



Best in the World
Best for the World

2017 IN A GLANCE

HEALTH & SAFETY:

Lost Time Injury Rate reduced by

37%

Man Days Lost reduced by

50%

ENVIRONMENT:

Solid Waste Recycle Rate

increased by **44%**

COMMUNITY:

18 events devoted to society

EMPLOYEE

Training Hours

increased by

22.6%





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2017 AT A GLANCE

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ABOUT THIS REPORT





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 details the strategies and solutions that we are applying to meet them. In this report we aim to provide comprehensive, clear and concise information on all topics 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 2017 to 31st December 2017.

This report is aligned with the Global Reporting Initiative (GRI) G4.0 Sustainability Reporting Guidelines in accordance with the Core option. In order to focus on what matters to our business, a materiality identification exercise was conducted in 2014 to identify the material aspects to be disclosed in our reports. We contracted the Hong Kong Quality Assurance Agency (HKQAA) to verify the completeness and accuracy of our report. You can find a statement to this effect and a summarised GRI index in this report on page 45-50.

Recording our Sustainability Indicators

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

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

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 of our performance, we acknowledge the suggestion from HKQAA to improve on our data collection process. We will refine and improve 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 Department by email at sd@haesl.com or through our website at www.haesl.com.

**MESSAGE FROM
THE DIRECTOR AND
GENERAL MANAGER**





MESSAGE FROM THE DIRECTOR AND GENERAL MANAGER

The year 2017 marked HAESL's 20th anniversary. We organised a series of celebration activities under the theme "The Power of Excellence" to mark twenty years of providing aero engine maintenance services. The cover of this report symbolises growth over the passage of time, with the rings of a tree showing how each year it has grown and become stronger. The engines we have serviced over the years have powered thousands of aircraft flying across the globe in ever growing numbers. We salute those who founded HAESL and set the course to creating a world class organisation. We thank our customers for their support and everyone in the HAESL Team for their hard work and focus on quality, which helped us achieve the targets set. We will continue to pursue excellence in all that we do and strive to be the best aero engine MRO centre in the world.

We fully understand that sustainable development is vital to our success and that it is central to HAESL's vision of being "Best in the World, Best for the World". We set ourselves sustainability objectives for 2017, which included improving safety and quality performance, increasing staff engagement and reducing our environmental impact. Health and Safety is the highest priority in HAESL's daily operations. In 2017 we achieved a further marked reduction in our lost time injury rate of 37%, whilst the number of days lost reduced by 50%. With the effort of all our employees, we improved our strong quality performance and exceeded the 2017 budgeted profit. We achieved capability approval for the Trent XWB-84 from the relevant airworthiness authorities and airline customers and we inducted our first Trent XWB engine in July. In 2018 we will extend our maintenance capability to the Trent XWB-97.

We continue to develop our people, recognising that HAESL's success depends upon them. With support from Rolls-Royce we introduced the High Performance Culture programme into HAESL. The training for in-house facilitators was conducted in late 2017 and HPC training will be delivered to all staff in 2018. We saw continued year-on-year improvement in our staff engagement survey.

Aiming to minimise the adverse environmental impact of our operations, HAESL invests in environmental improvement initiatives and reduces waste to landfill in co-operation with our partners. A significant advance was made 2017 through the increase of our recycling rate by 44% over 2016. This was achieved through enhancement of our wooden waste recycling process, resulting in 68 tonnes of wood being recycled during the year. A US\$2.5m project was initiated for the replacement of our main Waste Water Treatment Plant to ensure the water discharged can be recycled back to the environment.

HAESL continued to contribute to the Hong Kong community in 2017. Our people provided over 1,480 volunteer hours to support 18 different sustainable development events which included a beach clean-up, support of an eye care project organised by the Hong Kong Polytechnic University and donation of upcycled wooden furniture to a youth hostel. Together with our staff, we donated a total of HK\$610,000 to various community programmes and charitable organisations.

I would like to take this opportunity to thank all our staff, and also our stakeholders, for all their continued support in 2017. As we look towards sustainability goals in the coming year and beyond, we remain committed to, and excited about, making positive and lasting social and environmental impacts in the community.

Angus Barclay

HAESL Director and General Manager

**ABOUT HAESL:
BEST IN THE WORLD, BEST FOR THE WORLD**





ABOUT HAESL: BEST IN THE WORLD, BEST FOR THE WORLD

Hong Kong Aero Engine Services Limited (HAESL) is a world-class maintenance repair organisation with core competencies in the maintenance, repair and overhaul (MRO) of large fan civil aero engines and their components.

In conjunction with our shareholder and Original Equipment Manufacturer (OEM) – Rolls-Royce, sustainability is integral to our business and we strive to meet our goal to be recognised as a prominent sustainable business which safely powers some of the largest civil aircraft fleet operators worldwide.

We regard employee health and safety and the safety of the general public as paramount in everything we do and we closely monitor safety performance in the workplace.

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, locating at Tseung Kwan O Industrial Estate, Hong Kong.

It became operational in 1997 with the testing of the first Trent 700 engine. In 2000, SIA Engineering Company became a 10% shareholder with the remaining shares split equally between Rolls-Royce and HAECO at 45% each. In 2016, due to restructuring of the MRO network, SIA Engineering Company sold its 10% share in HAESL. This resulted in Rolls-Royce and HAECO returning their shareholdings to 50% each.



ABOUT HAESL: BEST IN THE WORLD, BEST FOR THE WORLD

This winning combination of leveraging on Rolls-Royce's strength as an OEM and HAESL's experience as a Maintenance Repair Organisation in Asia allows HAESL to offer high quality and comprehensive services to its customers.

Our Sustainability Strategy

Our strategy for sustainability in striving to shape future success as an integral part of our day-to-day work routine remained unchanged in 2017. We believe this strategy plays an important role to deliver and maintain our mission of being "Best in the World, Best for the World". Our ability to continually deliver our services within an agreed time frame and maintain a high standard of quality ensures that we are well positioned to meet the global challenges of our time.

All information with regard to HAESL sustainability policy, sustainability framework and methodology are documented in a HAESL Engineering Procedures Manual that is open to each and every employee. We provide a platform for all our employees and encourage them to offer ideas in adding value to the company not just from an economic sense but also including social and environmental values.

HAESL Sustainable Development Charter

HAESL's vision is to be the best aero engine maintenance repair & overhaul organisation in the world and share long-term value with our stakeholders through sustainable development of our business.

"Best in the World, Best for the World."

The 4 building blocks which underpin the HAESL Sustainable Development Charter will support HAESL to achieve its vision.

- Trusted to Deliver
- Economically Sustainable
- Environmentally Friendly
- Community Involvement





ABOUT HAESL: BEST IN THE WORLD, BEST FOR THE WORLD

The first two elements are vital in gaining trust from our customers in providing dependable and economical maintenance services and in return continuously generate value for our shareholders and stakeholders. By doing this well, we will ensure that we retain our customers and are able to offer competitive proposals to secure new customers, which in turn contributes to our local society by providing employment opportunities.

