other chemical waste such as oils, solvents, alkali, acid and paints are handled properly in accordance with the regulatory requirements. In 2010, no fines for non-compliance or spills were reported in our operations.

### Water Consumption

Water scarcity and sustainable water resource management is quickly rising to the top of the agenda for many businesses. Making sure we conserve water, HAESL collects rain water that is used to top up the reservoir, which produces chilled water for HAESL's air-conditioning system. The Company also collects condensate from the air-handling units and directs this to the evaporation towers as top-up and replenishment water to reduce fresh water usage. The overall consumption in 2010 was around 73,800 m<sup>3</sup>, which was 8% less than in 2009. We will continue to maximise condensate recovery from air-conditioning.





# HEALTH & SAFETY



# HEALTH & SAFETY

## Our Zero Tolerance Journey

In 2010, we prioritised health and safety performance and this remains a key issue for HAESL as we work together to achieve our Zero Tolerance approach to injuries in the workplace. We believe that Zero Tolerance is a fundamental sustainability objective. In 2010, our Lost Time Injury (LTI) rate was 9.08 per 1,000 staff with 8 recorded cases, representing an increase of 18% against 2009. However, this is 9.2% lower than 2010 target as defined by our five-year plan. In total, 128 mandays were lost in 2010 due to

those injuries, with five minor injuries requiring simple first aid treatment and no reported occupational illness. To ensure such injuries do not reoccur, we have conducted in-depth investigations, carried out accident review meetings to identify the root cause of each injury and taken remedial and preventative actions. Our goal for 2011 is to continue the journey to a Zero Tolerance approach to lost time injuries and accidents in the workplace.

↓ **9.2%**

**Lost Time Injury Rate**

Lower than 2010 target

↓ **7.6%**

**Mandays Lost Rate**

Compared with 2009





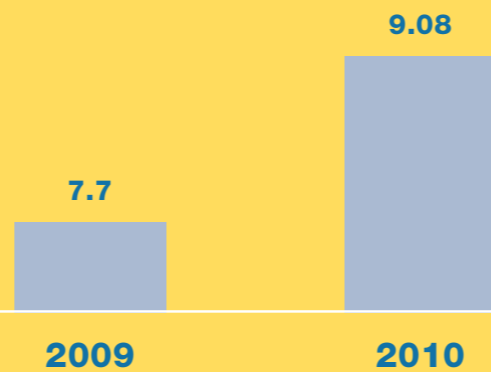
### Achievements in 2010

- To reduce the Lost Time Injury Rate in 2010 by 9.2% compared with 2010 target ✓
- To reduce the Mandays Lost Rate in 2010 by 7.6% compared with 2009 ✓
- To maintain zero prosecution on health and safety related issues from the Government ✓

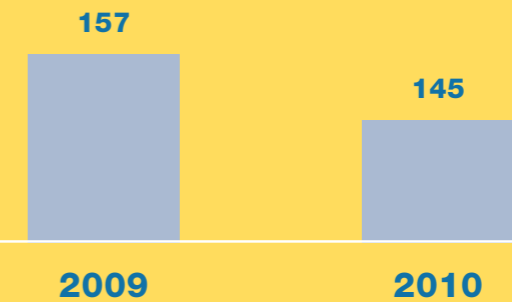
### 2011 Health & Safety Objectives

- To achieve a Zero Tolerance approach to accidents and injuries in the workplace
- Implement a new Risk and Safety Governance Structure
- Implement a Risk Assessment Programme for a World Class Facility
- To achieve OHSAS 18001 certification by 2012

Accident Rate per 1,000 Employees



Mandays Lost Rate





## Health & Safety Day

A Health & Safety Day was held by the Company on 19th March 2010 in order to raise staff awareness of HAESL's target of reaching zero accidents in the workplace. During the day, over 600 staff and stakeholders enjoyed a variety of interactive games, workshops, exhibitions and talks. The fun activities were designed to increase the employees' health and safety awareness, as well as to motivate behavioural change.

We also invited a visiting speaker, Mr. Ken Woodward, to share his experience following an industrial accident that happened to him whilst working in the UK. Ken lost his eyesight due to human factors and a lack of appropriate personal protective equipment. Staff were encouraged to air their views and discuss remedial actions in a risk assessment and Kaizen training exercise.



# HANDSAFE

The aim of the five-themed HANDSAFE programme is to prevent hand injuries under a Zero Tolerance approach to accidents in the workplace. With a team of 45 Champions and 6 Coordinators leading the activities of Component Repair, Engine Overhaul, Materiel Control and Stores, HANDSAFE directly involves those who are most often at risk of hand injury. Over 700 staff across the Company were invited to participate in the activities that accompanied each theme.

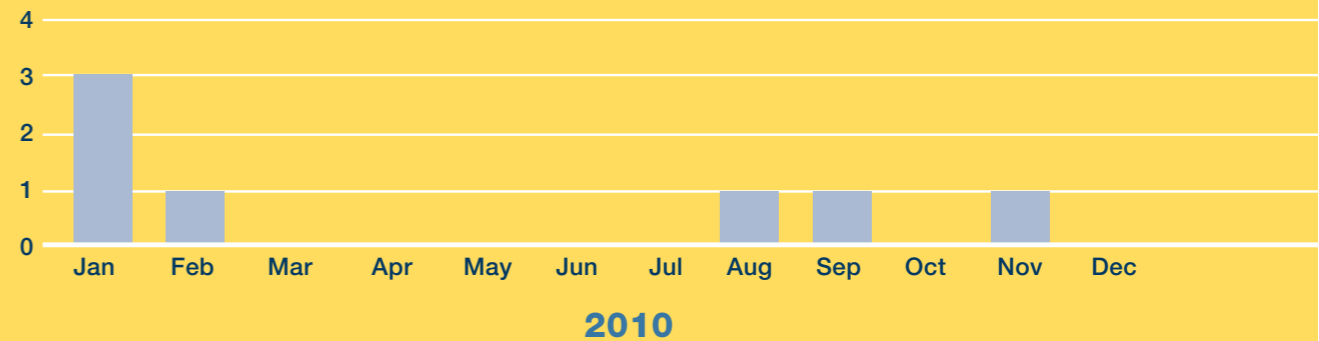
Over the five themes, HANDSAFE aims to demonstrate the importance of one's hands in everyday life, and how difficult life can be after experiencing a hand injury. Everyone is encouraged to identify hazards in the workplace, promote active risk mitigation and practice safe working procedures. Overwhelming feedback from Champions and Coordinators confirms that the programme and activities have successfully increased the awareness of hand safety.



