

Sustainable Development Report 2013



INTEGRITY



RESPECT



TEAMWORK



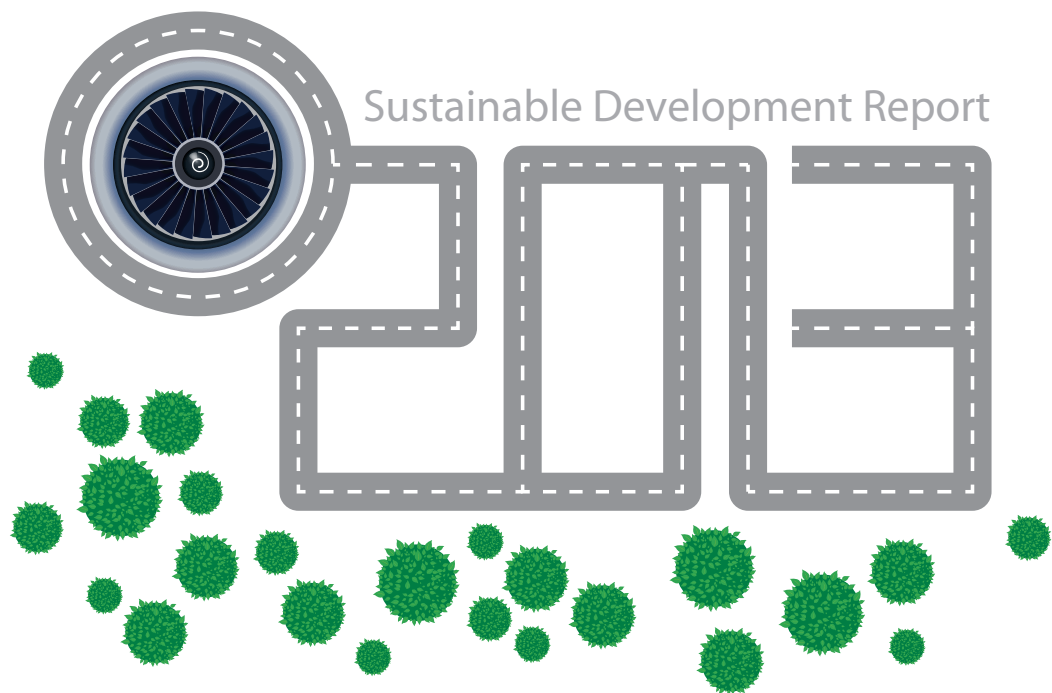
COMMITMENT



EXCELLENCE

Best in the World • Best for the World





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About this Report

Our Sustainable Development Report describes the economic, ecological and social challenges and opportunities that are linked to our operations at Tseung Kwan O, Hong Kong SAR China, and shows the strategies and solutions that we are applying to meet them. With this report we provide comprehensive, clear and concise information on all issues that we and our stakeholders consider to be of relevance for sustainability.

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. This report covers the calendar year from 1st January, 2013 to 31st December, 2013.

In our reporting we align ourselves to the G3.1 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). We contracted the Hong Kong Quality Assurance Agency (HKQAA) to verify the completeness and accuracy of our report. HKQAA confirmed that level B+ had been achieved. You can find a statement to this effect and a summarized GRI indicators [page 49-51].

Recording our sustainability indicators

Credible reporting is based on transparency and valid data. We register the data of all relevant organizational departments that fall within the scope of our activities. The data undergoes plausibility checks and cross-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.

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.

Whilst we have endeavoured to provide the most accurate view possible of our performance, we acknowledge that further improvements can be made with respect to data collection. This is something we will continue to refine and improve the accuracy of in future reports.

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 Manager Kenny Tsang by email at sd@haesl.com or through our website at www.haesl.com.

01

Company Profile



Company Profile

HAESL: Best in the World – Best for the World

HAESL is a world-class Maintenance Repair Organisation (MRO) with core competencies in the overhaul, repair and modification of large fan civil aero engines and their components.

In conjunction with our shareholder and Original Equipment Manufacturer (OEM) – Rolls-Royce, we aim to provide safe, fuel-efficient, reliable powerplant to power some of the largest civil aircraft fleet operators worldwide.

With our range of services we also ensure that the general public, when travelling on flights powered by a HAESL maintained engine, reach their destination safely.

We have spent many decades in association with our shareholders laying the foundations for achieving these goals. Our focus on providing reliable, cost effective services is the key to maintaining or gaining leadership positions in our market. This means generating value for our customers, shareholders and employees. In addition, we consider the interests of other stakeholders in society.

We work sustainably and face up to our social and ethical responsibilities as a corporate citizen. Our HAESL values that we combine under the terms Tea & Rice – Teamwork & Respect, Integrity, Commitment and Excellence – serve as a guideline for the implementation of our mission – “Best in the World – Best for the World.”

Our story

HAESL’s origins precede its official founding by extending back to the 1950’s when the Swire group identified the aviation industry as a potential business opportunity.

Having no experience in aviation but with expert engineering skills in ship maintenance, Swire formed the Pacific Air Maintenance & Supply Company (PAMAS), which later merged with Jardine Air Maintenance (JAMCo) to become Hong Kong Aircraft Engineering Company Limited (HAECO).

The growing demand within the aviation industry and a desire from HAECO to grow within the Asia region led to an astute strategic decision to form a Joint Venture with a leading aero engine Original Equipment Manufacturer (OEM); hence HAESL was founded in Hong Kong in 1995 as an equal share joint venture between Rolls-Royce plc and HAECO.

Becoming operational in 1997 with the testing of the first Trent 700 engine, HAESL has tested over 3000 engines. In 2000 SIA Engineering Company became a 10% shareholder with the remaining shares split equally between Rolls-Royce and HAECO at 45% each.

This winning combination of leveraging on Rolls-Royce's strength as an OEM and two of the most experienced Maintenance Repair Organisations in Asia allows HAESL to offer high quality and comprehensive services to its customers.

Our commercial success

2013 was another year of success for HAESL. Although we experienced a reduction in engine inputs we achieved our targets and generated US\$1,405 million in revenue with sold man-hours slightly reducing to 1.55 million hours.

Our investments

In 2013 we continued with our strategy to grow the business and meet the demands of the inevitable future expansion of the aviation industry by securing budget approval from the Board of Directors in excess of \$80 million to develop capability to support servicing of the Rolls-Royce Trent XWB engine.

The Trent XWB engine has been designed for use on all variants of the Airbus A350 XWB aircraft and will have the lowest carbon emissions of any aero engine installed on wide-body aircraft. In addition, it will be the most environmentally- efficient engine thus far in the Trent family of engines.

With more than 50% of the firm 812 orders for the Airbus A350 aircraft coming from operators within Asia and the Middle East, we are strategically well positioned to capture a large share and capitalise in our investment

Our sustainability strategy

For HAESL, sustainability means shaping the future successfully as an integral part of our day-to-day work routines. That's what our mission "Best in the World – Best for the World" is all about. Hardly any other aero engine MRO boasts a comparable level of expertise in the ability to deliver safe services within an agreed time frame while also playing a leading role when it comes to high-quality. By applying our know-how, we deliver services that help meet the global challenges of our time.

Our strategy complies with the principles of sustainability in fulfilling our mission. Our objective is to safeguard and boost our success, creating value while also respecting social values. We continue to develop services that will be of great social benefit in the future and are safe.

This is the only way to generate sustainable and profitable growth while securing our future business success. Sustainability thus makes economic sense for the company.

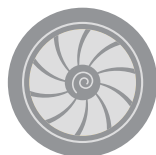
Our sustainability strategy also focuses on responsible business practices that reduce our business risks and our own acumen that both opens up new business opportunities for us and enables us to generate economic and social benefit.

The resultant market changes are a key driving force behind our success. As a company whose shareholders have a combined history in aviation of over 180-years, we will continue to recognize and build on our core areas of expertise in the future to develop new solutions in these key areas.



HAESL Fast Facts 2013

193 Engines Output



1,102 Employees



US\$1,405m Revenue



17 years of Operations



5 Phases of workshops and technical offices in a single site



11 CoE cells with 9 cells accredited with gold award*



Rolls Royce Centre of Excellence (CoE) Accreditations achieved

Fan Blade Repair - Gold Award
Honeycomb Repair - Gold Award
HP/IP Seal Bearing Support Repair - Gold Award
Turbine Blade Repair - Gold Award
Seal Fin Repair - Gold Award
VIGV (Variable Inlet Guide Vane) Repair - Gold Award
Engine Mount Repair - Gold Award
Vane Repair - Gold Award
Compressor Case Repair - Gold Award
Seal & Retainer Repair- Blue Award
Case Repair- Blue Award

Engine Types Served

Rolls Royce RB211-524 (Engines for Boeing 747 and 767 Aircraft)
Rolls Royce Trent 700 (Engines for Airbus A330 Aircraft)
Rolls Royce Trent 800 (Engines for Boeing 777 Aircraft)
Rolls Royce Trent 500 (Engines for Airbus A340 Aircraft)

* Centre of Excellence (CoE) programme is a significant component of the Rolls Royce Aero Repair & Overhaul (AR & O) Global Strategy, the aim of this programme is to recognise the outstanding repair shop for their excellent repair performance on specific engine components. Measured in terms of Turn Around Time (TRT), Capability and Quality, three standards of CoE's (Blue, Silver & Gold) are awarded to qualified units. Among them Gold standard is recognised as the topmost award.

All figures as of 31.12.2013

02

Statement by HAESL Director & General Manager - Richard Kendall



Statement by HAESL Director & General Manager - Richard Kendall

Following a record year in 2012, activity at HAESL was somewhat reduced (albeit still at a very healthy level) in 2013. Revenue of US\$1,405 million (10% reduced from 2012) was generated through a workload of 1.6 million sold man-hours (4% lower than in 2012).

We maintained a close focus on workplace safety during the year. Nevertheless, we incurred 14 lost time injuries during 2013 which – although a reduction from the 17 experienced in 2012 – is still at too high a level. Most, if not all, injuries are avoidable and we continue to strive to improve employees' awareness of risk in their workplace and around the HAESL site as a whole. The weekly Management Safety Walks continued successfully throughout the year. The impact of a fresh set of eyes observing potentially unsafe work practices and conditions continues to generate several opportunities for improvement each week. The 'I Care I Report I Resolve' reporting framework continued to form the core of HAESL's safety hazard reporting culture throughout the year. We implemented an enhanced policy for use of mobile devices in the workplace during 2013, to reduce the risk of distraction leading to an injury, and improved the enforcement and visibility of the requirement for Personal Protective Equipment (PPE) in the workshops. In this latter area, HAESL was recognised by its peer companies in the Swire group by award of the "Most Innovative" award for its safety boot (and overshoes for visitors) programme at the Swire Sustainable Development conference in November.

HAESL continued to develop its engagement in the community within which it operates during 2013. HAESL repeated its participation in the Round Table-organised charity 24 Hour Pedal Kart Grand Prix in May, with two karts entered in the 'F1' and 'Fun Kart' categories. Staff involvement reached a record level with over 150 employees taking part as either pedaller, members of the maintenance team or as organisation volunteers. Many more also supported the primary aim of raising funds for local charities. Likewise, nine teams of four runners each entered the Outward Bound Adventure Race in March, raising funds to enable disadvantaged members of

the Hong Kong community to participate in outdoor and team-building activities that they would not otherwise be able to access. A HAESL management team even managed to win first place in the 'Masters' Men' category of the race. HAESL initiated a policy to support staff participating in community support through a programme of additional Volunteer Service Leave, which has been implemented in 2014. The company's primary focus for its community engagement is on child and youth, and environmental conservation programmes. For the second year running, HAESL initiated a 'Toy Bank' event in the run up to Christmas, collecting unwanted toys from staff to pass on to disadvantaged children through the Salvation Army and direct to a children's home with which the company maintains a close affiliation.