The other elements focus us on minimising the negative impact made to the environment and contributing to community development. Through these two elements, we are striving to be “Best for the World”.

By utilising our core values, “Tea & RICE” – Teamwork & Respect, Integrity, Commitment and Excellence - together we are working to turn HAESL’s vision into reality.

Governance Structure and Committees

Company Governance

HAESL’s Board of Directors conveys the highest priority to strategic governance and provides the guidance by which HAESL is directed in the interests of all its stakeholders. The 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 six Non-Executive Directors who are appointed by the shareholders according to business expertise and qualification. HAECO and Rolls-Royce appoint three directors respectively, meeting four times a year.

Senior Management Leadership Team

Lead by our Director and General Manager Angus Barclay, three other General Managers with individual executive responsibility for Commercial activities, Finance & Administration and Operations make-up the Senior Management leadership team. This 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.



ABOUT HAESL: BEST IN THE WORLD, BEST FOR THE WORLD

Sustainable Development Committee

Within the business, HAESL's sustainable development issues are governed by the HAESL Executive Committee, the Human Resources Manager and the Sustainable Development Manager. They meet on a regular basis to ensure that the company's business objectives are in alignment with its commitments to sustainable development.

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 and sustainable policies. They include planning, executing, reviewing and improving Corporate Social Responsibility and environmental protection programmes that are aligned with the Sustainable Development Strategy. In addition, the HAESL team strives to develop our business operations such that they operate in a resource efficient manner, minimising waste and pollution.

Safety Review Board

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

Other Committees

Over 900 employees work to support MRO activities in our facility. A close relationship among different functions is vital to our success. The HAESL management team is committed to ensure everyone is working towards our vision.

In order to maintain strong communication between management and all levels of staff, a number of committees representing key elements of the business have been established. These include an Occupational Safety & Health (OSH) Performance Review Group, a General Staff Consultative Committee (GSCC) and the Contract Staff Association (CSA). The OSH Performance Review Group comprising of all Function Heads is chaired by the General Manager Operations. It meets bi-monthly to discuss OSH related issues, risks and improvement opportunities. The General Staff Consultative Committee and the Contract Staff Association are forums where staff and a member of the Senior Management team, along with the Human Resources Manager meet to discuss issues and concerns staff may have.

SUSTAINABLE DEVELOPMENT AT HAESL



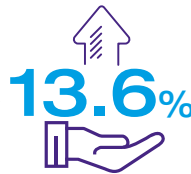
SUSTAINABLE DEVELOPMENT AT HAESL

Sustainability is integral to the business and we strive to achieve HAESL's vision of being "Best in the World, Best for the World" utilising the 4 building blocks of our Sustainable Development Charter.

Highlights in 2017



Great teamwork demonstrated delivering an increase in revenue of **13.6%**



New approvals / certification from new aviation authorities including

- o The National Civil Aviation Agency of Brazil
- o The Civil Aviation Authority of Thailand
- o The Civil Aeronautics Administration of Taiwan

First two Trent XWB-84 engines were inducted by HAESL

Strengthened our engine component MRO portfolio by achieving NADCAP accreditation for "Coatings"

Completion of the Phase VI superstructure



Enhanced waste management achieving a recycle rate of **26%**



a **44%** increase compared to 2016

Engaged with a new plastic recycler

Initiated the replacement of our Phase II Waste Water Treatment Plant with an investment of US\$2.5m



SUSTAINABLE DEVELOPMENT AT HAESL



Lost time injury rate reduced by **37%** and the number of days lost

reduced by  **50%**

Adopted the SwireTHRIVE environmental strategy and supported the 7th Swire Sustainable Development Forum

Continued our support for the World Wide Fund For Nature Hong Kong (WWF) retaining silver membership and participating in their environmental programmes

Caring Company 2015-2018

Delivered **47,989** training hours of hard and soft skills

1,481 voluntary hours devoted to charitable events

Our Approach to Sustainable Development

In order to stay focused on the important elements of sustainable growth in HAESL, we identified a list of aspects that have the most influence and positive impact to our business. These aspects are determined through stakeholder engagement, aligning with the GRI G4 guideline. A stakeholder identification process was carried out prior to the materiality assessment.

SUSTAINABLE DEVELOPMENT AT HAESL

The major stakeholders include:



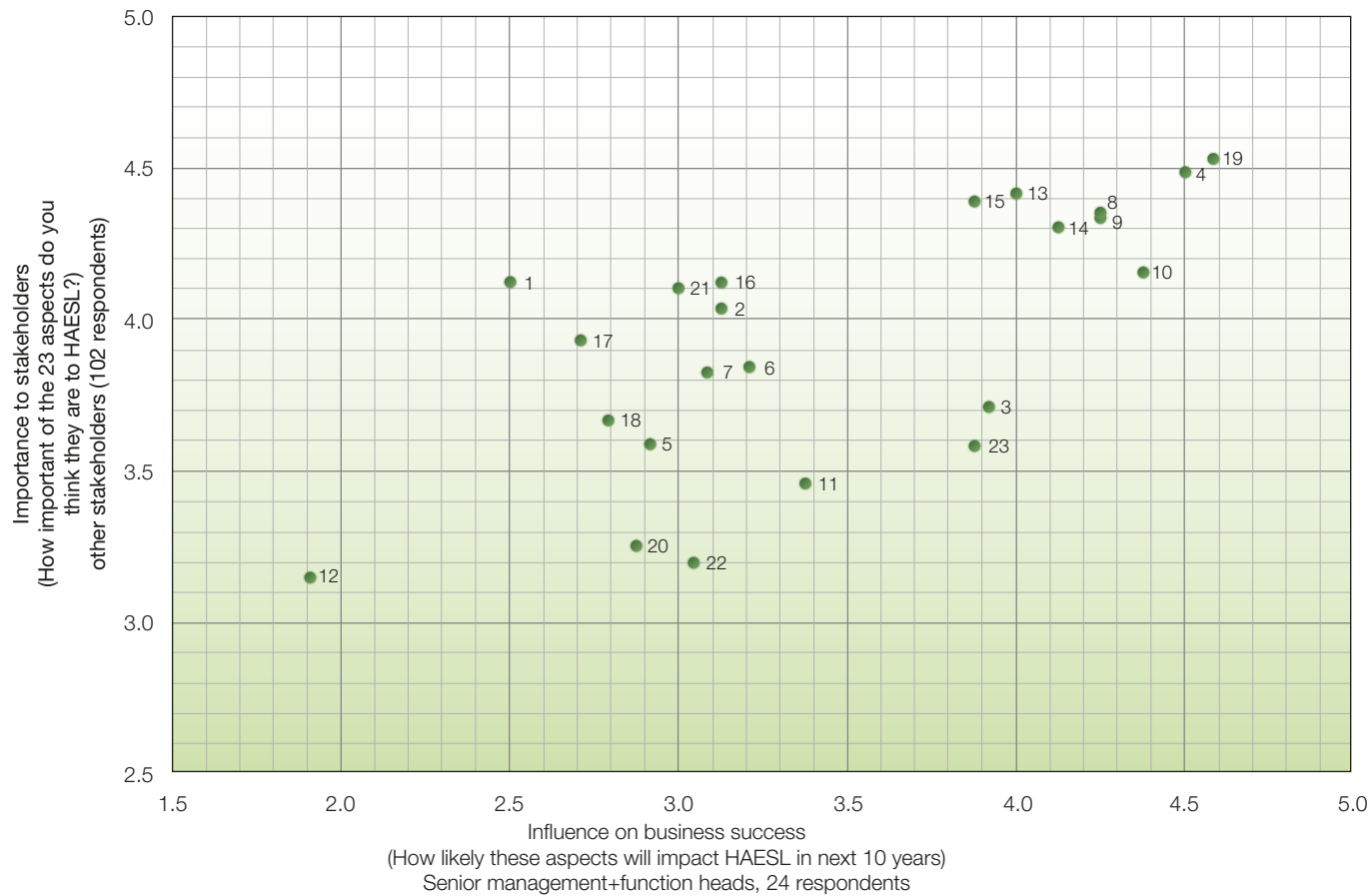
Surveys, interviews and meetings with different groups supported with a scoring system were used to identify and rank the significance to the business. A materiality matrix from the assessment was developed and validated at the Sustainable Development Governance meeting.