	All Types of Injury	Forelimb Injuries
Total injuries (including LTI and minor injury*)	13	7
Before HANDSAFE programme started (Jan - Jun)	9	4
After HANDSAFE programme started (Jul - Dec)	4	3

\* Minor injury means an incident that involves injuries leading to less than 1-day sick leave.

No. of Forelimb Related Injuries





**110** Reports  
received since launched  
in September 2010

**43%** Reports  
were closed out  
in 2010

## “I Care, I Report” – Our near miss reporting system

Our priority is always prevention. We recognise that risks cannot be completely eliminated, as incidents may happen due to human error and hazards may emerge from a change of work environment over time. Therefore, we launched “I Care, I Report” in September 2010 to encourage staff to report Unsafe Actions, Unsafe Conditions and Near Misses during their daily work and also to promote a message of caring about ourselves, our colleagues and our working environment.

In order to encourage staff to report Unsafe Actions, Unsafe Conditions and Near Misses, we distributed a tea coupon to each employee that submitted a report. We also presented an award for the “Best Report” every month.

## Enhance Stakeholders’ Safety

To ensure all visitors and contractors at HAESL premises are identifiable and operate in a safe environment, we have reviewed our visitors/contractors’ policy and, as of February 2010, contractors and visitors are now required to wear reflective vests. This is particularly important for contractors/visitors working in the HAESL workshop.





**851** staff  
attended health  
and safety training  
programmes

## Safety Training

Safety training is an important element of our strategy to reinforce staff awareness of safety, consolidate necessary skills, gain relevant knowledge and foster a positive attitude on safety. As such, HAESL has developed comprehensive training for both frontline and supervisory staff. In 2010, 851 staff attended different kinds of internal health and safety training programmes, such as chemical safety, workplace safety, fire safety, office safety and first aid.

Being able to respond effectively to emergencies is crucial in our business. Each year we conduct various drills to test our emergency preparedness and response. We also deliver training in using the emergency equipment and the response procedures required for handling emergency events such as spillages of oil, chemicals and other hazardous materials.

## Prescription Safety Glasses

HAESL is committed to allocating sufficient resources to provide a safe and healthy workplace. To achieve world-class health and safety performance we ensure that appropriate eye protection can be provided for staff whose jobs expose them to eye hazards. Since October 2010, we have assessed eye hazards at work and identified staff that require prescription safety glasses. 227 staff participated in the programme and the provision of personal protective equipment (PPE) is ongoing. In 2011, we will carry out a review to ensure all staff are provided with suitable PPE.



## Progress Against 2010 Action Plan

## Status

An indoor air quality survey in component repair workplace was completed	✓
To organise a “Health and Safety Day” to enhance safety awareness to HAESL employees	✓
To enhance communication of Roles and Responsibilities of Steering Committee members and ownership of the Steering Committee members	<i>On going</i>
Purchase of prescription safety glasses to reduce injuries	✓
Implement reflective vest policy	✓
Launch “I Care, I Report” Programme	✓
Launch HANDSAFE Programme	✓
“Good Class” Indoor Air Quality Certificate obtained in December 2010 for the Administrative Building	✓

## Agenda for 2011

### *Safety Promotion*

To develop Machine Guarding Programme – GUARDSAFE  
 Implement PPE visualisation to standardise design and message

### *Risk Management*

To develop Risk Management Committee to enhance communication, controlling, mitigating and evaluating risks  
 Implementation of a formalised risk assessment process for every operation in order to control and mitigate risks

### *Subcontractor Control*

To develop and implement Subcontractor Control Safety Management Programme



## EMPLOYEE DEVELOPMENT



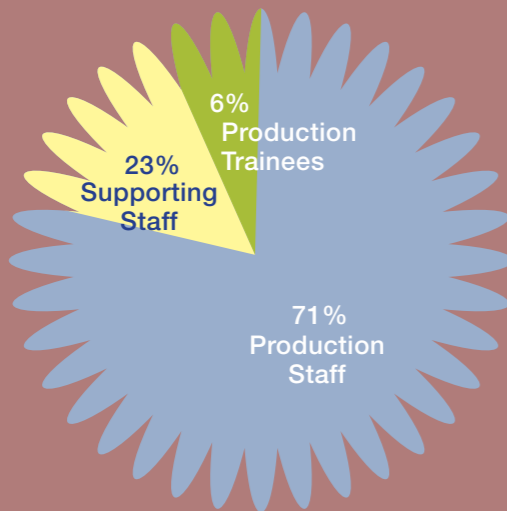
# EMPLOYEE DEVELOPMENT

Being a Responsible Employer, HAESL strives to ensure that our employees have sufficient skills and knowledge to support the sustainable development of our business. To this end, we heavily invested in staff training and development in 2010.

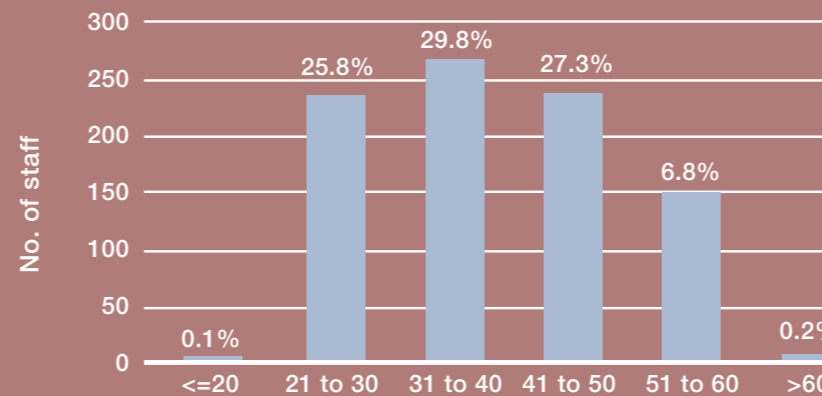
**900 employees**  
Total workforce at the end of 2010