In its environmental activities, HAESL maintained its corporate membership of WWF Hong Kong at Silver level throughout the year. Staff participated in many of its activities, including Earth Hour in March – a symbolic event to raise awareness of the need to conserve energy. After Chinese New Year, a programme of collecting used Lai See envelopes for reuse or recycling was successfully initiated. However, frustratingly little progress was achieved in the objective to start (and consistently continue) using a sustainable biofuel blend in HAESL's test cell, but work continues to try and pursue this to a successful conclusion.

Looking forward into 2014, our objective is to continue to develop the more successful of our initiatives, and further to develop our framework in ensuring a meaningful and consistent approach to developing HAESL's Sustainability objectives. In doing so we will develop an approach based on materiality assessment to ensure that what we both do and report on is making a positive contribution to our aims.

Richard Kendall
Director & General Manager

03

Governance and Stakeholder Engagement



Governance and Stakeholder Engagement

Company Governance

HAESL's Board of Directors conveys the highest priority to strategic governance, and is the methodology by which HAESL is directed in the interests of all its stakeholders. The strength of HAESL's values, its reputation and its ability to achieve its objectives are influenced by the effectiveness of its approach towards strategic governance. The Board of Directors comprises of seven Non-Executive Directors and one Executive Director, and meet four times a year. Directors include three appointed by HAECO, three by Rolls-Royce, one by SIA Engineering Company, and HAESL Director & General Manager. The board members are British, Chinese and Singaporean with one female member. All the non-executive directors, those with no involvement in the day of day business management, are appointed by the shareholders according to business expertise and qualification.

The responsible management of HAESL is based on the integrity of our employees and managerial staff. We understand this to mean compliance with all laws, directives and regulations and being an honest and reliable partner for all our stakeholders. Clear governance structures and transparent principles for compliance serve as the foundation for this. Wide-ranging risk management helps us identify and control possible risks as early as possible, as well as derive opportunities from them. We also contribute to positive economic and social development through our activities. Through numerous regulations and binding positions on important issues, we improve the understanding and perception of our social and ecological responsibility throughout the company. Responsible governance is the basis for sustainable growth and business success. We are convinced that by integrating sustainability at all

levels and in all functions of HAESL, we help to positively impact the value of the company. We are committed to operating with the utmost integrity and to the highest ethical standards.

In addition to providing the Board with information on the company's key sustainability issues, strategies and risk management, the Director & General Manager presents a sustainable development paper at each meeting. Outside of board meetings, HAESL submits regular sustainable development performance data to its shareholders and participates in regular meetings regarding this across the Swire / HAECO and Rolls-Royce group of companies.

Both our management and the wider workforce engage in regular monthly dialogue through our two main staff representative bodies - the General Staff Consultative Committee, and the Contract Staff Association.

Senior management leadership team

Lead by our Director & General Manager – Richard Kendall, three of our other General Managers with individual executive responsibility for Commercial activities, Finance & Administration, and Operations make-up the Senior Management leadership team. The Senior Management team acts as the HAESL Executive Committee to establish long-term objectives and strategies for HAESL, and defines 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 Committee

Within the business, HAESL's sustainable development issues are governed by the HAESL Executive Committee, the Human Resources Manager and Sustainable Development Manager.

The role of the Sustainable Development Committee is to ensure that the expectation for sustainability from our shareholders and stakeholders is fulfilled by implementing appropriate sustainable policy. That includes planning, executing, reviewing and improving Corporate Social Responsibility and environmental protection programs that aligned with SD Strategy. In addition, the Sustainable Development Committee strives to develop our business operations such that they operate in a resource efficient manner, minimizing waste and pollution.

The Sustainable Development Committee meets bimonthly to ensure adequacy of communication and promote sustainability throughout the business.

Safety governance

In 2012 we developed strategy to develop our existing Aviation Product Safety Management System from a rule-based compliant system into a risk-based system which encourages a safety conscious workforce to proactively identify risk within day-to-day operations. This included delivery of several new projects and upgrades to existing processes, many of which infringed upon the boundaries of Occupational Safety & Health, and Quality.

Recognising that common processes such as incident reporting, document control, and risk management, etc., exist within our individual safety and quality management systems, in late 2013 we embarked on a journey to integrate our Occupational Safety & Health management system, and Aviation Product Safety management system.

A fundamental part of the integration process was to establish sound safety governance, and honest policy, both of which we regard as essential pillars to support our integral Safety Management System.

Our safety governance includes a three tier approach to provide a "top-down", "bottom-up" communication flow. The top tier, termed as the Safety Review Board is chaired by our Director & General Manager – Richard Kendall, and includes the General Manager Commercial, the General Manager Finance & Administration, General Manager Operations, Quality Assurance Manager, and the Risk & Safety Manager. The Safety Review Board focuses on developing strategy that strives for continual improvement of safety, reviewing safety performance against established objectives, and provides the necessary support and resources for execution of the Safety Management System. The Safety Review Board meets quarterly.

Our second tier of safety governance is split into two performance review groups for Occupational Safety & Health, and Aviation Product Safety. Both groups are chaired by the General Manager Operations – Mick Brown, and provide a tactical entity to deal with specific implementation issues per the direction of the Safety Review Board. The Occupational Safety & Health group members include seventeen functional managers which ensures complete coverage of Occupational Safety & Health across all aspects of the business, whilst the Aviation Product Safety group members are those persons nominated by the Director & General Manager and accepted by National Aviation Authorities for specific responsibilities related to the management of aero engine maintenance. The groups meet every two months.

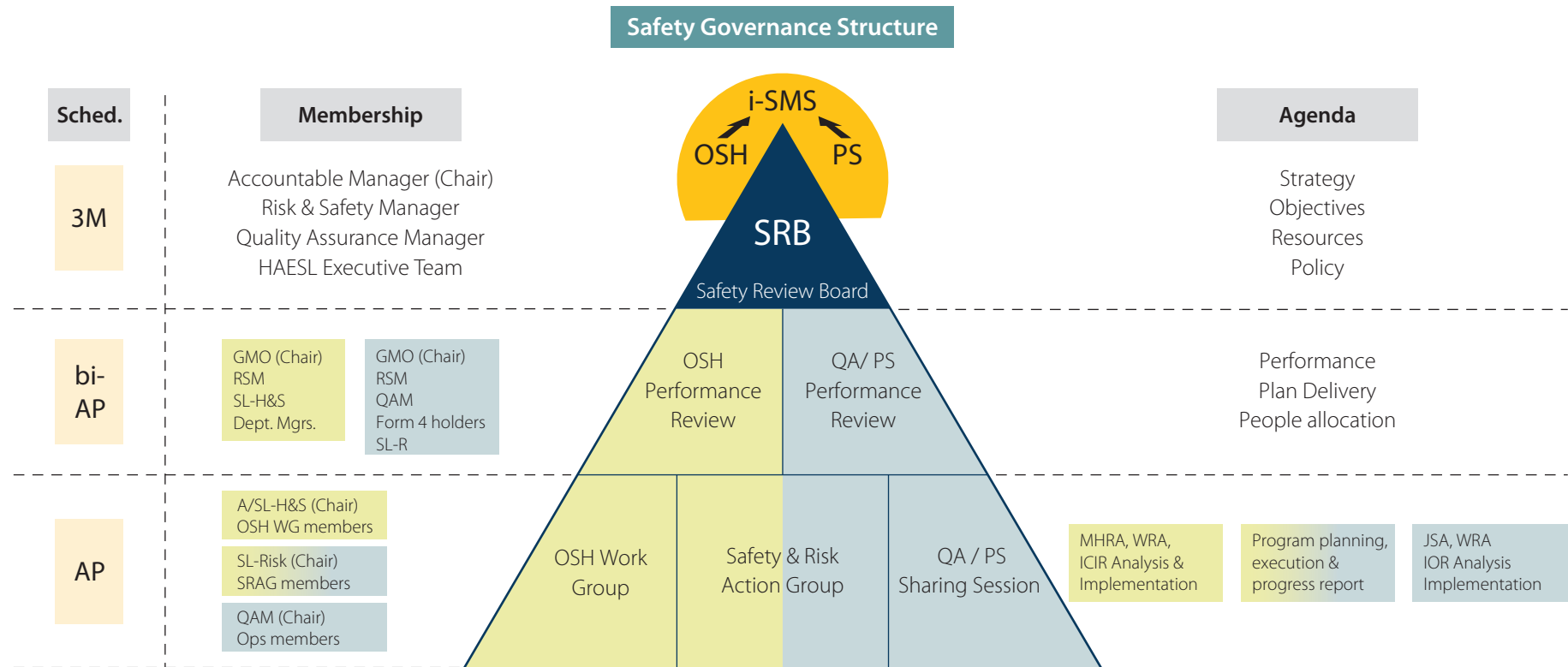
The third tier has three individual teams – Occupational Safety & Health Work Group, Safety & Risk Action Group, and a Quality / Product Safety Sharing Group. Each group meets monthly. The Occupational Safety & Health Work Group comprises elected representatives from each of the main functions within the company, and is chaired by the Health & Safety Leader.

The Occupational Safety & Health Work Group acts as an interface between the second tier Occupational Safety & Health Performance Review group and employees so that Occupational Safety & Health initiatives from various levels of employees can be involved in a systematic manner.

Safety & Risk Action Group members are selected based on their creative qualities; their ability to view issues with an open mind, and their determination to drive

safety improvement. Their role is to implement, monitor and report on safety and risk programmes.

The Quality / Product Safety Sharing Group is chaired by the Quality Assurance Manager who provides updates on quality audit findings and product safety issues to managerial staff responsible for operational activities.



Risk Management

The management of opportunities and risks at HAESL is an integral part of company governance. Risks are defined as events and possible developments within or outside of the company that could jeopardize the sustained growth of the company. Risk-relevant information is compiled at least twice a year and also on an ad hoc basis for projects where necessary, and recorded in a database.

The documentation contains a description of the risk, an assessment of the extent of possible impact and the probability of occurrence, and a list of measures to monitor and counteract the risk. The criteria are set out in a Risk Management Plan. The Risk & Safety Manager is responsible for risk management. Equally clear responsibilities within the organisation ensure the efficiency of the risk management system.

Our risk management system and its implementation are assessed systematically in connection with a scheduled 3rd party internal financial audit.

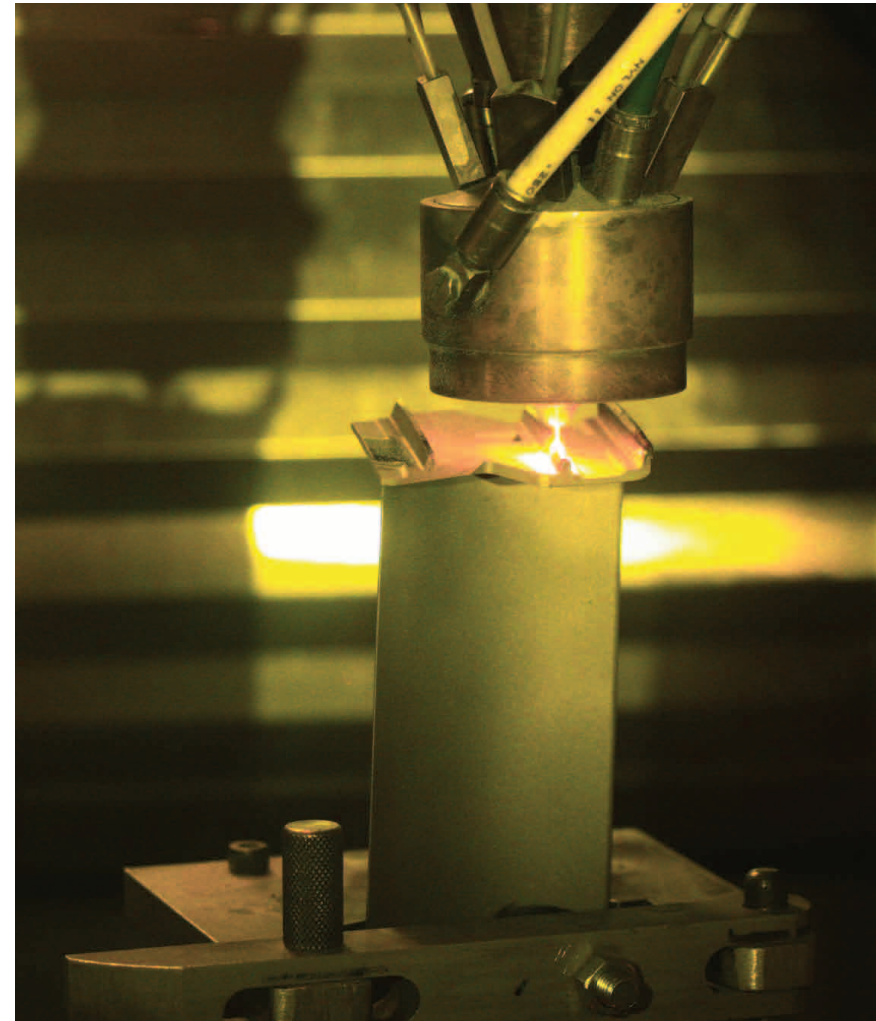
Sustainability-relevant risks

Sustainability aspects are included in our risk management because they play a part in safeguarding the company's value. Along with excellent product quality and compliance, they form the basis for the long-term sustainability of our business operations and business success. Specific sustainability-relevant risks include, for example, issues pertaining to safety and the environment.