SUSTAINABLE DEVELOPMENT AT HAESL

HAESL Materiality Matrix



- 19 Quality performance
- 4 Economic performance
- 10 Employee engagement
- 9 Employee development and succession planning
- 8 Customer satisfaction and Responsibility
- 14 Compliance
- 13 Occupational Health & Safety
- 15 Labour/Management relation
- 3 Indirect economic impact
- 23 Materials
- 11 Procurement practice/responsibility
- 6 Energy use and GHG emission
- 16 Grievance mechanism
- 2 Waste management
- 7 Customer privacy
- 21 Anti-corruption/bribery
- 22 Anti-competitive behavior
- 5 Freedom of association and collective bargaining
- 18 Water
- 17 Human right and non-discrimination
- 20 Community investment/development
- 1 Food safety and hygiene
- 12 Child labor and forced labor

SUSTAINABLE DEVELOPMENT AT HAESL

Material issues are of high importance to our stakeholders and significance to our business. We will cover the high priority issues in detail.

| High Priority issues | Impact location (Inside/Outside HAESL) | | Location to find the relevant information |
|--|--|---------|---|
| | Inside | Outside | |
| Quality Performance | ✓ | ✓ | Our Business and Value Chain |
| Economic performance | ✓ | ✓ | Our Business and Value Chain |
| Employee engagement | ✓ | | Our People |
| Employee development and succession planning | ✓ | | Our People |
| Customer satisfaction and responsibility | ✓ | ✓ | Our Business and Value Chain |
| Compliance | ✓ | ✓ | Our Business and Value Chain |
| Occupational Health & Safety | ✓ | ✓ | Our People |
| Labour/Management relation | ✓ | | Our People |
| Indirect Economic impact | ✓ | ✓ | Our Business and Value Chain |
| Materials | ✓ | ✓ | Our Environment |

OUR PEOPLE



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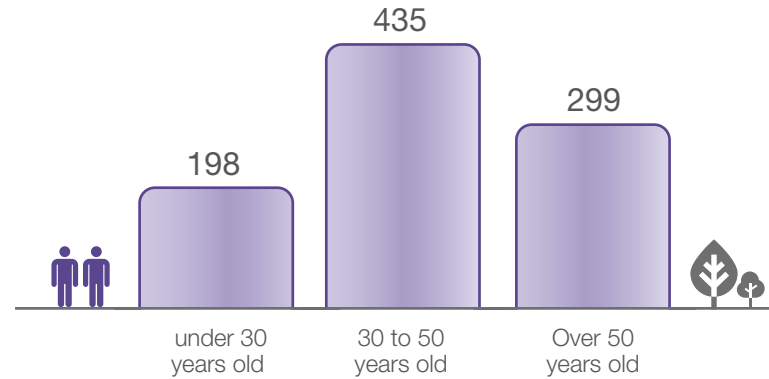
OUR PEOPLE

Recognising that continuous staff development is key to sustainability, HAESL strives to support, reward and motivate all employees in many different ways. We regularly review employee policies and aim to retain high quality staff. A remuneration policy review is conducted yearly to ensure that we remain competitive with other local industrial operations. On-Job Training, soft skills training, departmental offsite training and different team building events are organised throughout the year.

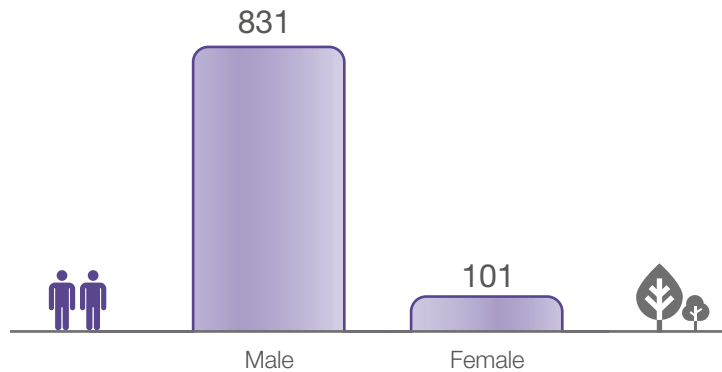
About Our Workforce

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

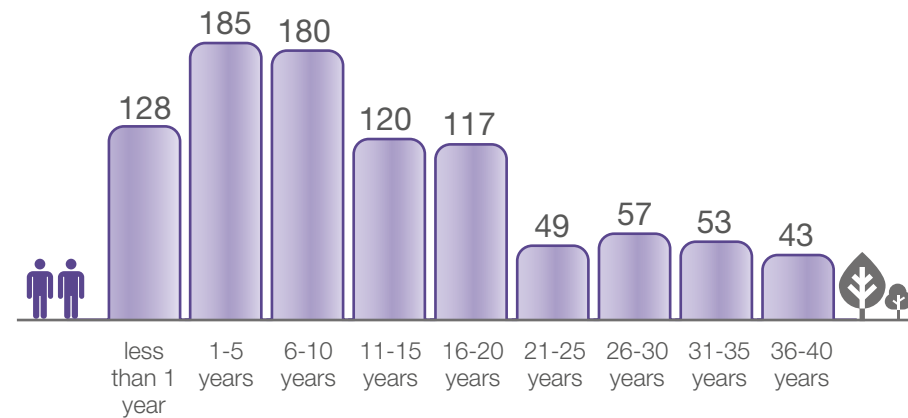
Total workforce by age group



Total workforce by gender



Total workforce by years of service





OUR PEOPLE

Building a Strong Workforce

Employee Engagement

Employee engagement is critical to our success. We want all of our employees to be able to perform to the best of their ability and encourage open collaboration, engagement and involvement. Effective communication between management and staff is key to enhancing employee engagement.