## Staff Profile at December 2010

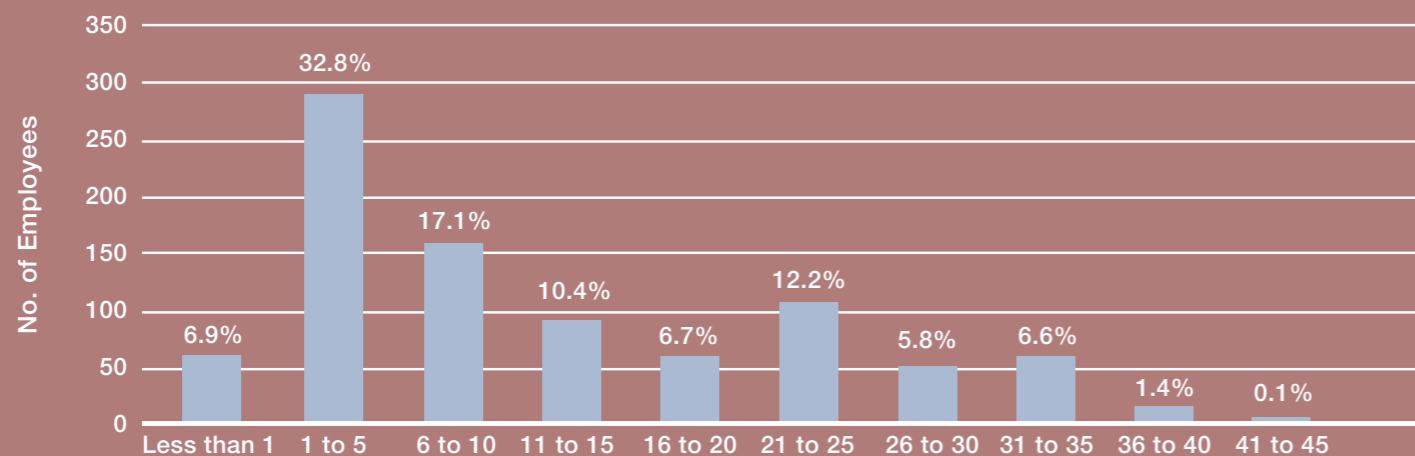
Total Staff



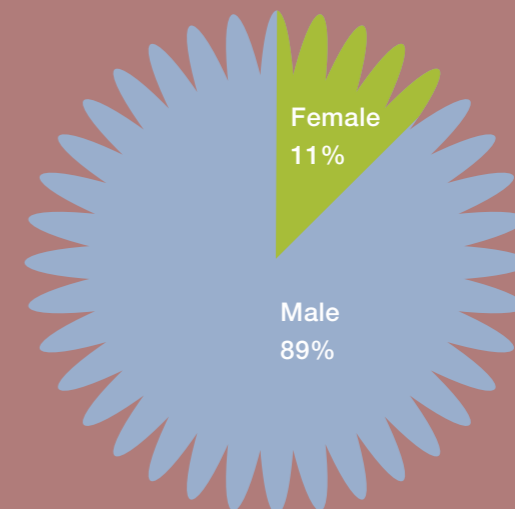
Age



Years of Service



Gender



## Staff Training and Development

In 2010, we organised 208 in-house training events with 9,276 participants. Areas of training covered courses in management, technical knowledge, computing skills, environment, health and safety. Five of the training courses were new and mainly related to management.

**208**  
in-house training  
events with 9,276  
participants

### Competency Training Matrix

We regard the National Aviation Authorities requirements to make sure staff are competent to perform the task assigned to them as key to ensuring the products we deliver to our customers are safe. We ensure staff competence through a gated process we introduced in 2010 known as the “Competency Training Matrix”. The process has five time-bound categories (gates) which equip employees with knowledge of the business, Quality and EHS requirements, basic skills, special skills and knowledge and qualification of in-house trainers and assessors of competence. It is an effective tool which measures staff competence by monitoring the level of skill and knowledge of individual staff in each department.

### Anti-Corruption Policies and Procedures

In addition to technical and soft skills training, we also provide training on the Company’s code of conduct, which covers anti-corruption and anti-discrimination. All new employees are introduced to the code of conduct as part of their orientation.

HAESL also introduced an ethics reporting hotline – **ethics@haesl.com** – to enable employees to raise grievances and report misconduct in a confidential manner.



## Employee Wellness Programme

We provide comprehensive health care to our employees and their dependants. The scheme covers hospitalisation, outpatient clinical visits and primary dental care. Starting in 2008, we extended the scheme to provide general health checks for employees aged over 40.

To help staff understand more about their health conditions, we invited our medical services provider, Quality Health Care Medical Services Ltd., to organise an onsite health assessment activity on 10 and 11 June 2010, for our staff. A total of 227 staff underwent the health assessment.

In addition, in order to provide better health care for our staff, we have been planning with Quality Health Care Medical Services Ltd. to set up a physiotherapy facility at our premises in 2011. A full-time physiotherapist will be employed. On top of providing conventional physiotherapy treatment, the physiotherapist will also conduct ergonomic risk assessment workshops and organise health talks for our staff.

We are concerned not only for our staff's physical wellness, but also for their mental fitness. As such, our Employee Wellness Programme also includes an Employee Assistance Programme (EAP), which provides personal counselling and consultation services to our employees.

## Staff Activities

### Ocean Park Family Night

We believe that a healthy work-life balance is of the utmost importance to staff. As such, we organised the Ocean Park Family Night for our staff and their family members in November to let them enjoy family life and have fun at one of Hong Kong's most popular theme parks. A total of 2,054 adults and 139 children participated.



Ocean Park Family Night

### Staff Recreation & Sports

In 2010, the HAESL Recreational and Sports Club set up new interest groups and expanded the number from 8 to 12 (i.e. football, basketball, tennis, table-tennis, badminton, bowling, golf, hiking, cycling, Tai Chi, fishing and snooker). In 2010, the Club organised a number of activities for our staff which included a Badminton Competition, Inter-departmental Basketball Competition, Bowling Competition, Mahjong Competition, Snooker Competition, Inter-departmental 6-A-Side Soccer Competition and a Fishing Match.



Basketball Competition



Fishing Match

## Communication

### Staff Association

To maintain effective communication with employees, HAESL's management conducted regular meetings with the General Staff Consultative Committee and Contract Staff Association to address staff concerns, solicit their opinions on employee welfare services, and keep them updated about the Company's business.

### Our Storyboard

Following the first "HAESL Storyboard" briefing launched in December 2009, the second Storyboard briefing was held in July 2010. The briefing covered a wide variety of topics such as the Company's business outlook, performance, update on facility development, sustainable development initiatives, as well as the Company's efforts on quality and training. Attending the briefing in small groups, the staff could freely express both their concerns and recommendations to the Company. As we are very concerned about our staff's feedback, the management reviewed the issues raised, decided on the actions required and responded to the staff.

## THE MANY FACES OF SUSTAINABLE DEVELOPMENT



Two journeys – one long, one short – both enriched by a conviction that businesses have the responsibility to contribute to the world in a meaningful way. These two stories represent the different faces of sustainable development and how different generations are living out the concept.

# Viene Lam

Executive Assistant



“

Just try it once, you'll understand where you fit in from there. Like I always say, set a goal and see what difference you can make.

”

Viene has a long history with HAESL and Hong Kong Aircraft Engineering Co. Ltd. (HAECO). She joined the latter 20 years ago as a marketing secretary, later taking on her current role as executive assistant to HAESL's senior management team. "Through the years, I have always felt that I have a place here," explained Viene. "I feel that I'm part of a great team."