The handling of chemicals is always subject to risks associated with filling, storage and transportation of raw materials, products and waste. Should they materialize, these risks may result in personal injury, property damage, environmental contamination, production stoppages, business interruptions and liability for compensation payments.

We address risks in the areas of health protection, occupational and plant safety, emergency response, environmental protection and product quality within our Safety Management System.

Our Emergency Response Plans are set forth in an Emergency Response & Crisis Management manual.



Stakeholder engagement and dialogue

Many stakeholders evaluate companies according to more than just whether they conduct themselves legally. Rather, they are also interested in whether these activities are legitimate from their viewpoint.

Arguments in favour of, or in opposition to an issue are sometimes expressed with a high level of engagement. Only open and transparent dialogue can help to win the acceptance of societal interest groups with regard to entrepreneurial action. We understand that systematic stakeholder dialogue is an essential foundation for improved mutual understanding, and therefore take the views of our stakeholders very seriously. They are a valuable indicator for the discovery of improvement and development potential, the more rapid identification of risks and trends, and thus also new market opportunities.

Following a comprehensive review of our key stakeholders in 2010, we engaged with eleven stakeholder organisations and three employee focus groups to investigate their

views on environmental and social performance within the organisation. We remain fully committed to engaging in dialogue and activity with key stakeholders.

In 2013 we established regular engagement with the Swire group operating companies to share Sustainable Development activities, projects and good practices. We also improved relationships with the Hong Kong Polytechnic University (HKPolyU) and the Hong Kong University of Science and Technology (HKUST) to further promote engineering and operational safety.

These will remain key initiatives in 2014 as our Sustainable Development Strategy continues to evolve.

We continue to engage with stakeholders from different levels of seniority and operational functions in Hong Kong and beyond.

Stakeholder	Profile	Our Engagement / Activity
Customers	Airlines	Customer satisfaction survey and focus group meeting by management.
Employees	All employees	Employee satisfaction survey, company story board, regular departmental briefing, and focus group meeting: Contract Staff Association (CSA) and General Staff Consultative Committee (GSCC).
Business partners	International	Regular dialogue with our joint venture partners and partners from the Rolls-Royce Global Repair Service (GRS) network.
Suppliers	Local and International	Purchasing policy survey and self-assessment (since 2011).
Government and regulators	HK SAR Government	On-going dialogue and business associations, Hong Kong Labour Department visits and Factories & Industrial Undertakings assessment.
Non-governmental Organisations and Local communities	NGO's and local academic institutions	Focus group meetings, on-going dialogue and activities through various associations (e.g. Evangel Children's Home, Polytechnic University, Hong Kong University of Science and Technology and the Hong Kong Institute of Engineers (HKIE)).

04

Our Environment



Our Environment

Our commitment:

As part of our commitment to building a more sustainable future, we continue to work on good ideas and develop new initiatives in order to improve the environment through our daily operations.

Our environment:

In general, aviation businesses are significant contributors to the carbon footprint due to jet fuel consumption. As a leading aero engine Maintenance, Repair and Overhaul (MRO) Company, we endeavour to conduct our business in a responsible and sustainable manner exercising stewardship of the valuable resources we have at hand.

Over the course of 16+ years of operations in Tseung Kwan O we strive to improve a great deal to minimise our local environmental impact and we aim to further improve continually.

Environmental performance (energy consumption, water usage & Carbon)

Energy consumption types

Our business requires direct and indirect energy sources. Direct energy consumption refers to aviation fuel (Standard Jet-A1 kerosene), Towngas for staff canteen and acetylene gas for component repairs. Indirect energy consumption refers to electricity and business travel.

Like most businesses, electricity supplied from the national grid is crucial for continued day-to-day operations. Our location determines that our power is supplied by China Light and Power (a utility company that generates power in Hong Kong and Guangdong areas). Towngas is supplied solely for catering purposes in our canteen (managed by Asia Pacific Catering Limited). Aviation fuel is needed to perform engine tests before returning them to our customers.

Electricity

Our electricity consumption was recorded at 29,245,993 kWh in 2013, a decrease of 4% from 2012. Our average consumption is 11.12 kWh/1000 worked hours, which represents a 0.97% increase over last year. This record in electricity consumption per worked man-hour is of a reasonable and stable figure while 2012 had a more frequent monthly minimum temperature months* compared to 2013. To improve energy usage awareness, we re-energised our energy saving campaign was to educate our employees to be smart energy users through displaying labels at many prominent energy consuming areas within the company.

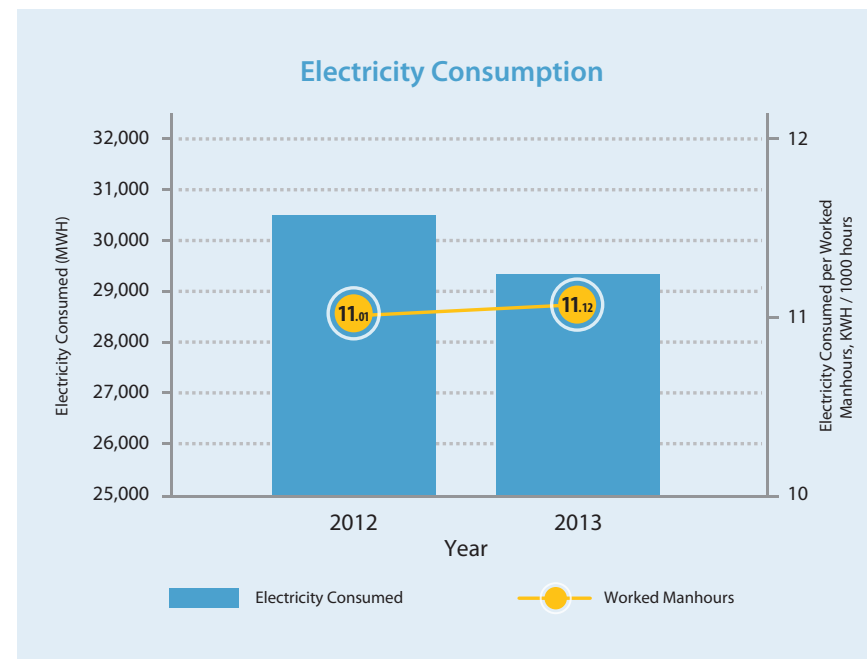


Figure 1: Electricity consumption vs. electricity consumed per 1000 worked manhour in KWH.



Towngas

Towngas consumption decreased from 821,472 MJ in 2012 to 623,376 MJ in 2013. The decrease is attributed to an 8% drop in the workforce and a corresponding decrease of meal production output from our canteen. 316,940 meals were served in 2013, an average of 1.97 MJ per meal – a 20.68% improvement from 2012 (2.48 MJ per meal). Our canteen also reviewed their food estimation process to reduce preparing too much food.

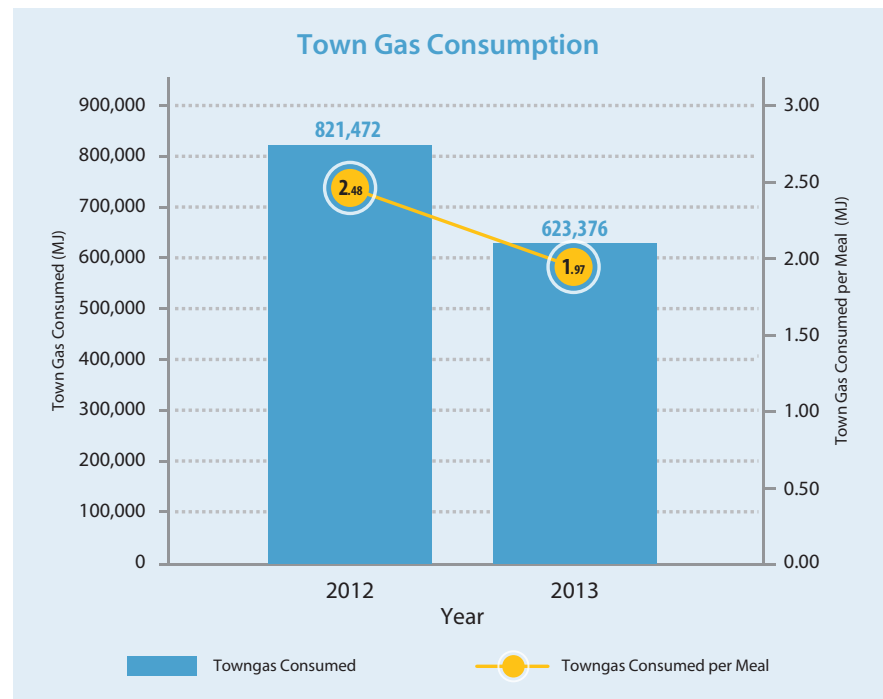


Figure 2: Towngas consumption vs. Towngas consumption per meal

Aviation fuel

2013 saw a reduction in the total number of engines tested compared to 2012- 251 engines, however, fuel consumption increased by 14.3% (400 tonnes) ,with each tested engine consuming on average 12.55 tonnes of fuel, which was 11.52% increase –

This increase was due to a result of test bed upgrade and associated extensive calibration on testing activities.

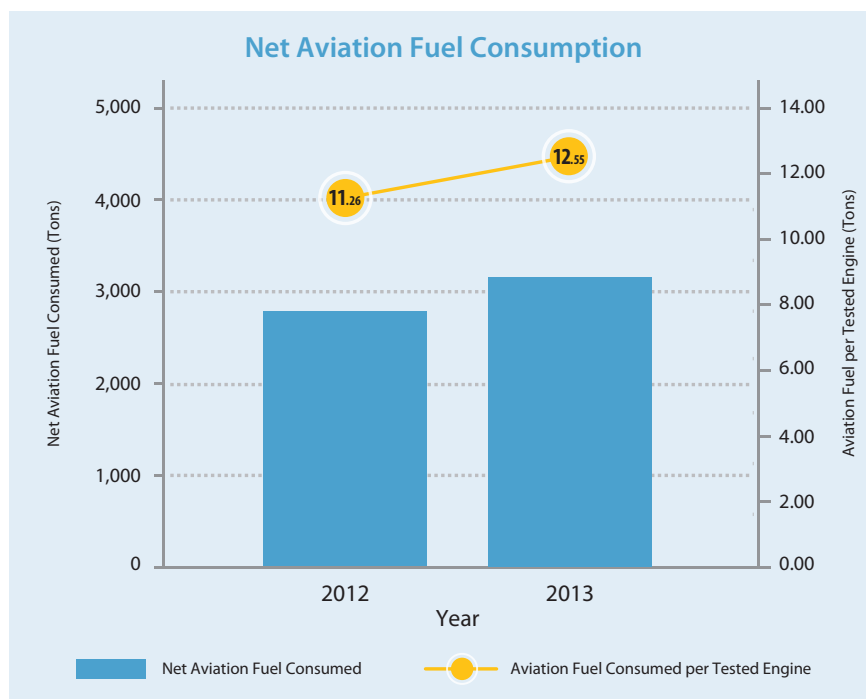


Figure 3: Net aviation fuel consumption vs. aviation fuel consumed per tested engine in tons*

All forms energy consumptions

A conversion of all these forms into gigajoules (GJ) is shown in the following table: Please note that Acetylene gas has been redefined as Direct Energy Consumption.