To understand our employees concerns, we gather employee feedback about our business activities through the Annual Employee Engagement Survey. This anonymous survey allows each employee to provide their response to a set of questions aimed at understanding how the company is perceived by each employee. Staff comments are analysed and discussed directly with senior management. Feedback is also provided through the company magazine and focus group meetings to provide staff with the results of the survey and management's response to their suggestions and concerns.



High Performance Culture programme

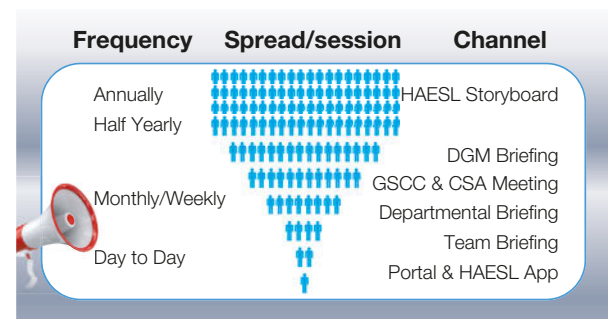
Staff are encouraged to raise their ideas through a Staff Suggestion Scheme. Ideas are then evaluated by the relevant department. HAESL rewards staff whose suggestions make the most significant impact.

Communication Channels

Communication is an essential element in building an effective team. Throughout the year, HAESL has focused on establishing channels to ensure the voice of the employees was well received by the management team. HAESL's management conducts regular meetings with the General Staff Consultative Committee (GSCC) and the Contract Staff Association (CSA) to address staff concerns and solicit their opinions on employee welfare services. Training workshops are provided to these committees to support their communication skills.

All of the employees attend a briefing session hosted by the Director and General Manager every six months. These sessions provide a platform to provide staff with updates on key financial results, operational performance, forecasts and objectives. At the sessions, staff are encouraged to raise questions and suggestions directly to the Senior Management.

We keep our staff updated on the company's business. Up to date information is communicated through weekly departmental briefings, LCD display screens, electronic notices accessible through the company's intranet portal and the company mobile application. A regular publication, known as HAESL.com is also published on a quarterly basis. All of these forms of communication enable staff to receive the most up-to date information and be informed of any changes that may affect them.





OUR PEOPLE

HAESL Storyboard Briefing

To provide a communication's springboard within the company, each year the Director and General Manager creates a video overview of the company's progress and focus known as the "Storyboard". The storyboard is then shown by department managers to all staff separated into small groups. Further to this departmental managers hold regular Q&A briefings with all employees. The advantage of the Storyboard is to provide a platform where discussions can be held between staff members and the company's management. The questions which arise can then be responded to by the management.

Team Building

At HAESL we recognise the benefit that team working can bring. As such, during 2017 various team building events and activities to help staff better connect with their colleagues were arranged. Activities and events were organised which helped different departments come together as well as events aimed at building closer relationships within departments.

HAESL arranged a number of off-site team building days as well as Cross-Departmental Teambuilding events. One such event was designed to help bring together the technical and production teams. This event provided a platform which enabled the departments to have more face-to-face communication and discussion. It provided the opportunity for staff to further understand each other's personalities, strengths and weaknesses and thus better facilitate the formation of a high performance team at HAESL, while having fun.



Strong team spirit was key to the success of the HAESL Open Day.

Staff Wellness

HAESL understands that happy staff are the most productive and a healthy body and mind are important. We provide many opportunities for physical activity as well as community engagement and emotional awareness programmes. Employees participated in a number of different programmes that developed their soft skills as well as strengthening their physical being. HAESL supports staff with a physiotherapist on site to offer therapy as well as providing advice in sports medicine and health science.

In order to encourage a healthier life style, various talks were arranged for staff to attend. This year, topics covered eye care, strengthening exercises using an exercise band and parenting skills.



OUR PEOPLE

Advocating a Safety Culture

Occupational safety in the work place is of paramount importance to HAESL. Our goal is zero injuries in all of our operations and safety is always a key priority.

Senior Management Commitment

HAESL recognises that leadership is important in creation of a culture that supports and promotes occupational safety and health. The Senior Management Safety Walk is a weekly “Go Look See” in different areas of the business to check for potential hazards. It is conducted by our Senior Management together with the responsible area managers and the Health & Safety team. Our Senior Management demonstrates a high commitment to safety and this exercise identified over 400 potential safety hazards during 2017. The Occupational Safety & Health (OSH) Performance Review Group oversees the safety of all activities. All work place incidents are reported according to the Incident Reporting Procedure and the statistics are reported in the OSH Performance Review Group Meeting.

Staff Involvement

Hazard Management

Staff participation in ensuring safety measures is vital, they are the ones who work in a specific working environment and are most knowledgeable about the process. They work together with risk practitioners to identify hazards. This is known as the Job Safety Analysis programme (JSA).

JSA is implemented to identify, evaluate and manage job related hazards to reduce the impact and likelihood of them occurring to as low as reasonable practical. All potential hazards identified are risk assessed against individual standard scoring schemes for occupational safety and product safety. Hazards deemed as high or medium risks are mitigated within a scheduled time frame.

Proactive Reporting

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

Each ICIR submitted is assessed and scored against four criteria – quality of the report, severity of the impact, likelihood of occurrence and effort made to correct the problem. In 2017, 1,288 ICIR observations were submitted and the Lost Time Injury Rate reduced from 0.61 in 2016 to 0.39. Our man day lost reduced by 50% in 2017, reflecting a significant reduction in the number and severity of injuries.

We believe that the I Care I Report mechanism will continuously encourage everybody to proactively engage in safety related issues and take collective responsibility for our health and safety.

Occupational Safety & Health Work Group

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



OUR PEOPLE

Stop, Think then Act Safely Campaign

The “Stop, Think then Act Safely Campaign” was launched in 2017 to promote the importance of spatial awareness and good safety attitude in the workplace. Spatial awareness is a key component in preserving our safety in the workplace. It aims to raise staff awareness in staying alert and identifying hazards more quickly. Safety training sessions, a newsletter, wall posters and TV slideshow were carried out in the workshop to deliver the messages.

2017 HAESL Safety Awareness Campaign

In addition to the quarterly safety Awareness briefing delivered by the Health and Safety Leader, we organised a Safety Awareness Campaign in the fourth quarter to further enhance our safety culture. The campaign focus on enhancing safety awareness through a series of activities and staff engagement, such as workplace workshops and seminars, safety slogan competition, in-house safety video production as well as posting reminders around HAESL premises to reinforce the importance of work safety. This also provided a great opportunity to identify and share best practices and to discuss room for further improvement.