She believes that every company owes the community a helping hand – a responsibility that HAESL takes very seriously. "Our volunteer teams are involved in a large number of programmes," she elaborated, "none of which would have been possible without the support and resources HAESL provides."



## What sustainable development means to me

For her part, Viene's contributions extend well beyond her office hours. She has a reputation as a Samaritan, pouring time and effort into the numerous outreach initiatives that are the hallmark of the Swire family.

Her story began years ago, with a visit to a senior citizens' home. "We fell to chatting, and that connection – it just clicked for me. I was good at this.

It felt right." From there, home visits became organising children's fairs, clearing litter, taking daytrips with the visually impaired and much, much more.

For Viene, every facet of society has its needs, each offering its own lessons to learn as well as its own rewards. "The innocent smile of a child, the trust and connection shared with an elder, the knowledge that you're preserving the environment for future generations – these offer their own unique fulfilment. As the old saying goes, there is more reward in giving than in receiving, and I can vouch that it's true."



## Advice for a first-time volunteer

As someone who actively encourages her co-workers to jump in, Viene understands the desire to help, as well as the accompanying doubts. "Just try it once," is her advice. "You'll understand where you fit in from there. Like I always say, set a goal, and see what difference you can make."

# Jessica Xu

Assistant Engineer



“There are many ways to contribute, and it’s important for people to find their own niche to explore. And it’s a great way to grow on a personal level.”

Jessica holds a Mechanical Engineering degree from the China Agricultural University and a postgraduate degree in the same discipline from the Hong Kong Polytechnic University. She joined HAESL’s Engineering Graduate Training Programme two years ago and is now an assistant engineer in the Technical Services department, and her pleasant nature has been a welcome addition to the Company.

Getting her hands dirty on real engines has been an eye-opener for Jessica. “I have responsibilities that can have very serious consequences,” she elaborates. “School assignments are no comparison to the real thing. You have to focus – not just for the sake of the end consumer, but for your team as well.”



### What sustainable development means to me

Her focus on health and safety stems from a fatal accident that took place in another firm. Though it happened years ago, this left a very deep impression on Jessica, who knows how easy it is to get injured in this line of work.

The “I Care, I Report” programme, which Jessica helped establish, was thus born last September. “It’s more than just a safety programme though,” she pointed out. “At its core, it’s about changing the Company culture, about introducing a proactive and preventative mindset when it comes to workplace safety.”

This promises to be a long-term challenge, but it’s one that Jessica feels strongly about. “We have over 600 front-line workers, and drawing them into the change process is crucial.” She believes that sharp eyes and two-way communication can make a very real difference. With over 250 reports submitted and a zero accident record since “I Care, I Report” was first launched, Jessica is living proof of this.



### Advice for a first-time volunteer

“People don’t always understand how broad the concept of sustainable development is,” explained Jessica, and therein lies the challenge. “There are many ways to contribute, and it’s important for people to find their own niche to explore. And it’s a great way to grow on a personal level.”



# CHARITABLE AND COMMUNITY PROGRAMMES



# CHARITABLE AND COMMUNITY PROGRAMMES

As a responsible corporate citizen, we are committed to contributing to society. In 2010, we participated in various volunteer activities and charitable donations with a view to helping the needy and the underprivileged.

## Charitable Giving

HAESL not only strives to be “Best in the World”, but we also seek ways to be “Best for the World”. With this mission in mind, we actively took part in various charitable activities in 2010.



### Charitable Donations

As a good corporate citizen, HAESL tries its best to make contributions to charitable causes and organisations. In 2010, we made cash donations to the World Wide Fund for Nature as support for its volunteer activities related to environmental protection. In addition, we also made a donation to ORBIS and sponsored the Cathay Pacific team in Oxfam’s “Trailwalker”.



### Blood Donations



HAESL, in collaboration with the Hong Kong Red Cross Blood Transfusion Service, organised blood donation days on 21 and 22 June 2010. Thanks to the support of our staff, we had a total of 62 blood donors who generously offered help to those in need of blood transfusions.



### Other Donations



In addition, we continued to donate different items to charitable organisations, such as food, computer equipment, furniture and other re-usable items.

## Charitable Support

To support local charities, we strongly encourage our staff to be engaged in fund-raising activities held by external charitable organisations. For some events, we also sponsored our staff's donations with matching funds. In 2010, our staff participated in the following activities:



### Marathon des Sables

Our Director and General Manager took part in the 25th Marathon des Sables (the Sand Marathon) on 4 -10 April, which takes place every year across the Western Sahara desert in Morocco. His aim was to raise HK\$300,000 for the Evangel Children's Home, which provides food, shelter, counselling and spiritual guidance to 70 children and youths in Hong Kong, and for Mencap, the leading UK charity for people with a learning disability.



### Green Power Hike

To support environmental protection and education in Hong Kong, a total of 31 HAESL staff and their family members formed eight teams to join an annual fund-raising event, "Green Power Hike for a Green Future", held on 6 February. The proceeds will be used for promoting environmental protection in Hong Kong.



### Pedal Kart Race

HAESL entered three teams in the Hong Kong 24-Hour Charity Pedal Kart Grand Prix on 20 – 21 November 2010, which supports various charities in Hong Kong, China and the region. In order to raise more funds, we held a charity sale of fruits and snacks.



### Away Days for STAR Silver Recognition

The Shipping team achieved Silver level accreditation for their STAR improvement activities. To celebrate this achievement, they assisted the charity Samaritan's Purse by packing Christmas gifts for children in need. This team is responsible for documentation and this experience made them aware of the difficulties of product dispatch.

## Education

We support the education of young people in Hong Kong through various activities, including sponsoring scholarships for local universities and employees' children, offering internship opportunities for university students during summer break and organising visits to our production facility.

### Scholarships for Children of HAESL Staff

To award our staff's children who have achieved outstanding academic results, we granted two university scholarships for the academic year 2010/11. One went to a second-year undergraduate studying Product Engineering with Marketing at the Hong Kong Polytechnic University and the other to a second-year undergraduate studying Mathematics at the Chinese University of Hong Kong. We also awarded two school scholarships to an F.6 student and an F.7 student.



### Scholarships for Hong Kong Polytechnic University Students

With an aim to developing local Engineering students, we set up a scholarship for high-performing Engineering undergraduates from Hong Kong Polytechnic University. In 2010, we granted a total of three scholarships to two final-year undergraduates and one year-one undergraduate in recognition of their outstanding academic performance.

### Summer Internships

In 2010, a total of ten interns joined HAESL to gain practical work experience during their summer break from university. They were assigned to work for various departments including production, operations support and administrative departments.