Energy Consumption		2012	2013	% change
Direct Energy Consumption** (Aviation fuel, Town gas, Acetylene gas)	GJ	101,280,588	112,951,806	11.5%
Indirect Energy Consumption (Electricity, business air travel)	GJ	109,624	105,286	-4%
Total Energy Consumption	GJ	101,390,212	113,057,092	11.5%

Table 1 - Comparison between 2012 and 2013 energy consumption

The major source of energy use and increase came from fuel consumption from the engine test bed.

In order to further analyse the amount of Greenhouse Gas (GHG) produced from consuming energy, energy consumption figures are translated into Greenhouse Gas (GHG) emission equivalent ** (kgCO₂e) and presented below:



Greenhouse Gas Emission		2012	2013	% change
Direct Emission (Scope 1)	kg CO ₂ e	9,668,684	10,148,447	4.95%
Indirect Emission (Scope 2)****	kg CO ₂ e	17,672,072	18,432,898	4%
Other Indirect Emission (Scope 3) by Business Air Travel	kg CO ₂ e	289,387	254,591	-12%
Total GHG Emission	kg CO ₂ e	27,630,143	28,835,935	4.4%

Table 2 - Comparison between 2012 and 2013 GHG emission

For more information regarding HAESL consumption, refer to "Performance Data".

- * data comparison source: <http://www.weather.gov.hk/cis/statistic/erank04.htm>
- ** Energy density of Aviation Jet A1 fuel (GJ) = Aviation fuel consumed in Litre x 0.0347GJ/L
- *** Refer to Guidelines from Green House Gas Protocol and CLP for GHG emission conversions and calculations.
- **** 2012 SD report has taken 0.54 Kg CO₂e/KWH as a carbon emission factor, which has been corrected to 0.58 Kg CO₂e/KWH according to the CLP sustainability report. The factor used for 2013 is 0.63 Kg CO₂e/KWH

Water Consumption

Our water consumption in 2013 increased by 9% to 136,199 cubic metres from 124,590 cubic metres. This increase was attributed to the Centre of Excellence Building (Phase 5) becoming completely operational, with more machinery and air conditioning in operation.

Waste management and recycling of materials

The use of large volumes of chemicals and consumables is unavoidable in our MRO industry. Waste management and recycling are therefore crucial in our sustainability policy.

To meet our own environmental responsibilities, our chemical specialists are always on-hand to ensure waste is measured and handled appropriately with minimal impact to the nearby community.

Our own waste water treatment plants process liquid chemical waste before discharge occurs into the sewer. The remaining sludge, resins and any other waste (including heavy metals) are handled by a government approved waste disposal company. HAESL continues to meet its obligations related to environmental regulations and laws.

Where possible HAESL has encouraged and practised reuse and recycling. Paper products, plastics, metals and printer cartridges, cans, have been recycled since 2003. The following table gives the amount of materials recycled in 2013. All recycled materials are collected by a recognised recycling company.

		2012	2013	difference
Industrial / Commercial Waste disposed of	kg	564,630	533,810	-5.5%
Grease trap waste disposed of	kg	86	92	7.0%
Paper recycled	kg	14,830	10,884	-26.6%
Cardboard recycled	kg	16,140	14,432	-10.6%
Plastics recycled	kg	3,450	1,348	-60.9%
Metal recycled	kg	14,561	21,713	49.1%
Printing Cartridges recycled	No.	457	353	-22.8%

Table 3 - Material recycled in 2013

Environmental campaigns in 2013

Future carbon offsetting projects – Biofuels

Sustainable fuel is the future, not only for aviation, but also for many other industries.

In collaboration with one of our business partners, we started to develop an engine trial run using biofuel. However, source sustainability of the biofuel has not only been challenging but logistically it unfavourably impacted our carbon footprint. Therefore we have decided to delay the project. We look for biofuel that is produced within Asia from waste products such as used cooking oil, and grease.

Due to this challenge we were still working closely with our business partner and aim to conclude a more reasonable timeframe once the fuel source is secure for this project to continue.

Green wall and one man one plant campaign

A greener working environment appeals to our staff. With our workshops filled with engine parts and machines, having green plants inside and outside the workshop all helps to create a peaceful environment. In 2013, to enhance the working environment, HAESL Sustainable Development team introduced a “Making HAESL Greener Campaign” allowing every employee to take advantage to purchase an indoor plant at a very low cost and place in their working area. In excess of 400 plants were purchased and the money collected from the campaign was donated to a Hong Kong Green Nature Union for local tree planting and maintenance in Hong Kong.

The second phase of the “Making HAESL Greener Campaign” was to install planting boxes for climbing plants to grow alongside one of our perimeter boundary chain-link fences, which was warmly welcomed by our staff as they appreciated the effort taken to provide a greener HAESL.



Environmental Objectives

2013 objectives	Progress
Further development of the current HAESL EHS database	Completed
Introducing Greener HAESL initiative	Completed
Paperless electronic Engineering Procedure Manual (e-EPM)	Completed
Water saving project- water faucet replacement	Completed
Continuation of Project “Flame” (utilization of landfill gas extraction to supplement / replace energy usage)	Discussion on going with project partner
Develop and procure further energy efficiency improvements	Ongoing and pilot with the new HAESL building
Continue to explore opportunities to undertake engine run using bio-jet A-1 fuel as a replacement for traditional Jet A-1 aviation fuel	Biofuel source remains a challenge and will continue to explore with project partner and fuel supplier
BMS integration in data collection, in terms of water and electricity consumption	Completed

2014 objectives

Reduce paper consumption by introduction business operation PMO document to duplex printing and saved 20% of the HAESL annual paper consumption
Further explore and implement renewable energy scheme within HAESL
Implement new scheme to reduce HAESL canteen food waste by 2%

05

Health and Safety



Health and Safety

Safety is our top priority.

HAESL defines safety as the state where risks are managed to an acceptable level, and put safety as the first priority in all our activities. To achieve this state we recognize that robust quality is an essential building block of safety and seek continuously to improve the quality of services that we provide.

As a labour-intensive business with more than 1000 colleagues working on site, Health and Safety has and will always be our key topic of discussion. We are committed to align our focus towards Swire's zero tolerance strategy and keep HAESL a safe workplace for everyone.

Our policy: Description of HAESL H&S Policy

HAESL Senior Management is committed to implementing strategies which go beyond compliance, ensuring the necessary finances and competent staff is available; engaging with, and listening to employees, customers, stakeholders and partners to improve management systems and processes to ensure that all our activities uphold the highest level of safety and quality.

Performance

According to our data from AP1 to AP12*, 13 Lost Time Injuries** (LTI's) occurred. This correlates to an LTI rate* of 0.99, 19.6% reduction compared to 2012. There were 6 minor injury cases reported in 2013, which was 3 less than in 2012. The corresponding minor injury rate* was 0.46, 30% down from 2012.

Note: * AP1 to AP12 = HAESL's Accounting Period (AP): 30th Dec 2012 – 28th Dec 2013

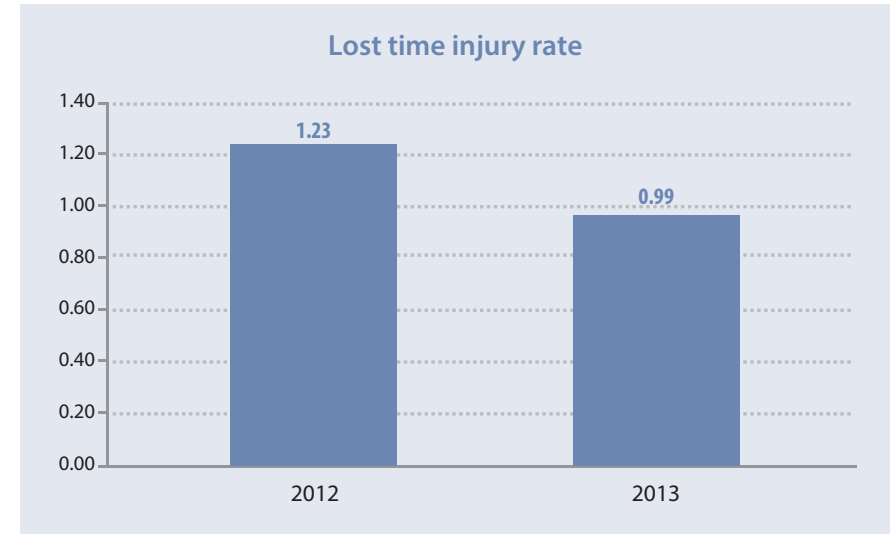


Figure 1 - Lost time injury** (LTI) rate

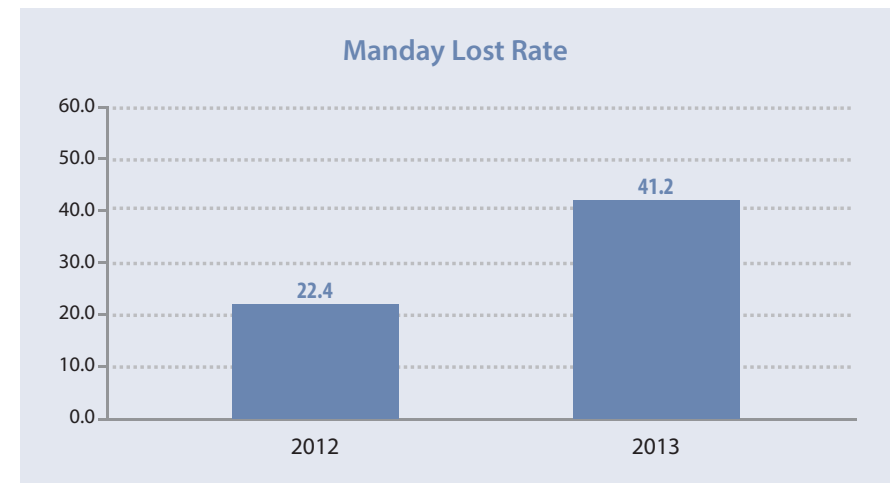


Figure 2 - Average lost day per injured employee

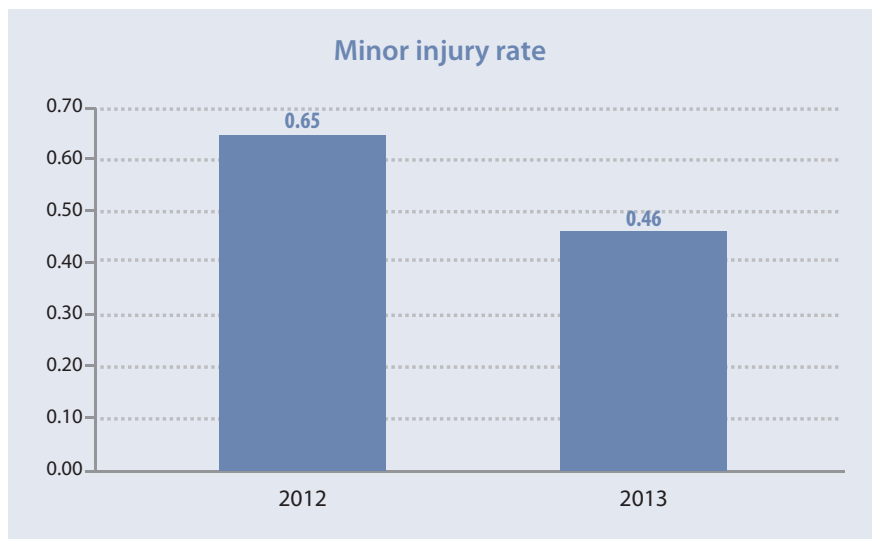


Figure 3 - Minor injury rate**

From the above Lost Time Injuries (LTI's), we incurred 536 man-days lost, which is an average of 41.2 days per injured employee. This increase was due to there being a number of LTI's in 2013 related to Manual Handling resulting in the affected staff requiring extended rest period. We enhanced our training to include manual handling, and provided staff briefings to promote the proper posture required when lifting objects.