Staff Development

Training

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

Training is provided according to the results of an annual training needs analysis and is administrated through an employee training matrix for all employees. At the beginning of each year, every employee’s training plan is reviewed and updated. In 2017, HAESL provided in excess of 47,900 training hours to its employees, this was an increase of 22.6% compared to 39,129 hours in 2016.

| Average hours of training per year per employee by employee category | Number of employees | Total training hours | Average hours of training |
|--|---------------------|----------------------|---------------------------|
| <i>By employee category</i> | | | |
| Executive – Top/Senior management | 4 | 152 | 38.00 |
| – Middle/Junior management & supervisory | 119 | 5,115 | 42.98 |
| Non-exec – Customer facing staff | 11 | 135 | 12.27 |
| – Non-customer facing operational/technical staff | 701 | 39,946 | 56.98 |
| – Others | 97 | 2641 | 27.22 |
| Total | 932 | 47,989 | |

Safety Training

Safety training is provided for every new employee as part of their induction into HAESL. Conducted within their first 3 months of service, the training ensures that new staff is made well aware of the hazards in their new environment and the part they must play in maintaining a safe and healthy work place.



OUR PEOPLE

In addition to induction training, safety management training, mandatory safety training and job specific safety training is provided according to individual needs.

Programmes for Skill Management and Lifelong Learning

In addition to core business related training, HAESL also provides training programmes that provide management employees with the appropriate management skills as well as lifelong learning. Highlights from some of the training include workshops on environmental conservation, the HAESL Code of Conduct and the Hong Kong Competition Ordinance.

Career Development

The HAESL Engineering Graduate Trainee (EGT) Programme was established in 2000 with the aim of developing a pool of professional engineers through a structured four-year training programme. Each year we recruit graduates with high potential to join the programme.

The programme comprises of two years cross-functional training within the business, which is aligned with the requirements of the HKIE Scheme A, followed by a two-year placement in one of our core operational units.

As part of the development plan our trainees undertake secondment with our major customers such as Cathay Pacific Airways and Rolls-Royce (U.K.). This experience not only helps broaden their understanding of the aviation industry, but also gives them an early exposure to some of our key business partners.

The HAESL General Graduate Trainee (GGT) Programme was established in 2011 with the aim of attracting high calibre graduates from various business streams and developing them to be future leaders through a structured four-year training programme.

To equip GGT's with all round management skills, they undergo comprehensive training in production departments to become familiar with the company's core business operations, as well as receiving training in supporting departments, such as Information Technology, Finance and Human Resources.

Similar to the HAESL Engineering Graduate Trainee Programme, the GGT Programme consists of two years cross-functional training within the business, followed by a two-year placement in one of our supporting departments and a secondment to our major customers, such as Cathay Pacific Airways and Rolls-Royce (U.K.).

Buddy Scheme

We recognise the importance of helping new members of staff joining the Company, especially the younger members of the team who have just completed education and are new to a working environment. In order to help them to adapt to their new environment, we launched a "Buddy Scheme" during 2017. The buddies provide guidance and support to the new staff.



**OUR
COMMUNITY**



OUR COMMUNITY

In 2017 HAESL provided over HK\$610,000 in donations for charitable and community engagement purposes. We also assist people in need by supporting local social enterprises. Our employees and their guests devoted over 1,480 hours in supporting charitable events.

Our community investment programmes focus on two target areas: children and youth development and environment conservation. The majority of our charitable contributions are directed to important causes and non-profit organisations that are working on issues in these two areas.

To encourage staff commitment to volunteer services we have a Volunteer Service Leave Policy. Due to the continuous support of our staff HAESL has been awarded Caring Company status every year from 2015-2018 by the Hong Kong Council of Social Service for good corporate citizenship.



Community involvement in 2017

- Green Power Hike 2017
- Evangel Children's Home Fun Day at Tai Po Waterfront
- WWF Coastal Ecologist Programme
- Red Packet Recycle & Reuse Programme 2017
- Outward Bound Adventure Race 2017
- Earth Hour 2017
- Wooden Waste Upcycling
- Rice Dumpling Charity Sale
- Eyeglasses Recycling
- WWF Gei Wai Shrimp Harvesting
- Beach Clean-up & T-Park Visit
- Planting Chinese Fire Cracker Vines
- Blood Donation Day
- WWF Experiencing the Wonderful Underwater Coral World
- Moon Cake Charity Sale
- Bicycle Eco Tour
- 24-Hour Charity Pedal Kart Grand Prix 2017
- Hosting visits for Evangel Children's Home and "Project WeCan"

OUR COMMUNITY

Children and Youth Development

Caring for Educational Needs

HAESL continues to support an endowed scholarship benefiting mechanical engineering students at the Hong Kong Polytechnic University.

HAESL provides a bursary to employees who embark on further education in Hong Kong and to staff's children who study in local universities. HAESL organised a visit for local students to see the facility in order to promote aerospace education and general aviation knowledge. HAESL is also a founder member and supports various projects at the Aviation Services Research Centre (ASRC) of the Hong Kong Polytechnic University.

Caring for Evangel Children's Home

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

In February, HAESL organised an Evangel Children's Home Fun Day. Our volunteers and the children visited Tai Po Waterfront Park and the Island House Conservation Studies Centre managed by WWF. During the visit, everyone learnt a lot about environmental conservation. All of the participants were curious and excited to explore marine ecology. The event ended with roars of laughter.





OUR COMMUNITY

Caring for the Broader Community

Pedal Kart 2017

HAESL entered two pedal karts to join the F1 and Fun Categories in the Hong Kong 24-Hour Charity Pedal Kart Grand Prix held on 4-5 November 2017. Staff from different departments participated in the race pedaling the fun kart. This event not only encouraged the bonding between colleagues, but also raised the concern of our staff to participate in fund-raising before the race. Charitable events like Ice Cream and Fortune Cookies Sales were held to raise funds for the Hong Kong Round Table, who organised these events to support local and regional charities.

Plant Visit cum Career Talk

As HAESL targets to recruit new joiners, we invited secondary schools, the HKIVE, social welfare organisations and universities to join plant visits and career talks at HAESL. Starting with a brief company introduction, followed by guided tours in the workshops, we provided our visitors with a deeper understanding of aircraft engine repair processes and showcased the high level of skill and expertise required in the industry.



Fundraising and Donation for the Community

- In January, three HAESL teams participated in the 2017 Green Power Hike, for both the 10Km and 25Km events. Besides participating in the hiking, we donated funds to support the environment.



- In July, we held our annual blood donation drive in collaboration with The Hong Kong Red Cross. About 50 staff supported this meaningful activity.