Collaborating with Boeing and Cathay Pacific, we provided training opportunities to three Engineering undergraduates who were interested in developing their career in the aviation field. The programme is called the "Boeing Cathay Pacific HAESL Internship Programme". The objectives are two-fold: to give Hong Kong students who are studying engineering a chance to experience the aviation industry for one year; and to identify and attract suitable young engineering talent into the industry.

### Internship for Rolls Royce Trainees

As a means of exchanging our knowledge and expertise with other companies, HAESL provided internship training to five Rolls Royce trainees in 2010. They were able to participate in different department's routine operations and get involved in special projects, e.g., the HANDSAFE programme.

### Engineering Graduate Trainee Internship

HAESL offers a 4-year training programme to our Engineering Graduate Trainees (EGTs) to equip them with not only the required technical knowledge but also business acumen. To enhance their exposure, last year we arranged for secondments for two trainees to Cathay Pacific and two to Rolls Royce in the UK. While seconded, they were assigned a number of projects in such areas as technical services, production planning, business improvement and quality assurance. Their involvement with these renowned organisations gave the trainees valuable opportunities to broaden their horizons.



### Plant Visits

During 2010, we arranged a number of visits to our production facilities to enable the local community to learn more about our industry. The visiting organisations included universities, the Hong Kong Institute of Vocational Education, the Hong Kong Institute of Engineers, local schools and other technical institutes.



## Mini-library

To create a continuous learning environment for our employees, HAESL strives to foster a reading habit among them through the Company's mini-library. It houses books and magazines in both Chinese and English covering a wide range of topics, such as engineering, management, language learning, and psychology. To satisfy the readers' craving for knowledge, HAESL purchased a total of 40 new books and magazines in 2010.

## Employee Volunteering

Our HAESL volunteer team, consisting of our employees, their friends and families, continued to reach out to the local community and lend their helping hands to people in need in 2010.

### HAESL volunteers assisted at Evangel Children's Home Open Day

In January, HAESL volunteers helped to organise one of the game booths at the Open Day of the Evangel Children's Home. This event promoted greater understanding among the public about the Home's services for children in need and where they can seek help.

### Dolphin watching for families of HAESL staff

HAESL organised a dolphin watching boat trip for staff and their families in April in the waters off Tung Chung, which is one of the favourite habitats of Chinese white dolphins. This activity aimed to raise the participants' awareness of this protected species and also enhance their family relationships.

### Volunteer programme in Mai Po Nature Reserve

In May, HAESL volunteers worked with the World Wide Fund for Nature to remove invasive vegetation from freshwater ponds in the Mai Po Nature Reserve. This helped to enhance the living environment for animals and plants in the reserve.



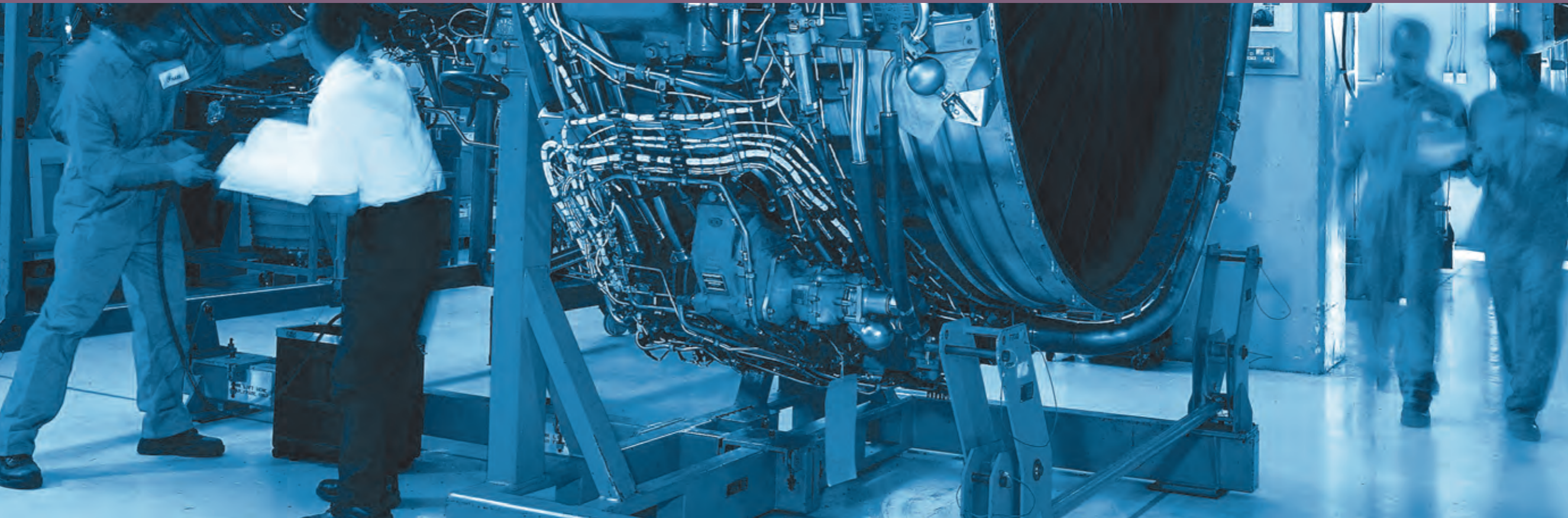
### Outing with the visually impaired

In November, HAESL volunteers accompanied a group of visually impaired people from Shek Kip Mei Lutheran Centre to visit Nanliang Garden and Chi Lin Nunnery in Diamond Hill. Through verbal descriptions, the volunteers helped them have closer contact with the outside world.





## PURCHASING POLICY AND ECONOMIC PERFORMANCE



# PURCHASING POLICY

HAESL is committed to conducting its business in a manner which fosters the sustainable use of the Earth's resources, minimises as far as commercially practicable any adverse impact on the environment, and protects the health and safety of its employees, customers, business associates, community neighbours and the general public. HAESL is dedicated to selecting and retaining suppliers who display similar standards and commitment towards social and environmental responsibilities. Compliance with HAESL's Supplier Code of Conduct will help to do this. To establish the level of compliance within our supply chain, we conducted a self-assessment survey

with our major suppliers in 2009. A total of 83 suppliers (high value, high risk suppliers) were asked to complete the self-assessment survey.