** Lost time injury (LTI) / minor injury rates represent the number of injuries per 100 employees per year. It is calculated as the total lost time injuries / minor injury 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.

Types of injuries

Injuries resulting in...

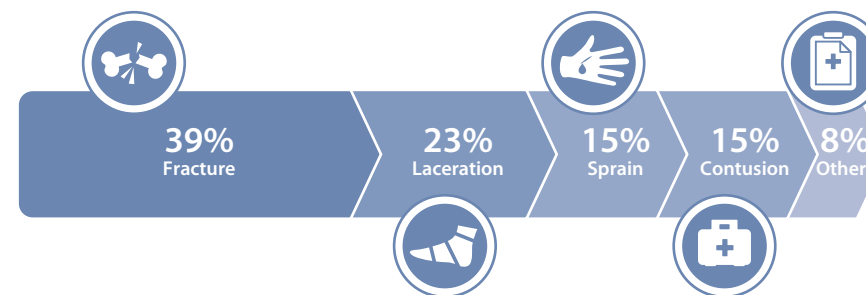


Figure 4 - Break down of the injuries into different categories

On a positive note, in 2013 we saw a reduction in both the Lost Time Injury and minor injury rate. We rigorously continued our campaign to identify workplace hazards through Senior Management weekly safety walks, raising staff awareness, and promoting the I Care I Report near miss reporting scheme. In addition we aim to further minimize Health and Safety risks via a Job Safety Analysis programme that will be implemented in 2014.

I Care I Report

In 2013 we enhanced the I Care I Report (ICIR) near miss reporting scheme by introducing a proactive aspect to encourage staff to resolve the near misses they report. By encouraging our employees to report potential Health and Safety issues we aim to minimise potential accidents occurring.

As of end of AP12 (i.e. 28th December 2013), there were 708 ICIR submissions by our colleagues. Based on four main criteria (Quality, Severity, Likelihood and Efforts made) of the ICIR scoring mechanism, the submitted reports were scored to reflect their quality and urgency. With a scoring system ranging from 0 to 25 points, 209 reports scored above 16 points and thus were identified as proactive reports. Every proactive report also means safety issues are resolved by the employee themselves and each reporter received a supermarket coupon as a proactive incentive.

Such a mechanism encourages every employee to take collective responsibility of safety issues instead of sole responsible from the HAESL Risk & Safety team.

Job Safety Analysis (JSA)

The introduction of a Job Safety Analysis (JSA) programme is a new approach to improve efficiency and safety, providing a full view of risks including Health & Safety and product safety risks.

In the first quarter of 2013 we established the JSA framework and structure and completed an initial pilot run mid-March in the Phase V Compressor Case Cell. The result was very encouraging with the team identifying a total of 28 hazards within their core processes and working area. A second trial in Module Repair 02 Module took place in April where 53 hazards were identified.

The JSA utilises training Risk Practitioners to facilitate a risk assessment for our key processes and identify potential hazards. Hazards are assessed using individual standard scoring schemes for Health and Safety, and Product Safety to determine if they are high, medium or low in terms of their likelihood of occurrence, and impact on safety.

Different ranked hazards require different term containment action to be completed in a scheduled time frame. In 2013, eight JSA were completed and in 2014, this programme will continue and is planned to complete 36 JSA's as an annual target.

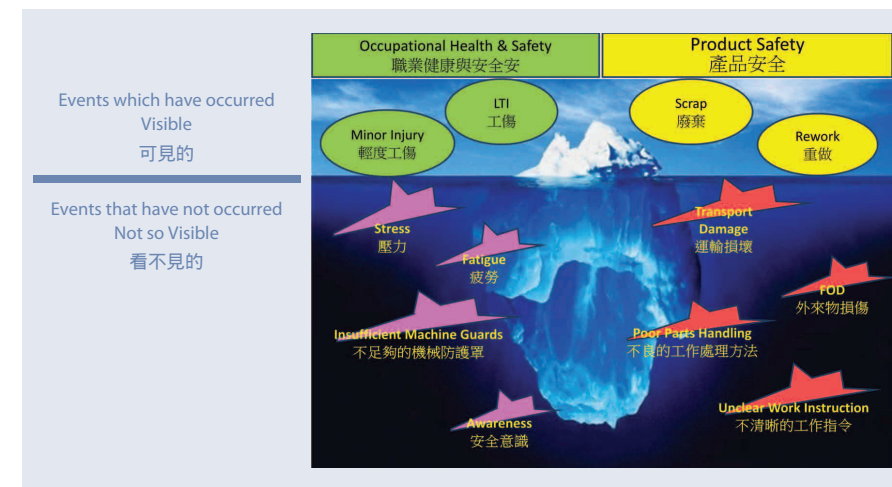


Figure 5: visible and invisible events in Occupational Health & Safety and Product Safety

The Senior Management Safety Walk

The Senior Management safety walk was introduced in late 2012. In 2013, the programme continued on a weekly basis. Our Senior Management demonstrates a high level of commitment to identify potential safety hazards with more than 2000 safety improvements implemented as a result within 2013.

We believe that for each LTI there are a hidden 100 near misses potentially waiting to occur. This programme has made a significant contribution to our safety improvement journey and successfully trained our front line staff to identify safety issues continually.

Safety Training

To increase Health and Safety awareness, each member of staff is provided with basic safety training as part of their introduction to HAESL. This training occurs within their first month of employment, and attends specific Health and Safety training within three months of employment. Specific training to our industry is delivered by our in-house Registered Safety Officer and includes Health and Safety, chemical safety, workplace safety, fire safety and manual handling, etc.

Apart from safety training, visits to other companies are arranged for our Health and Safety working group members to improve their knowledge on safety. We believe that safety visits help to make our employees think “outside the box” and in so doing share their experience and ideas with their peers.



2013 objectives	
To launch a "Health Safety" programme to promote a healthy culture	on going
To reduce LTI and minor injuries in 2013	Completed. 24% of LTI has been reduced compared to 2012.
To perform noise assessment at the workshop	Completed
To launch a manual handling programme in 2013	Completed
To include the element of "I Resolve" to the I Care I Report Scheme, and to promote reporters to be more proactive with devising solutions for unsafe issues	Completed
Review previous LTI cases to prevent similar cases. (2011+ 2012+ 2013)	Completed

2014 objectives
1. Fully implement comprehensive Job Safety Analysis scheme as a HAESL key risk programme for operational risk
2. Maintain weekly safety walk by HAESL senior management team in 2014
3. Safety awareness training for supervisor
4. OSH Poster / Video competition



06

Our People



Our People

Introduction

HAESL is committed to promoting a performance oriented company culture. To realize our growth strategy, we rely on our employees and their continuous development. Based on our company values and our clear commitment to human rights, we are an equal opportunity employer and offer our employee's competitive performance related compensation and a high level of social protection.

We employ over 1,000 individuals, and hope all of them enjoy working at HAESL; In addition, we aim to instil our culture – team work, respect, integrity, commitment and excellence in all aspects of our employee's lives.

HAESL's core values

In 2010 we introduced five Core Values – Teamwork, Respect, Integrity, Commitment and Excellence - which underpin our Vision to be "Best in the World, Best for the World". We believe these values are the most important components in our continued success. The acronym "Tea & RICE" serves as an easy reminder of these values which are reflected in our daily lives.

One way to HAESL's core values

Commitment, Integrity and respect are of the employee character. We see these three values are the fundamental elements of basic needs of business success. In addition, once the first three core values are in place, team work and excellence will come as natural by-products.



Employment statistics

(by type of employment type, gender, age, years of service)*

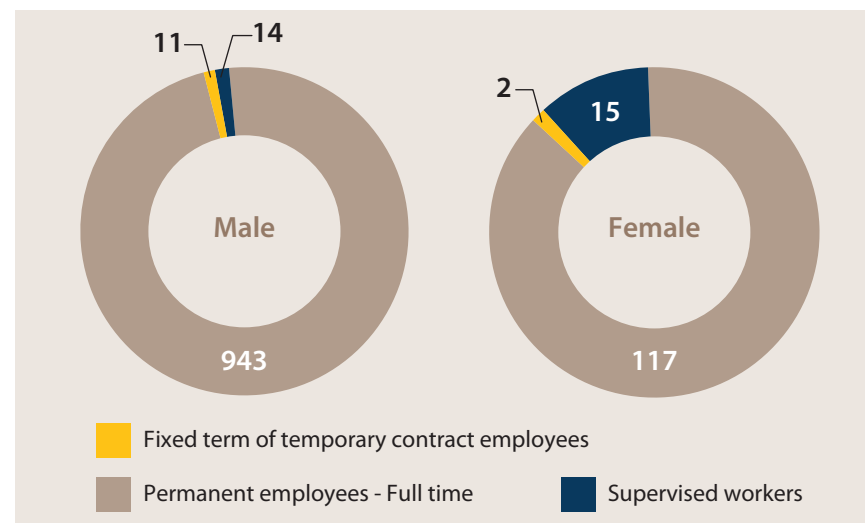
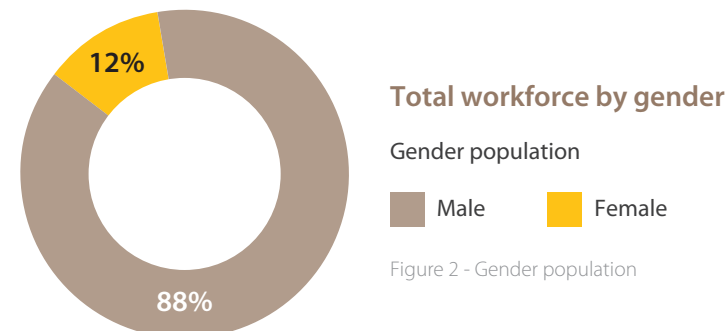


Figure 1 - Employment type (with gender)

As of 31st December 2013, there were a total of 1,102* workforces within HAESL. The majority are permanent and full-time employees. 88% of the workforce is male with the remainder, female.



Total workforce by gender

Gender population

Male Female

Figure 2 - Gender population

HAESL employee working age is somewhat diversified. Age distribution is relatively evenly spread over the four age categories – 24% for the under 30's, 28% for 30-39, 24% for 40-49 and 24% for above 50's.

Looking at the years of service amongst our colleagues, we see a significant proportion at 1-5 years (38.7%) whereas less than 1 year (2.3%). This reflects our workforce growth which appeared in 2012 has been suspended in 2013 due to the early retirement of an engine type. Nevertheless, the data indicates our employee population is healthy with a slightly high number of younger colleagues and reasonably good staff retention.

This data provide HAESL Sustainability Development team to plan better Corporate Social Responsibility programmes that would fit with our age-diversified company.