OUR COMMUNITY

- A rice dumpling charity sale was held to support the People Food Bank of St. James Settlement
- We conducted a Mid-autumn charity sale selling fruit in support of UNICEF HK
- We joined the Outward Bound Adventure Race to raise funds for their sponsorship to community service organisations, special schools and charity groups



- A donation was made to Orbis to support their operation
- Donation of upcycled wooden furniture was made to the YHA





OUR COMMUNITY

Protecting the Environment

Support the World Wide Fund For Nature Hong Kong

For Earth hour 2017 we switched off all computer displays and non-essential lighting between 19:30 and 20:30. During lunch time we also organised a cycling competition, called “324 Cycling Race” to raise staff awareness on the importance of reducing energy consumption. The power generated was used to illuminate a LED backdrop. We encouraged the staff to start making small changes to their daily routines and to live sustainably and reduce electricity consumption.



Beach Cleanup and Visit to T-Park

In July, our volunteers went to Lung Kwu Tan for a beach cleanup event. Among the big heap of waste collected, a significant proportion comprised plastic bottles and pellets.



After a half day’s hard work in cleaning up the beach, the team then visited the T-Park at Tuen Mun. This was followed by a video show, introducing various facilities in the park, including a sludge incinerator, power generation system, desalination plant and other educational and ecological facilities. From this event, our volunteers understood the advantages of transforming Waste-to-Energy and experienced Hong Kong’s Green Culture.

Donation of Office Equipment to the Crossroads Foundation

As a result of an office renovation, surplus furniture and office supplies were donated to the Crossroads Foundation. The items were sent to support a small school in Tanzania which cares for orphans, street children and girls escaping child marriages and abuse. The equipment has lifted the status of the school, with local families now eager to enroll their children. The additional fees generated will help the orphanage become more sustainable, able to care for more children and less dependent on donations.

We also supported environmental initiatives and organised activities to reduce waste to landfill like the Red Packet Reuse and Recycle Campaign, eyeglasses collection programme and wall calendar donation to the elderly. HAESL organised a planting event within our facility to enhance the existing greenery. A big “Thank you” goes to all the volunteers for their support in community events. We will continue to encourage employees to participate in volunteer services.



OUR ENVIRONMENT





OUR ENVIRONMENT

As a leading aero engine Maintenance, Repair and Overhaul (MRO) Company, we endeavour to conduct our business in a responsible and sustainable manner.

Over the course of 20 years of operations in Tseung Kwan O, we have implemented a number of initiatives to minimise our impact on the local environment and continually work to make further improvements.

Energy and Emission

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

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

All Forms of Energy Consumption

The energy consumed in 2017 was 218,055 GJ, this represents an increase of 18% compared with 2016. The increase in energy consumption was primarily due to the increase in engine volume and associated activity. We measure our impact on the environment based on energy consumed per man-hour worked. The energy intensity for 2017 was 105.4 MJ per man-hour worked, 11.4% more than the previous year, due to the nature and mix of work undertaken.

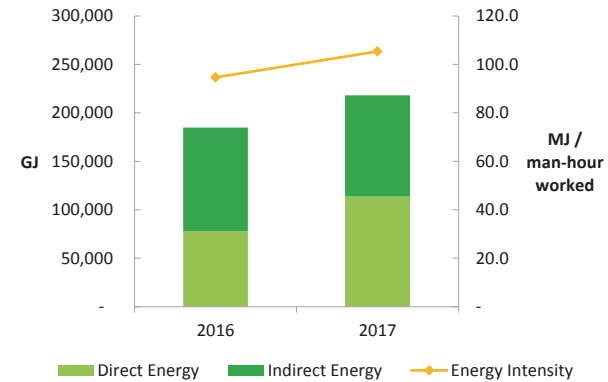


Figure 4: Total Energy Consumption and Energy Intensity

In order to further analyse the amount of Greenhouse Gas (GHG) produced from consuming energy, energy consumption figures are translated into GHG emission equivalent. Our total GHG emission generated from operations amounted to 23,892 tonnes of carbon dioxide equivalent (CO₂e), an increase of 7% from 2016.

This figure includes the carbon offset we purchased to cover the GHG emission related to our business travel.

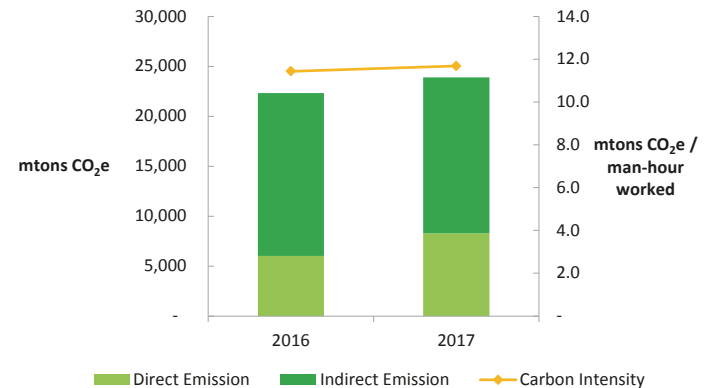


Figure 5: Greenhouse Gas (GHG) Emission and Carbon Intensity of Operation



OUR ENVIRONMENT

Aviation Fuel

There were 189 engine tests in 2017 which consumed 2,570 tonnes of jet fuel, a 46% increase in overall usage compared to 2016. The average jet fuel consumed in each test was 13.6 tonnes. This was 13.6% higher than the previous year, predominantly due to the mix of engines tested.

Towngas

Towngas consumption increased from 473,040 MJ in 2016 to 502,512 MJ in 2017. The increase is attributed to a rise in headcount and a corresponding increase in the number of meals produced by our canteen. 276,838 staff meals were served compared to 254,961 staff meals in 2016, equating to an average Towngas consumption of 1.82 MJ per meal, a 2% reduction from 2016 (1.86 MJ per meal).

Electricity

Our electricity consumption was recorded at 28,905,086 kWh in 2017, a decrease of 2.6% compared to 2016. Our average consumption is 13.97kWh/worked hours, which represents an 8% decrease year-on-year. This reduction has been achieved through a number of different energy saving initiatives including optimising the air conditioning system, retrofitting LED lighting and through raising staff awareness and education. In 2018, we will continue to retrofit high efficiency LED light and pursue other electricity saving initiatives.

Water Management

HAESL continues to operate its long-established air conditioning condensate recovery system to save the cooling tower make-up fresh water usage. Water consumption in 2017 increased by 15.8% to 175,487 cubic metres. This increment is mainly due to an increase of workload in the Component Repair workshop.