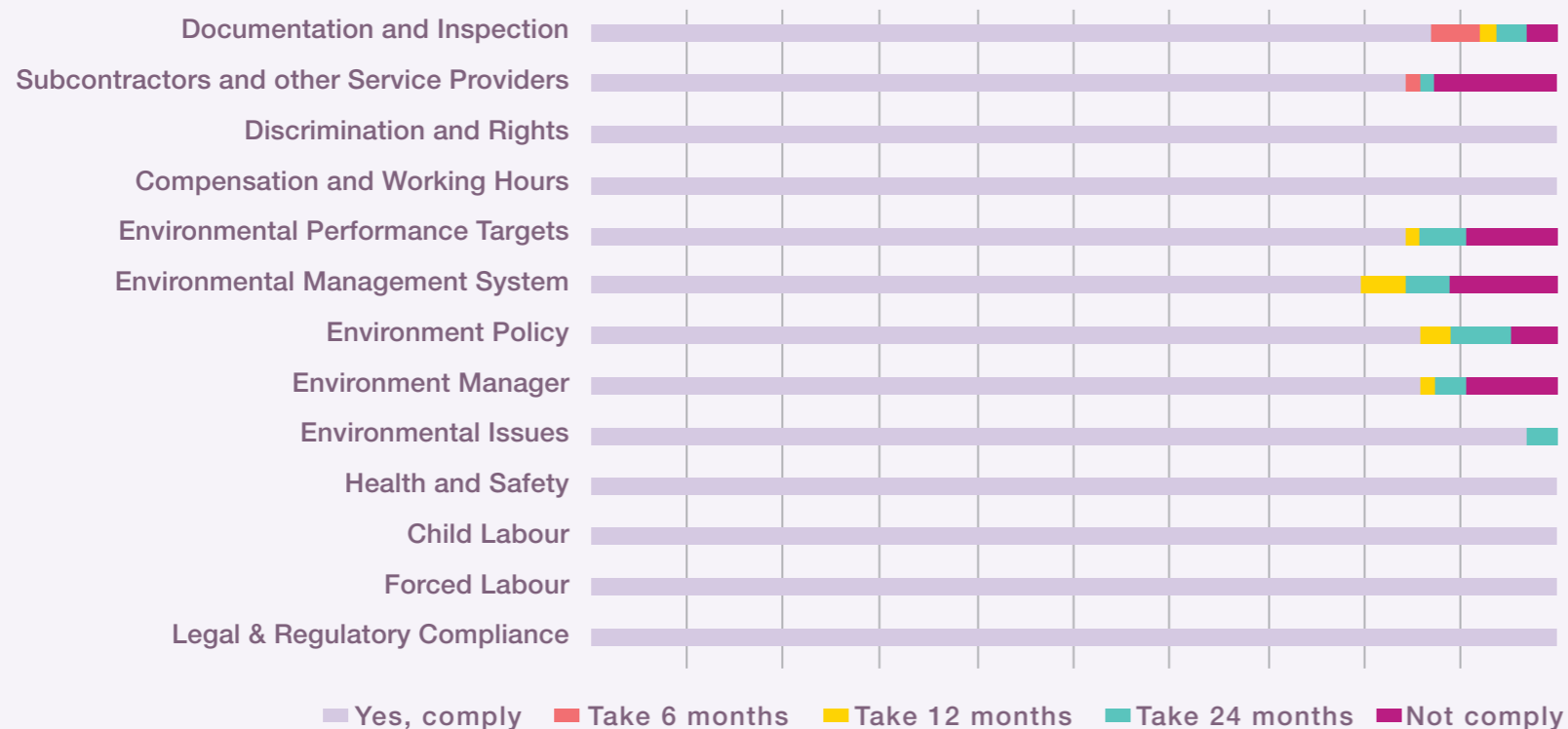
## Supplier Code of Conduct Self-Assessment Survey

By 2010, the survey completion rate had reached 90%. Among all returned surveys, about 80% of suppliers are in full compliance for all areas of the Supplier Code of Conduct. The survey showed that all suppliers are committed to comply fully with legal and regulatory requirements, forced labour, child labour,

health and safety, compensation and working hours, and discrimination and rights. For suppliers who currently do not fully comply with our Supplier Code of Conduct, we will communicate with them periodically to assess their progress and to understand what obstacles they face in achieving the corporate, social and environmental policy objectives. We will continue to encourage our suppliers to improve their practices and, everything being equal, preference will be given to suppliers who share our values and are committed to achieving full compliance with our Supplier Code of Conduct.

## Supplier Code of Conduct Self-Assessment Survey

### Supplier Code of Conduct Compliance Levels



# ECONOMIC PERFORMANCE 2010

*Turnover in 2009*

**US\$902m**

*Taxation*

**US\$16.6m**

*Dividends paid to shareholders*

**US\$84.9m**

*Charitable donations made directly  
by HAESL during 2009*

**US\$36,300**

*Turnover in 2010*

**US\$934.4m**

*Taxation*

**US\$17.9m**

*Dividends paid to shareholders*

**US\$70m**

*Charitable donations made directly  
by HAESL during 2010*

**US\$36,100**



# PLANNING FOR THE FUTURE



In 2009, HAESL adopted the Global Reporting Initiative (GRI) as an international standard on reporting and we are delighted to report that we have progressed from a C+ to a B+ rating in 2010. One of the key differentiators is a clear demonstration that HAESL has not only engaged in productive dialogue with key stakeholders for several years, but also that we have conducted it in a structured and systematic way.

We have identified specific opportunities for HAESL to address some of the key sustainability challenges in the future and all of these projects will require close collaboration and support from our stakeholders. Three of these opportunities are:

## Sustainable Alternative Fuels

In accordance with HAESL's Sustainable Development Policy, several opportunities have been identified to reduce our carbon dioxide emissions. In conjunction with Rolls-Royce, we are evaluating the opportunity to undertake post-overhaul pass-off testing using biofuels to replace Jet A-1.

Sources, including Boeing, estimate that bio-SPK (Synthetic Paraffinic Kerosene) can achieve a reduction of greenhouse gas emissions of between 65-80% relative to petroleum derived jet fuel. Renewable jet fuel will also reduce emissions of pollutants such as SO<sub>x</sub>, NO<sub>x</sub> and particulate matter.

In addition to assisting Rolls-Royce and our airline partners to advance their understanding of the challenges and opportunities related to biofuels, HAESL is keen to explore this potential carbon reduction opportunity based on current Jet A-1 consumption of approximately 2,500mt per annum in Hong Kong.

## Landfill Gas Extraction

Various initiatives have been introduced to meet and exceed reduction targets for the consumption of gas and electricity in recent years. Since 2009, HAESL has been engaged in an ongoing study to explore the opportunity to secure access to landfill gas currently flared off from the adjacent SENT site in Tseung Kwan O.

Access to this resource would displace all our gas and a major portion of the mains electricity consumption at HAESL. The process of gas extraction would also prevent methane migration to adjacent lots, improving safety within the Tseung Kwan O Industrial Estate.

## Being a Good Neighbour

The Tseung Kwan O Industrial Estate where our facilities are located covers 75 hectares. We plan to work with the management company, Hong Kong Science and Technology Parks Corporation, to bring about a number of improvements for our neighbours in the Estate.