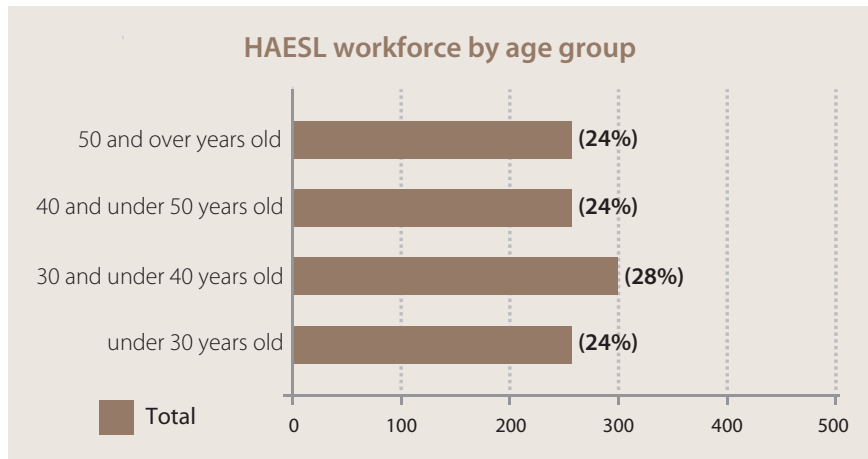


Figure 3 - Age group population

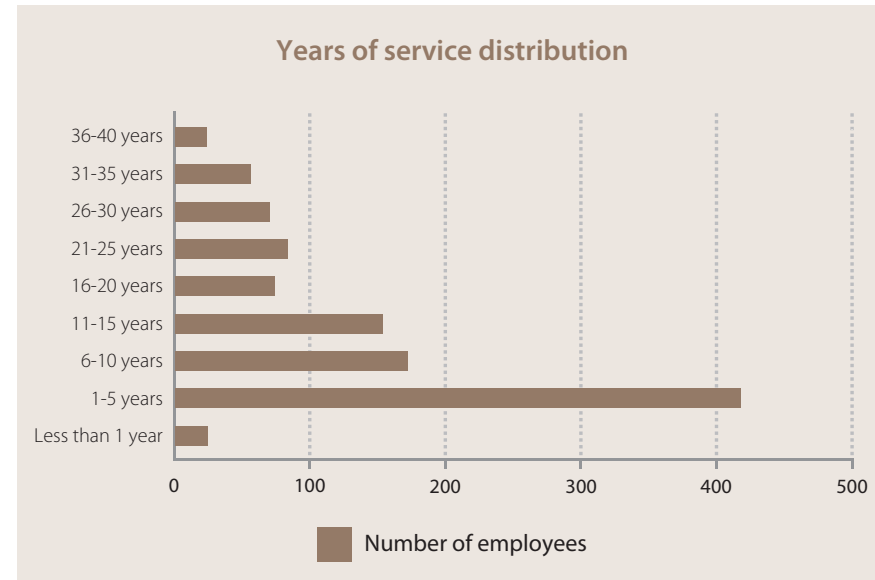


Figure 4 - Years of service distribution

* Note: Supervised worker is defined as an individual who performs regular work on-site for, or on behalf of, the reporting organisation but is not recognised as an employee.

Employee and management lunch programme

In 2011 Senior Management decided to hold bi-weekly lunch meetings with contract staff* and this practice continued into 2013 and is still sustainable. Invited employees are provided with a lunch and at the same time they have the opportunity to exchange ideas and concerns with Senior Management in an open, more relaxed setting. This dialogue encourages two-way communication, allowing employees to understand decisions made by Senior Management and allowing Senior Management to appreciate and incorporate the views from the workforce in their decision-making.

Remarks: Contract Staff are permanent staff who have an engineer / officer pay grade or above with different benefit scheme.

Employee engagement survey

In August 2013, we conducted the Annual Employee Engagement Survey, which aimed to understand our employees' perception of the workplace, our colleagues, emotional attachment to their jobs, and their sense of identity with the Company. This year, a total of 717 staff completed the survey and the response rate stood at 65%. To understand more about our staff's engagement level, this year's questionnaire consists of 35 questions covering 13 different areas, in which 2 areas are new (e.g. "Training & Development" and "Work Design"). Compared with last year, improvement is seen in 5 different areas, e.g. Communication, Respect, Teamwork, Commitment and Corporate Social Responsibility.

To further boost staff's engagement, we will never be complacent with this year's encouraging results. Instead, we will focus on the weaker areas, such as Staff Recognition, Career Development and Corporate Social Responsibility Engagement, in which a slight drop in ratings was recorded. We look forward to seeing our staff love working at and growing with HAESL in the future.

Areas	Strongly Agree/Agree (variance)
Teamwork	69% (+4%)
Respect	60% (+5%)
Integrity	58% (0%)
Commitment	56% (+2%)
Excellence	64% (-2%)
Corporate Social Responsibilities	76% (+2%)
Communication	65% (+9%)
Staff Recognition	49% (-5%)
Training & Development*	64%

* No comparison can be made as this item is newly added this year.

Programmes developed after the survey.

Teambuilding workshops organized by department and expected to be completed by 2014 third quarter.

Employee development

To maintain our employee's high level of skills and technical know-how, training sessions are provided to all levels of staff, regardless of their age and gender. The following table shows the average training hours per year per employee. In general, operational / technical staff received the highest training hours per year, an average of 58.5 hours for each operational / technical employee.

	Type of Employees	Average Training Hour (Per Year Per Employee)
Executive	Senior Management / Departmental Managers	29.00
	Middle / Junior Management & Supervisory Staff	71.72
Non-Executive	Other Staff	57.94

Table 1 - Average training hour per year per employee

BT Outward bound adventure race 2013

In 2013 HAESL entered nine teams which was almost double compared to 2012. HAESL believes this challenge not only helps the society but also builds strong teamwork which is key to continual business success and is also one of our company values. With five teams in 2012 and two teams in 2011, this annual challenge has become a recurring event which staff regularly talk about during their break time and after work-hour social gatherings.

From an interview of one of the HAESL adventure racers of what is like to be in this race - "The event was definitely a life changing experience for us all. It is a trail running like we have never seen it before. With hashing and dashing down gullies, we also had rappelling, rock scrambling, and a surprise crawl through dark tunnels followed by a nice swim in ice-cold waters."

The BT Outward Bound Corporate Challenge was not only about physical endurance, but also a test of our basic instincts fused with communication and trust in each other. In the future, we believe HAESL will continue to enrol even more teams into this rewarding event.



Taking a rough route to Mount Butler from Causeway Bay



Reaching the final challenge



HAESL team crossing the finish line

Employee benefits

As a responsible employer, we offer competitive compensation and benefit packages to our employees. We aim to provide a positive working atmosphere that promotes our company values - 'Tea and RICE' (Teamwork and Respect, Integrity, Commitment and Excellence), and we feel that an appropriate work-life balance is good for everyone.

In addition to all regulatory requirements stated by the Hong Kong Labour Department, we also offer the following benefits to our employees:

- Medical Health Care Services Subscriptions to Quality Healthcare;
- Dental subsidies to full-time employees who enrol in the company's dental programme;
- Lunch subsidies to all staff for discounted meals served by our canteen;
- Transportation fee subsidies to all staff who take the company coach to work;
- Free health check for staff aged 40 or above;
- Free psychological consultation to all staff
- HAESL Wellness day to raise health awareness
- Physiotherapy services to staff whom require it
- Different sport / activity interest groups organised by Sport and Recreation Committee Club
- General Staff Consultative Committee (GSCC) and the Contract Staff Association (CSA) to address staff concerns and solicit their opinions on employee welfare services
- Scholarships offered to employee's children who have exceptional academic performance

In addition to the above benefits, we also offer different incentive driven benefits to our staff:

- Free lunch, free cakes to reward our staff for achieving regular on time delivery and high quality performance



HAESL Wellness day to raise health awareness

HAESL Christmas Party

Christmas Eve is always memorable and our staff had a joyous Christmas Party this year. The party started from around noon with a buffet lunch. Everyone had a great time to chat with each other and enjoyed complimentary refreshments. Right after the lunch, the Christmas party committee organized some booths for mini games to gather all the staff together to have a little fun before a series of mass games. When people were warmed up, the mass fun games began. There were four mass games in total and the last one consisted of three consecutive stages. HAESL was divided into five teams according to departments. Among the four games, the last one required a high level of teamwork. Cash prizes, snacks and drinks were rewarded to participants who achieved certain results in the games.

Following the games was the presentation ceremony for the Employee's Children Scholarship and the Lucky Draw. During the lucky draw, every staff was craving for his staff number to be announced by the Master of Ceremonies and the whole event venue was filled with excitement. While only fifteen staff were lucky enough to receive prizes in the lucky draw, everyone enjoyed the party immensely.



Staff trying his best to score for the team in one of the mass game



Staff playing mini-games in the beautiful weather



Christmas Buffet lunch

Staff Stories

Henry Chung, Assistant Engineer Component Repair

Henry joined HAESL as an Assistant Engineer in 2012 responsible for the Plating Shop and Laboratory as well as Waste Water management.

He finds chemical waste management is very crucial for our planet. "What we drain out will eventually be what the plants and animals consume, and at the end of the day, they become what we consume". To handle the chemicals in a safe manner with minimal impact towards the environment, understanding the properties of the chemicals is the key.



Henry in HAESL Plating workshop

Henry Chung

Assistant
Engineer Component Repair



Henry in Outward-Bound Adventure race (first one from the right)

Henry is a sport lover and participated in the Outward-Bound adventure race. "I believe these fun activities are a great channel to enforce stronger teamwork and establish closer communications with different people from different departments. We are often too busy and rarely have the chance to get to know every individual in such working environment."

Sustainable Development is an important way to create value outside the box of profitable growth and create room for employees to bond in order to build greater value such as sense of belonging, teamwork and commitment. We simply cannot just comply with the law and think we are doing a good job. Instead, charitable events, environmental protection and corporate social responsibility should be accountable for company total success. Sustainability tools in HAESL, such as the recent Toy Banks or the One Man One Plant Campaign, have encouraged staff to pay more attention in conserving the environment and the resources we have which, hopefully, become a normal practice in daily life.

Jasmine Szeto, Sustainable Development and Risk & Safety Administrative Assistant

Jasmine joined HAESL in 2011. With the introduction of departmental restructuring in 2013, Jasmine became involved in Sustainability Development as well as volunteering project management. She believes being able to help others in need is a gift, and is pleased to be able to do more to create bigger opportunities by supporting the company sustainability function.

"I feel happy and proud of myself that I am given the chance to support the Sustainable Development function." She is glad to be a part of a responsible company, like HAESL, that is willing to put resources in sustainability.

There are many benefits for being a volunteer, not just only benefit to the beneficiaries, but also the volunteer's soul. HAESL emphasizes volunteer programmes as "Adding value to my life". Volunteering provides a healthy boost to self-confidence, life satisfaction and improved sleep. You can also get valuable experiences to develop strengths and skills, like communication, teamwork, time management, positive attitude and initiative. She hopes more and more HAESL colleagues will give volunteering a try in the near future.

Jasmine Szeto

Sustainable Development and Risk & Safety Administrative Assistant



Jasmine taking a leading role in the Toy Bank event

Michael So

Customer Service Representative



Michael as a first aider in a charitable event

Michael So, Customer Service Representative

In today's world in Hong Kong, reputable and sizeable companies should aim to be socially responsible to our community and conscious of harm to our environment. For myself, as a HAESL employee in the volunteer team, we wish to use the company provided resources and also our philanthropic heart to influence others and create a larger team of volunteers.

During 2007 while I was sharing my volunteer experience with Oxfam with our Human Resources manager Ms. Liu, we came up with the idea of introducing a volunteer team in HAESL. I also thank her to allow me to be a part of the volunteer team family.

For my immediate family, I always encourage my children that when they have the ability to give assistance to others in need, they should always take the chance and start this philosophy at an early age. Giving up your seat to an elderly or handicapped person on public transport is already a good start and costs nothing. For my colleagues, I always share my experience and values in daily small matters about the advantage in helping people in need. All these small offerings create a greater volunteer team in the end.

07

Charitable and Community Programmes



Charitable and Community Programmes

Our company value depends on the Sustainable Development of our business and the goodwill of the employees and community in which we operate. We are constantly working to ensure that our Sustainable Development programme recognises this and commits us to managing the environmental, health and safety, employment, and community issues that our operations affect.