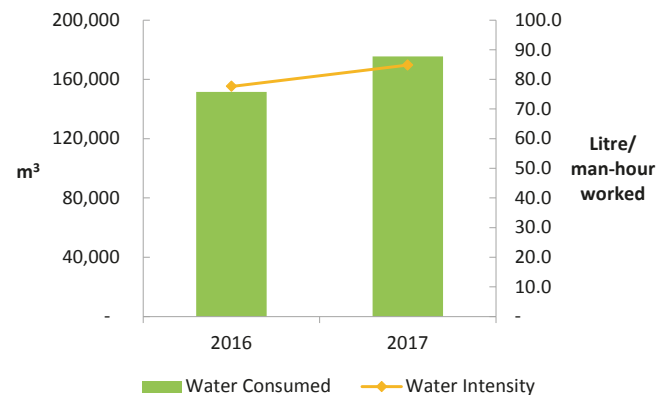


Figure 6: Water Consumption and Water Intensity

Effluents

The use of large volumes of chemicals is unavoidable in the MRO industry. Management of chemical waste is therefore central to our sustainability policy.

To meet our own environmental responsibilities, our chemical specialists ensure waste is handled appropriately with minimal impact to the community.

HAESL's waste water treatment plants process liquid chemical waste before discharging the treated waste into the mains sewerage system. The remaining sludge, resins and other waste, including heavy metals, are collected from site and processed by a government approved waste disposal company. In 2017 and 2018, we are investing US\$2.5m to replace one of our waste water treatment facilities to ensure we continue to meet our obligations related to environmental regulations and laws.



OUR ENVIRONMENT

Waste Management

To minimise the amount of waste sent to landfill, we have adopted where possible to separate waste at source. In 2017, we created 420 tonnes of waste, 26.2% of which recycled. The recycle rate was increased by 44% compared to 2016.

A number of “Go Look See” activities looking for improvement opportunities identified that non-modular engine component kit containers, which are bulky and made from cardboard with a wooden frame, were being disposed of as general waste which went to landfill. We ran a pilot in 2016 for recycling these containers with good result. In 2017, we continued the recycling of these bulky containers, achieving a total of 68.3 tonnes of wood, a 47.9% increase from 2016.

Where possible HAESL has encouraged and practised the reuse and recycling of materials. The following chart gives the amount of materials recycled in 2017. All recycled materials are collected by a recognised recycling company.

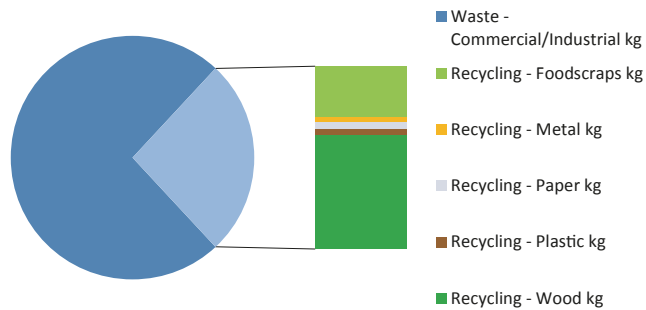


Figure 7: Solid Waste Distribution in 2017

HAESL will continue to review its waste management processes, in order to minimise the amount of waste sent to landfill.

Environmental campaigns

Wooden Waste Upcycling

HAESL continues to send wooden waste to recycling, however it has been recognised that some of the wood is in very good condition and could be utilised. A number of options for upcycling were considered. It was agreed that the Bradbury Jockey Club Youth Hostel at Tai Mei Tuk would benefit tremendously by receiving new benches and stools. HAESL engaged a carpenter to upcycle some of the wooden waste into benches and stools. The furniture was then donated to the YHA. A volunteering session was also arranged on the 6th May to paint the items which will be used by hundreds of guests every year.



OUR ENVIRONMENT

Plastic Recycling

Following the introduction of our new partnership with Tzu Chi Foundation HK in plastic recycling, more than 300kg of plastic is being recycled every month, compared to just a few kilograms per month previously.

Eyeglasses Recycling Campaign 2017

The School of Optometry of Hong Kong Polytechnic University has a mobile eye care project called “Vision of Love” which aims to provide outreach eye care via a mobile clinic that delivers primary and preventive eye-care services to people in need in the local community.

HAESL supported this project by arranging an eyeglasses recycling event amongst our staff, promoting awareness and collecting old/unused glasses. We collected 50 pairs of eyeglasses which will be provided to people who have difficulty accessing vision and eye healthcare services, including new immigrants, low-income families and those with physical and mental disabilities in Hong Kong.



Green Features in Phase VI Building

HAESL's new 4-storey building, Phase VI has progressed to its final stage. HAESL celebrated the completion of the new building in December 2017. The exciting prospect of growth underlines the importance of the Phase VI development as this will provide additional engine overhaul workshop capacity and the opportunity to grow and optimise our Supply Chain activities in Phase II building.

The Phase VI building has been designed with the environment in mind. In order to reduce the adverse impact to the environment, a set of solar photovoltaic panels will be installed on the rooftop generating electricity. In addition, a portion of the roof areas is reserved for a gardening area for staff. The new building will include other green features such as green wall and double glazed windows.



OUR BUSINESS AND VALUE CHAIN





OUR BUSINESS AND VALUE CHAIN

20th Anniversary Celebration

HAESL was very proud to celebrate its 20th Anniversary during 2017. Founded in 1997, the Company was formed by combining highly experienced manpower from the HAECO Engine Division together with Rolls-Royce's OEM knowledge. This winning combination helped to create a world class MRO Joint Venture and established HAESL on its journey to achieve the goal of being "Best in the World, Best for the World". In order to recognise the fantastic achievements over the past 20 years the Company organised various celebrations for staff and guests throughout the year.

Poon Choi and Ocean Park Night

The first event held was a Poon Choi feast followed by a visit to Ocean Park. Staff gathered around tables sharing a hot Poon Choi together on a cold winter day. The celebration then continued with a visit to the Ocean Park. Staff and their guests all enjoyed the time they spent at the amusement park.

20th Anniversary Open Day

The 20th Anniversary Open Day was another memorable occasion which provided an opportunity for staff to share the pride of working for HAESL with family and friends. Various activities were held including a facility tour, game booths and stage performances. During the plant tour, visitors were keen on exploring the nature of our business. It was a great opportunity for the staffs' family and friends to learn more about the work and activities done at HAESL. Seeing all of the happy faces around the company during the open day, we are sure that all of the visitors really enjoyed the event.