These include improving cleanliness, public transport access to and from the Estate, and road safety, especially relating to the landfill trucks that enter and leave the Estate every day. Also, we would like to create a recreational park and introduce facilities and amenities such as mini-banking, retail shops and restaurants.

# HAESL ENVIRONMENTAL, HEALTH & SAFETY POLICY

HAESL, a joint venture company between Rolls-Royce plc, Hong Kong Aircraft Engineering Company Ltd and SIA Engineering Company Private Ltd, commenced operations in January 1997, providing large aircraft powerplant repair and overhaul services.

HAESL's vision is a commitment to become "Best in the World, Best for the World". As part of this vision, HAESL is committed to sustainable development and will include environmental, health and safety (EHS) considerations in its decision-making and work practices to help protect employees, the environment and the local community.

HAESL will conform to all applicable EHS legislative requirements but aims to achieve higher standards by continuous improvement in EHS performance.

## HAESL's health and workplace safety goals are:

- No occupational-related illnesses
- Continuous improvement in safety performance with the ultimate aim of "zero harm"

## HAESL will strive to reduce and minimise its overall impact on the environment through:

- Use of environmentally-acceptable materials, equipment and technology
- Improving energy efficiency and conservation
- Natural resource conservation
- Pollution prevention
- Minimisation of waste
- Recycling materials
- Safe and responsible disposal of waste and effluent
- Minimisation of environmentally-damaging emissions

EHS is the responsibility of all employees and everyone can make a lasting contribution to its success. Safety standards should never be compromised to "get the job done". The HAESL EHS Committee will define EHS policy, set annual objectives, monitor compliance and performance, and maintain an open system of information sharing and consultation with employees. Line managers will ensure that their staff are competent and adhere to all EHS policies and procedures. Employees will receive education and training in order to raise awareness of EHS issues and to ensure they clearly understand their individual EHS responsibilities. Employees are encouraged to report significant safety hazards and concerns to management.



**Tim Blackburn**  
*Director & General Manager*  
2 August 2010

# HAESL SUSTAINABLE DEVELOPMENT POLICY

Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their needs. Sustainable development covers environment, health and safety, employment, business partnerships and community matters.

## We adopt this policy because:

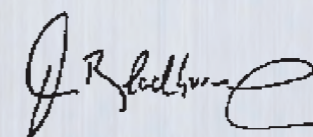
- Long term value creation for our shareholders depends on the sustainable development of our business and the community in which we operate.
- We wish to excel as corporate citizens.

## Our policy:

- Industry leadership: We will work with others to promote sustainable development in our industry.
- In our operations: We will meet or exceed all legal requirements and:
  - Be a good steward of the natural resources and biodiversity under our influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed.
  - Operate as far as is reasonably practicable in a manner which safeguards the health and safety of all our stakeholders.
  - Strive to be an employer of choice by providing an environment in which all employees are treated fairly and with respect and can realise their full potential.
  - Favour suppliers and contractors who promote sustainable development and encourage the responsible use of our services by our customers.
  - Promote good relationships with our local community and respect people's culture and heritage.

## Making it happen:

- We will encourage other companies in which we have an interest as a shareholder or through our supply chain to implement similar policies.
- We will encourage and empower our staff to be proactive on sustainable development matters both at work and in the community.
- We will monitor our performance and report regularly.



**Tim Blackburn**  
*Director & General Manager*  
2 August 2010

# PERFORMANCE DATA

	Unit	2010	2009	% Difference between 2009 and 2010
<b>Energy and Fuel Usage</b>				
Electricity purchased	kWh	21,259,842	19,847,328	7.12
Towngas consumed	MJ	846,144	866,544	-2.35
Aviation fuel consumed (1)	T	1,980	2,243 (2)	-11.73
<b>Greenhouse Gas</b>				
Total CO <sub>2</sub> emissions (indirect) (3)	T	11,480	10,718 (4)	6.64
Total CO <sub>2</sub> emissions (direct) (5)	T	6,302	7,133 (6)	-13.19
<b>Water Usage</b>				
Seawater used for flushing	m <sup>3</sup>	10,258	10,301	-0.42
Potable water used for cooling	m <sup>3</sup>	26,930	20,104	34.00
Potable water consumed for properties and landscaping	m <sup>3</sup>	8,442	9,439	-10.56
Potable water consumed for industrial wash/process	m <sup>3</sup>	38,440	51,092	-24.76
<b>Materials Usage</b>				
Printing cartridges purchased (new)	No.	593	547	8.41
Paints consumed	L	12,950	12,164	6.46
Chemicals consumed in processes – liquid	L	29,719	29,809	-0.30
Chemicals consumed in processes – solid	kg	26,145	24,142	8.30
Chemicals consumed in wastewater treatment – liquid	L	960	80	1,100 (7)
Chemicals consumed in wastewater treatment – solid	kg	84,185	109,100	-22.84
Acetylene consumed	kg	3,808	3,228	17.97
CO <sub>2</sub> consumed in production	kg	69	138	-50.00
<b>Solid Waste</b>				
Commercial / Industrial Waste disposed of	kg	380,000	386,270	-1.62
Grease trap waste disposed of	m <sup>3</sup>	38	73	-47.95
<b>Solid Waste Recycling</b>				
Paper recycled	kg	11,360	15,250	-25.51
Cardboard recycled	kg	11,870	15,240	-22.11
Aluminium recycled	kg	164	241	-31.95
Metals recycled – titanium alloy	kg	2,363	3,616	-34.65
Metals recycled – steel	kg	3,854	9,094	-57.62
Metals recycled – others	kg	2,643	6,082	-56.54
Printing cartridges sent for recycling	No.	341	306	11.44



	Unit	2010	2009	% Difference between 2009 and 2010
<b>Chemical Waste</b>				
Waste lubrication oil disposed of	L	2,878	4,037	-28.71
Waste paints disposed of	L	3,473	7,777	-55.34
Other chemical concentrates disposed of (liquid)	L	14,205	9,147	55.30 (7)
Heavy metal concentrates – hexagonal chromium disposed of	L	644	4,752	-86.45 (8)
Heavy metal concentrates – cadmium disposed of	L	0	0	0
Heavy metal concentrates – nickel disposed of	L	225	4,164	-94.60 (8)
Heavy metal concentrates – others disposed of	L	372	1,311	-71.62 (8)
Sludge/resin (heavy metal contaminated) disposed of	L	4,615	3,397	35.86
<b>Chemical Waste Recycling</b>				
Waste lubrication oil recycled	L	12,000	12,800	-6.25
<b>Health and Safety</b>				
Number of employees	No.	900	880	-3.18
Number of Lost Time Injuries (9)	No.	8	7	14.29
Number of Minor Injuries (10)	No.	5	5	0
Number of lost hours	Hrs	1,024	1,144	-10.49
Number of fatalities	No.	0	0	0
<b>General Legal Compliance</b>				
Air pollution – number of warning letters received	No.	0	0	0
Air pollution – number of prosecution actions	No.	0	0	0
Water pollution – number of warning letters received	No.	0	0	0
Water pollution – number of prosecution actions	No.	0	0	0
Waste (MSW) pollution – number of warning letters received	No.	0	0	0
Waste (MSW) pollution – number of prosecution actions	No.	0	0	0