Volunteer Service Leave programme

HAESL believes that commitment on social engagement should start from company schemes which recognise and promote staff committed to volunteer work outside working hours. To this end, in 2013, a significant scheme for social engagement was developed and approved by HAESL Senior Management.

From 1st January 2014, every staff that participates in 10 hours of volunteer work organized or approved by HAESL will be eligible for one day's "volunteer service leave" with a maximum of 2 days per year.

In line with this, a series of activities have been lined up in 2014 to encourage staff to engage in socially responsible activities. These activities can be recognised by the HAESL Sustainable Development logo.



HAESL social engagement program logo

Community and Fund Raising Events

24-hour Charity Pedal kart Grand Prix 2013

Hong Kong's 24-hour Pedal Kart Grand Prix is a charitable fund raising event that has been taking place for over 25 years. Teams from some of Hong Kong's biggest companies, Universities, Schools and local clubs compete in a 24-hour Le Mans style endurance race in custom home built human powered pedal karts.

For HAESL, this is an annual big charity event combining teamwork, speed and excitement. HAESL has continued to support this event since the company's inception. The charitable aim of the event is to support a range of local and regional registered charities with financial donations. The 24-hour non-stop race is an all you "cannot" imagine rally. It's a gruelling test of endurance and strength of will. The team includes cyclists, pit crew and many others who help behind-the-scene. The Pedal Kart event is also like an annual event for staff family to share in the excitement, laughter and fun.

This year's event was a huge success. It was very heart-warming to see the teamwork involved throughout the event, and the amount of participation from everyone involved. With the main purpose of raising funds for the underprivileged, we raised a total of HK\$149,765.10 (which included HAESL's matching fund) through different fund-raising activities including Charity Hiking, Fortune Cookies Charity Sale, and donation for peddlers. Many thanks to all the people that participated in the event, whether as supporters, donors, or as peddlers! We hope next year will be just as great and exciting!



HAESL F1 Paddle Kart on the race course (2013)



HAESL Peddle Fun Kart at night (2013)

Say "Yes" to recycle

■ Moon Cake Box recycling program

About 3 million moon cake boxes are thrown away each year. In the last Mid-Autumn Festival, HAESL participated in the "Project Green Moon 2013 – Moon cake Tin Boxes Collection" to extend our care to the community. The event finished with good results and our staff donated a total of 92 moon cake boxes, which is an act to add the value to our environment and community. According to Swire Properties and Maxim's Group who are the organizers of this campaign, all moon cake boxes are sold to an authorised recycling company and the proceeds donated to the Salvation Army.



Poster used for Moon Cake Box recycling program



Moon cake boxes donated by HAESL Staff

Red Packet recycling campaign

This year, we signed up for a recycling campaign - Recycling of red packet envelopes from Green Actions Hong Kong. During the Chinese New Year period, we placed collection boxes for used/un-used red packet envelopes throughout the company. We collected more than 15.5kg of red packet envelopes and passed them to Green Actions Hong Kong. As long as the red packet envelopes are not torn or broken after use, it can then be recycled, re-packed and distributed to local communities for reuse. We do not need to cut down 9,000 trees to make 1.8 billion red packets every year. Save the planet!



Poster used for red packet recycling campaign



Collected red packets

Blood Donation

Blood donation is a regular community event organised by HAESL every year. Again in 2013, the Hong Kong Red Cross Blood Transfusion Service was invited to come to HAESL to help any interested employees who wish to donate blood.



Blood donation day

08

Economic Performance and Procurement Policy



Economic Performance and Procurement Policy

Performance in 2013 and the outlook for 2014

HAESL delivered another solid financial performance in 2013. Revenues dropped 9.6% in 2013. Breaking down our sales into two components – sold man-hours and engine materials, sold man-hours reduced by 4% while engine output dropped by 12.3%.

The demand of engine repairs remained at over 190 engines in 2013; Engine output was 193 in 2013, decreased by 27 units than that of 2012. The primary reason of the drop in business volume was the early retirement of Boeing 747 and Airbus A340 aircraft from our customers, impacting overhaul volume of the RB211-524 and Trent 500 engines. Both of these four-engine aircraft types are being replaced by operators with more modern, fuel-efficient, twin-engine aircraft.

Economic information of HAESL

Economic Performance	2012	2013	% Difference
Engine Output	220.0	193.0	-12.3%
Revenues generated (US\$M)	1,553.5	1,405.0	-9.6%
Dividends paid to shareholders (US\$M)	111.6	94.8	-15.1%
Employee Cost (US\$M)	49.5	50.3	1.6%
Taxation (US\$M)	23.9	20.8	-13.0%
Charitable donations made directly by HAESL (USD)	35,063.0	29,619.0	-15.5%



Procurement, Supplier Code of Conduct, Employee Code of Conduct

In keeping with our vision to become recognised as “Best in the World, Best for the World”, we understand that corporate social responsibility is a key element in achieving this objective. We can only achieve a successful and sustainable business if our suppliers comply with our standards. Suppliers to HAESL should proactively provide clear, accurate and appropriate information on their progress towards achieving their social policy objectives.

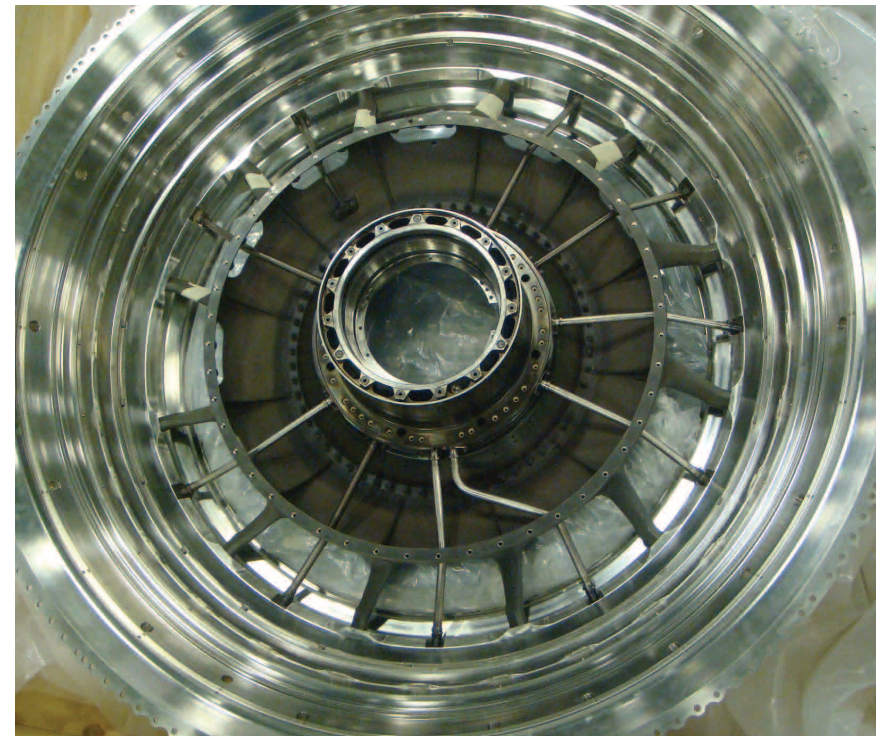
HAESL is committed to select and retain qualified suppliers that meet HAESL’s Supplier Code of Conduct according to the following core standards:

1. Legal and Regulatory compliance
2. Environment
3. Forced Labour
4. Child Labour
5. Compensation and Working Hours
6. Health and Safety
7. Discrimination and Employee Rights
8. Ethics
9. Bribery
10. Conflict of Interest
11. Subcontractors and other Service Providers
12. Communication, Documentation and Inspections

For further information on HAESL’s Supplier Code of Conduct, visit www.haesi.com

All suppliers have to complete a self-assessment survey to declare their level of compliance towards HAESL Supplier Code of Conduct. HAESL will periodically conduct on-going reviews with suppliers that have non-compliance.

We will also plan in 2014 to review our company employee Code of Conduct in order to promote ethics, honesty and professionalism within the company and among our employees.



Awards and Membership

List of Awards achieved in 2013

- Manpower Developer Award from Employee Retraining Board(ERB)
- Four Centres of Excellence (CoEs)* received 'Gold' accreditation, namely Engine Mount, Compressor Case, Vane and Variable Inlet Guide Vane.
- The Most Innovative Award in Swire's Sustainable Development (SD) Forum 2013
- Silver Corporate Member in supporting WWF Conservation and Education Programme – HAESL has long been a supporter of environmental conservation. We have been a Silver WWF corporate member since 2007 and aim to support, protect and expand WWF conservation and education programmes which intend to ensure a sustainable future for the present and future generations.

* The Centre of Excellence (CoE) programme is a significant component of the Rolls-Royce Aero Repair & Overhaul (AR&O) Global Strategy. The aim of this programme is to recognise outstanding repair shop's for their excellent repair performance on specific engine components.



09

Planning for the future



Planning for the future

In 2009, HAESL adopted the Global Reporting Initiative (GRI) as an international standard on reporting. We are delighted to report that we have progressed from a C+ to a B+ Application Level (in 2010 and 2012 respectively). Since 2011 onward, we have adopted the GRI 3.1 guideline for our SD report. Our commitment to structured and systematic stakeholder engagement is a key factor in this progression.

Over the years, we have been identifying areas of our business model to find ways to operate in a more sustainable manner. These areas offer opportunities as well as challenges that require a strong commitment from our management teams. Some of these opportunities are:

HAESL new building with sustainability opportunities

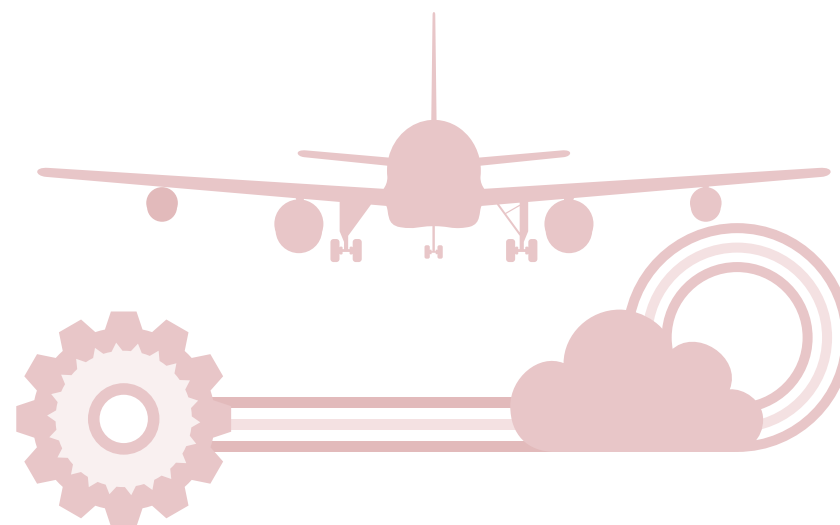
For the repair capability upgrade to suit the needs of the new Trent Engine type-XWB in the near future, an expansion of our current Engine Overhaul workshop is on the priority list. HAESL will soon be in a position to start the demolition of an existing building known as Phase 3 to allow construction of a new building on its site. Our sustainability team is working hard with the project team to include sustainability features for a more energy friendly building.

Integrated safety governance structure for the future of HAESL Safety

Aiming to build safety into everything we do at HAESL, we will develop an integrated Safety Management System which includes Aviation Product Safety and Occupational Safety & Health to reduce duplicated processes, and provide clarity on process selection by users thereby reducing ambiguity.

HAESL materiality assessment

In 2014 HAESL will begin to undertake a materiality assessment to identify and prioritize sustainability issues that are “material” to our business. Areas considered by the assessment will include those with which external stakeholders are most concerned as well as those we believe present the greatest risks and opportunities for our business. We will leverage the results of the materiality assessment to provide strategic direction to our business, drive goals, and guide communications and engagement.