## Notes:

- (1) Net aviation fuel consumed.
- (2) Recalculated values may be slightly different from figures provided in previous company publications.
- (3) CO<sub>2</sub> emissions (indirect) = activity data (kWh) x emission factor. 2010 emission factor is 0.54kg CO<sub>2</sub>/kWh advised by CLP.
- (4) Recalculated values may be slightly different from figures provided in previous company publications.
- (5) CO<sub>2</sub> emissions (direct) = include town gas consumed, acetylene consumed and aviation fuel consumed.
- (6) Recalculated values may be slightly different from figures provided in previous company publications.
- (7) Timing of replacement due to frequency of operation, and quality of chemicals in tanks.
- (8) Timing of replacement in 2009.
- (9) Lost Time Injuries are those which result in lost time of a minimum of one day.
- (10) Minor Injuries are those which result in lost time of less than one day.

# WHAT IS THE GLOBAL REPORTING INITIATIVE?

The Global Reporting Initiative (GRI) [www.globalreporting.org](http://www.globalreporting.org) is a multi-stakeholder-governed institution collaborating with companies and other organisations throughout the world to provide a generally accepted framework for sustainability reporting. It has developed the world's most widely used sustainability reporting framework and is committed to its continual improvement and application worldwide. This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. More than 1,300 companies and organisations, including many of the world's leading brands, have declared their voluntary adoption of the Guidelines worldwide. Consequently, the G3 Guidelines are the de facto global standard for reporting.



GRI specifies that Sustainable Development reports should include 'Profile Disclosures', 'Management Approach' and 'Performance Indicators'. The extent of reporting it requires for Levels A, B and C is:

Report Application Level	C	C+	B	B+	A	A+	
Standard Disclosures	<b>G3 Profile Disclosures</b> OUTPUT Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	<b>G3 Management Approach Disclosures</b> OUTPUT Not Required	Report Externally Assured	<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> OUTPUT Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Same as requirement for Level B
	Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category				
	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.				
*Sector supplement in final version							

# GRI INDEX

To meet technical standards, we have applied the GRI G3 framework to the preparation of this report. The GRI G3 framework provides reporting principles and recommends specific report content. Through a third party verification conducted by the HKQAA, it has been confirmed that this report complies with level B+ based on the extent of coverage of the G3 framework. GRI G3 references are shown in the table below.

GRI G3 references	Pages	GRI G3 references	Pages	GRI G3 references	Pages
<b>Profile</b>		<b>Governance, Commitments &amp; Engagement</b>		<b>EN10</b>	
1.1	6-7	4.1	9-10	EN16-18	16-19, 48
1.2	45	4.2, 4.3	9-12	EN22	48-49
-----		4.5-4.7	9-10	EN26	20-21
<b>Organisational Profile</b>		4.8	13, 46-47	EN28	21, 49
2.1-2.6	3-4, 10	4.9, 4.10	9	<b>Labour Practices and Decent Work Performance Indicators</b>	
2.7	5	4.11, 4.12	10-11	LA1, LA2, LA13	31
2.8	3-4	4.13	4-5	LA3, LA11	31-32
2.9	3-4, 9-10	4.14	11	LA6	10
2.10	4	4.15-4.17	11-13	LA7	23-24
-----		<b>Management Approach and Performance Indicators</b>		LA10	28, 32
<b>Report Parameters</b>		-----		<b>Human Rights</b>	
3.1-3.3, 3.6, 3.8, 3.11	3	<b>Economic Management Approach</b>		HR2	43
3.4	3, 53	-----		<b>Society Performance Indicators</b>	
3.5	3, 11-12	<b>EC1</b>		SO1	38-41
3.7	3	-----		SO3	32
3.9, 3.10	48-49	<b>Environmental Performance Indicators</b>		-----	
3.12	51	EN1	20, 21, 48-49	<b>Product Responsibility Performance</b>	
3.13	52	EN3-5	15-19, 48	PR1	20-21
		EN8, EN21	21, 48		

## VERIFICATION STATEMENT

### Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Hong Kong Aero Engines Services Limited (“HAESL”) to undertake an independent verification of the Sustainable Development Report 2010 (“the Report”). The Report stated the past performance of HAESL on economic, social and environmental aspects for the period between 1st January 2010 and 31st December 2010. The purpose of the verification exercise was to independently review the materiality, completeness, accuracy, consistency and reliability of the information presented in the Report. It also assessed the Report’s coverage of indicators defined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3) to confirm if it has achieved application level B+. This statement represents our independent opinion of the content of the Report.

### Methodology

The verification procedure included reviewing of relevant documentation, interviewing with responsible persons with accountability for preparing the Report and verifying selected sample of data and information consolidated in the Report. Accuracy of the sampled data and the underlying processes were tested through detailed examination of available evidence to support substantive comments and claims made in the Report. The data and information were carefully verified for accuracy and cross-checked with third party information when available.

### Conclusion

After a thorough and detailed examination of the Report, our assessment team concludes that the Report provides a structured, balanced, reliable, consistent and accurate presentation of the sustainability management performance of HAESL in the context of economic, social and environmental aspects for the reporting period. It is the opinion of our assessment team that the Report demonstrates a fair and honest representation of HAESL initiatives, targets, progress and performance on its sustainability achievements, according to the requirements and criteria of GRI’s Sustainability Reporting Guideline Version 3.0 (G3). All selected data examined during our verification were consistent with the supporting information reviewed.

In conclusion, the information provided in the Report was material, complete, accurate, consistent and reliable in the presentation of HAESL commitments, initiatives, performance and achievements for the reporting period, and the Report conforms to the reporting framework of G3 and the criteria specified in the GRI Application Level B+, to the best knowledge of our assessment team.

Signed on behalf of Hong Kong Quality Assurance Agency



**Winniss Kong**

*Auditor*

April 2011



## Tell Us What You Think!

Your comments would be very much appreciated, whether on this report or on our sustainability performance overall.

Please contact our Sustainable Development Manager or Health & Safety Leader by email at [sd@haesl.com](mailto:sd@haesl.com) or through our website at [www.haesl.com](http://www.haesl.com)

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