Performance Data

Economic Performance		2012	2013	%
Engine output ^(Note 1)	No.	220	193	-12.3%
Revenues generated (US\$M)	US\$M	1,553.5	1,405	-9.6%
Dividends paid to shareholders (US\$M)	US\$M	111.6	94.8	-15.1%
Employee Cost (US\$M)	US\$M	49.5	50.3	1.6%
Taxation (US\$M)	US\$M	23.9	20.8	-13.0%
Charitable donations made directly by HAESL (USD)	USD	35,063	29,619	-15.5%

Environmental Performance		2012	2013	%
Energy Consumption				
Direct Energy Consumption	GJ	101,280,588	112,951,806.5	11.5%
Indirect Energy Consumption	GJ	109,624	105,286	-4.0%
Total Energy Consumption	GJ	101,390,212	113,057,092	11.5%
Greenhouse Gas Emission				
Direct Emission (Scope 1)	kg CO _{2e}	9,668,684	10,148,447	4.95%
Indirect Emission (Scope 2)	kg CO _{2e}	17,672,072	18,432,898	4.3%
Other Indirect Emission (Scope 3) by Business Air Travel	kg CO _{2e}	289,387	254,591	-12.0%
Total GHG Emission	kg CO _{2e}	27,630,143	28,835,935	4.4%
Fuel				
Jet Kerosene - Engine Test	Tonnes	2,800	3,200	14%
Diesel - Passenger Car (Hong Kong)	L	-	0	
Diesel - Private Van / Light Good Vehicle (Hong Kong)	L	-	0	
Diesel - Medium / Heavy Vehicle (Hong Kong)	L	-	0	
Diesel - Other Mobile Machinery (Hong Kong)	L	-	0	
Diesel - Total	L	-	0	
LPG - Private Van (Hong Kong)	L	-	0	
LPG - Total	kg	-	0	
Unleaded Petrol - Motorcycle (Hong Kong)	L	-	0	
Unleaded Petrol - Passenger Car (Hong Kong)	L	4,997	0	-100%
Unleaded Petrol - Private Van (Hong Kong)	L	-	0	
Unleaded Petrol - Light Good Vehicle (Hong Kong)	L	-	0	
Unleaded Petrol - Total	L	4,997	0	-100%
Towngas	MJ	821,472	623,376	-24.1%

Environmental Performance		2012	2013	%
Electricity				
Electricity - Hong Kong (CLP)	kWh	30,451,091	29,245,993	-4.0%
Refrigerant / Fire Extinguishing Agent				
R134a	kg	545	136	-75.0%
R417a	kg	-	0	
R404a	kg	-	0	
R22	kg	-	0	
Halon-1301	kg	-	0	
CFC-12	kg	-	0	
Refrigerant / Fire Extinguishing Agent - Total	kg	545	136	-75.0%
Water				
Potable Water used	m3	124,589	136,199	9.3%
Water discharged to sewer	m3	124,589	136,199	9.3%
Materials				
Paper and paper products consumed	kg	28,095	26,389	-6.1%
Printing Cartridges purchased	No.	628	535	-14.8%
Vehicle tyres consumed	kg	-	0	
Paints consumed	L	14,812	13,437	-9.3%
Chemicals				
Chemicals consumed (Liquid)	L	49,088	32,668	-33.5%
Chemicals consumed (Solid)	kg	100,836	107,223	6.3%
Solid Waste Management				
Industrial / Commercial Waste disposed of	kg	564,630	533,810	-5.5%
Grease trap waste disposed of	kg	86	92	7.0%
Vehicle tyres disposed of	kg	-	0	
Food Waste recycled	kg	-	0	
Paper recycled	kg	14,830	10,884	-26.6%
Cardboard recycled	kg	16,140	14,432	-10.6%
Plastics recycled	kg	3,450	1,348	-60.9%
Metal recycled	kg	14,561	21,713	49.1%
Printing Cartridges recycled	No.	457	353	-22.8%

Environmental Performance		2012	2013	%
Hazardous Waste Managemnt				
Solid chemical waste disposed of	kg	8,969	14,385	60.4%
Liquid chemical waste disposed of	L	31,037	39,832	28.3%
Spent kerosene (aircraft fuel) recycled	L	11,600	10,800	-6.9%
Lubrication oil recycled	L	13,800	11,600	-15.9%
Significant chemicals / oil spills	No.	-	0	
Compliance				
Significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No.	-	0	
Occupational Health & Safety Performance				
Total workforce	No.	1,203	1,102	-8.4%
Manhours worked (Total Attended Hour by all staff)	No.	2,765,440	2,630,558	-4.9%
Work-related fatalities (employees)	No.	-	0	
Lost time injuries ^(Note 2)	No.	17	13	-23.5%
Minor injuries / first aid cases	No.	9	6	-33.3%
Total lost day	No.	381.5	536	40.5%
Lost time injury rate ^(Note 3)		1.23	0.99	-19.5%
Man day lost rate ^(Note 4)		22.44	41.2	83.6%

Note

1. Due to report printing error, engine output in 2012 SD report showed 194 while the corrected figure should be 220. the percentage change remain the same.
2. **Lost time injuries** are defined as work-related injuries which result in lost time of a minimum of one scheduled working day.
3. **Lost time injury rate** represents the number of injuries per 100 employees per year. It is calculated as the total lost time injuries multiplied by 200,000 and then divided by total hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
4. **Lost day rate** represents total number of lost day divided by the total number of lost time injuries i.e. average days given to each lost time injury.

GRI Indicators

Profile Disclosures:		Reference Chapter
1. Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organisation	- Foreword by HAESL Director & General Manager
1.2	Description of key impacts, risks, and opportunities	- Governance and Stakeholder Engagement
2. Organisational Profile		
2.1	Name of the organisation	- Company Profile
2.2	Primary brands, products, and/or other services	- Company Profile
2.3	Operational structure of the organisation, including main divisions, operation companies, subsidiaries and joint ventures	- Company Profile
2.4	Location of organisation's headquarters	- About this Report - Company Profile - Acknowledgement, Contacts and Feedback
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	- About this Report - Company Profile
2.6	Nature of ownership and legal form	- Company Profile
2.7	Markets served (Including geographic breakdown, sectors served and types of customers/beneficiaries)	- Company Profile
2.8	Scale of the reporting organisation	- Company Profile - Economic performance - Our People
2.9	Significant changes during the reporting period regarding size, structure or ownership	- Company Profile
2.10	Awards received in the reporting period	- Fast Facts about HAESL - Awards and Memberships
3. Report Parameters		
3.1	Reporting period (e.g. fiscal/calendar year) for information provided	- About this Report
3.2	Date of most recent previous report (if any)	- About this Report
3.3	Reporting cycle (annual, biennial, etc.)	- About this Report
3.4	Contact point for questions regarding the report or its contents	- About this Report
3.5	Process for defining report content	- About this Report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	- About this Report
3.7	State any specific limitations on the scope or boundary of the report	- About this Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	- About this Report

Profile Disclosures:		Reference Chapter
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	- Environment - Health & Safety - Our People - Performance data - Economic Performance
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	- About this report - Environment - Performance data
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	- About this Report
3.12	Table identifying the location of the Standard Disclosures in the report	- GRI Indicators
3.13	Policy and current practice with regard to seeking external assurance for the report	- About this Report - HKQAA Verification statement
4. Governance, Commitments and Engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	- Governance and Stakeholder Engagement
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	- Governance and Stakeholder Engagement
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	- Governance and Stakeholder Engagement
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	- Governance and Stakeholder Engagement
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	- Governance and Stakeholder Engagement
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	- Governance and Stakeholder Engagement
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	- Governance and Stakeholder Engagement
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	- Governance and Stakeholder Engagement
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	- Governance and Stakeholder Engagement

Profile Disclosures:		Reference Chapter
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	- Governance and Stakeholder Engagement
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	- Governance and Stakeholder Engagement
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	- Governance and Stakeholder Engagement - Charitable and Community programs
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	- Governance and Stakeholder Engagement - Awards and Memberships
4.14	List of stakeholder groups engaged by the organisation	- Governance and Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	- Governance and Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	- Governance and Stakeholder Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	- Governance and Stakeholder Engagement

Standard Disclosures: Performance Indicators		Reference Chapter
Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Economic Performance and Procurement Policy
Environmental Performance		
EN1	Materials used by weight or volume	Environment, Performance Data
EN3	Materials used by weight or volume	Environment, Performance Data
EN4	Indirect energy consumption by primary source	Environment, Performance Data
EN5	Energy saved due to conservation and efficiency improvements	Environment, Performance Data
EN8	Total water withdrawal by source	Environment, Performance Data
EN10	Percentage and total volume of water recycled and reused	Environment, Performance Data
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment, Performance Data
EN17	Other relevant indirect greenhouse gas emissions by weight	Environment, Performance Data
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment, Performance Data

Standard Disclosures: Performance Indicators		Reference Chapter
EN21	Total water discharge by quality and destination	Environment, Performance Data
EN22	Total weight of waste by type and disposal method	Environment, Performance Data
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Environment, Performance Data
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment, Performance Data
Social: Labour Practices and Decent Work		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	Our People
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Our People
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Our People
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	- Governance and Stakeholder Engagement - Health & Safety
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	Health & Safety
LA10	Average hours of training per year per employee by gender and by employee category	Our People
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Our People
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our People
Social: Human Rights		
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening and actions taken	Economic Performance and Procurement Policy
Social: Society		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Charitable and Community Programs
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Economic Performance and Procurement Policy
Social: Product Responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	- Governance and Stakeholder Engagement - Health & Safety

Verification Statement



Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") was commissioned by Hong Kong Aero Engines Services Limited (hereinafter referred to as "HAESL") to undertake an independent verification of its Sustainable Development Report 2013 (hereinafter called "the Report") which applies the B+ application level of the Sustainability Reporting Guidelines version 3.1 (G3.1) issued by the Global Reporting Initiative (GRI). The Report stated the efforts and achievements made towards sustainable development by HAESL, for the period from 1st January 2013 to 31st December 2013.

Methodology

The verification process was undertaken with reference to the AA1000 Assurance Standard ('AA1000AS') issued by the Institute of Social and Ethical Account Ability. Furthermore, the assurance of the accuracy and quality of the selected sustainability performance information was verified against the International Standard on Assurance Engagement 3000 ('ISAE 3000') – "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board for a reasonable level of assurance. The Global Reporting Initiative (GRI) G3.1 Guidelines was also made reference.

The process encompassed three stages:

- Identification and classification of statements, figures, charts and data sets to be verified.
- Verification of the selected representative sample of data and information consolidated in the Report, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the Report and crosschecking the raw data and evidence of the selected samples that support the reporting contents in order to reduce the risk of error or omission to an acceptably low level.

- Provision of verification report and recommendations for conclusion of the process and improvement of future reporting.

Independence

HKQAA was not involved in collecting and calculating data, or in the development of the Report. HKQAA's activities are independent from HAESL.

Conclusion

Based on the outcome of the verification process, it is the opinion of the verification team that the information presented within the Report is inclusive, material and responsive. The verification team confirmed that the Report was prepared based on factual statements and that the data contained within the Report are accurate. It is a fair and honest representation of initiatives, targets, progress and performance on HAESL's sustainable development achievements.

The verification team determined that the Report fulfills the B+ application level of the GRI G3.1 Guidelines based on the outcome of the verification process.

Opportunities for improvement on the reporting structure and content are separately submitted to HAESL for their consideration on the compilation of future sustainable development reports. It does not affect our opinion on the Report.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam
Assistant Director
May 2014

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- Departments of Engine Overhaul, Component Repair, Facilities Management, Commercial Purchasing, Finance, Customer & Planning, Human Resources and the Staff Recreation & Sport Club (SRSC) for providing essential photos and other information in the report.



Please tell us what you think!

Your comments on this report or on HAESL's sustainability performance are welcome and appreciated. For any enquiries or information, please contact our Sustainable Development Manager, Kenny Tsang by email at sd@haesl.com or direct mail to the following address:

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