OUR BUSINESS AND VALUE CHAIN

Economic Performance and Indirect Economic Impact

Economic Performance

Workload at HAESL during 2017 increased significantly. Engine output increased by 26 units from 2016 resulting in a 13.6% rise in revenue. The following table summarises our economic information.

| | Yr 2015 | Yr 2016 | Yr 2017 | Variance |
|----------------------------|---------|---------|---------|----------|
| Economic Performance | | | | |
| Engine Output | 115 | 114 | 140 | 22.8% |
| Revenues, US\$m | 998.0 | 1,083.0 | 1,230.0 | 13.6% |
| Dividend, US\$m | 34.8 | 51.3 | 56.5 | 10.1% |
| Employee Cost, US\$m | 44.2 | 48.2 | 50.5 | 4.8% |
| Taxation, US\$m | 7.8 | 10.5 | 11.8 | 12.4% |
| Charitable donations, US\$ | 37,629 | 51,298 | 50,202 | -2.1% |

Readiness for Trent XWB

We were delighted to receive the XWB-84 full engine overhaul capability approval from HKCAD, FAA, EASA as well as aviation authorities from various countries. This was a significant milestone for HAESL, which means that we are now approved and able to induct Trent XWB-84 engines. The first Trent XWB in HAESL was received in June 2017. This engine is one of the “sampling engines” selected by Rolls-Royce to be removed from an aircraft and be disassembled to piece part condition for inspection and analysis by Rolls-Royce specialists.

Our Investments

Following receipt of the XWB-84 full overhaul capability approval, HAESL continues to work to obtain additional Trent XWB approvals during 2018. The XWB-97 readiness plan for HAESL covers the development of capabilities for Engine Test, Module Change and Module Repair. The test cell cross calibration is one of the critical elements for HAESL’s test cell capability development. Rolls-Royce will allocate an XWB-97 engine to run in both HAESL and Rolls-Royce Derby’s test cells to enable comparison and calibration of the test cells’ parameters. The company is now progressively placing orders for the necessary tools and is working closely with Roll-Royce to review tooling definition and requirements. We believe that our business will continue to expand and provide secure employment opportunities and world class Engine MRO services while growing profitably and continuing to add value to Hong Kong.



OUR BUSINESS AND VALUE CHAIN

Customer Satisfaction and Responsibility, Compliance and Quality Performance

Safety Management System (SMS)

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

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

To further enhance the safety of visitors within HAESL, we had a tighter security procedure implemented from 1 June 2017. The visitor registration procedure has been amended such that all visitors including contractors and delivery persons must go through the safety briefing and view HAESL's safety video before entering our premises and they have to follow the safety guidelines while staying in HAESL.

Auditing Systems

An effective auditing system is an essential tool for HAESL to manage our business quality. We understand the compliance of processes and procedures that have already taken place through audits. In HAESL, internal audits are carried out in a strict and professional manner. Corrective and preventive measures will be implemented to stop reoccurrence of non-conformance. There were 64 internal audits in 2017, excluding daily walk-around surveillance.

Furthermore, HAESL's customers, National Aviation Authorities and other certification bodies conduct annual external audits to ensure HAESL is compliant with their requirements. In 2017, a total of 21 external audits were carried out. No significant findings were identified during the audits.

| Internal Audits: | External Audits: |
|-----------------------------|-----------------------------------|
| Facility audit | National Aviation Authority audit |
| Procedure and process audit | Customer audit |
| Product audit | |
| Documentation audit | |
| Off-site audit | |
| Vendor audit | |
| Night shift audit | |
| Unscheduled audit | |
| Walk-around surveillance | |

Figure 8: Different types of audit took place in HAESL each year.

REFERENCE



REFERENCE

Performance Data

| Economic Performance | | 2015 | 2016 | 2017 | % |
|---|-------|-------------|-------------|-------------|----------|
| Engine output | No. | 115 | 114 | 140 | 22.8% |
| Revenues generated (US\$M) | US\$M | 998 | 1,083 | 1,230 | 13.6% |
| Dividends paid to shareholders (US\$M) | US\$M | 35 | 51 | 57 | 11.1% |
| Employee Cost (US\$M) | US\$M | 44 | 48 | 51 | 5.8% |
| Taxation (US\$M) | US\$M | 8 | 11 | 12 | 14.3% |
| Charitable donations made directly by HAESL (USD) | USD | 37,629 | 51,298 | 50,202 | -2.1% |

| Environmental Performance | | 2015 | 2016 | 2017 | % |
|--|------------|-------------|-------------|-------------|----------|
| Energy Consumption | | | | | |
| Direct Energy Consumption | GJ | 81,477 | 77,859 | 113,494 | 45.8% |
| Indirect Energy Consumption | GJ | 107,599 | 106,847 | 104,561 | -2.1% |
| Total Energy Consumption | GJ | 189,077 | 184,706 | 218,055 | 18.1% |
| Greenhouse Gas Emission | | | | | |
| Direct Emission (Scope 1) | mtons CO2e | 6,475 | 6,014 | 8,277 | 37.6% |
| Indirect Emission (Scope 2) | mtons CO2e | 16,145 | 16,052 | 15,615 | -2.7% |
| Other Indirect Emission (Scope 3) by Business Air Travel | mtons CO2e | 255 | 253 | 277 | 9.5% |
| Total GHG Emission | mtons CO2e | 22,876 | 22,320 | 24,169 | 8.3% |
| Fuel | | | | | |
| Jet Kerosene – Engine Test | Tonnes | 1,845 | 1,760 | 2,570 | 46.0% |
| Unleaded Petrol – Passenger Car (Hong Kong) | L | 1,519 | 1,971 | 2,185 | 10.8% |
| Towngas | MJ | 446,064 | 473,040 | 502,512 | 6.2% |
| Electricity | | | | | |
| Electricity – Hong Kong (CLP) | kWh | 29,888,662 | 29,679,653 | 28,905,086 | -2.6% |



REFERENCE

| Environmental Performance | | 2015 | 2016 | 2017 | % |
|---|-----|---------|---------|---------|--------|
| Refrigerant/Fire Extinguishing Agent | | | | | |
| R134a | kg | 490 | 338.2 | 113.6 | -66.4% |
| Water | | | | | |
| Potable Water used | m3 | 137,648 | 151,483 | 175,487 | 15.8% |
| Water discharged to sewer | m3 | 137,648 | 151,483 | 175,487 | 15.8% |
| Materials | | | | | |
| Paper and paper products consumed | kg | 15,128 | 15,288 | 18,146 | 18.7% |
| Printing Cartridges purchased | No. | 483 | 495 | 533 | 7.7% |
| Solid Waste Management | | | | | |
| Industrial/Commercial Waste disposed of | kg | 362,300 | 382,880 | 310,080 | -19.0% |
| Grease trap waste disposed of | kg | 80,040 | 84,640 | 75,440 | -10.9% |
| Wood recycled | kg | 1,197 | 46,169 | 68,270 | 47.9% |
| Food Waste recycled | kg | 12,833 | 27,201 | 30,825 | 13.3% |
| Paper products recycled | kg | 10,027 | 3,397 | 2,859 | -15.8% |
| Plastic products recycled | kg | 437 | 37 | 4072 | >100% |
| Metal recycled | kg | 1,197 | 2,465 | 3,808 | 54.5% |
| Printing Cartridges recycled | No. | 136 | 244 | 391 | 60.2% |
| Hazardous Waste Management | | | | | |
| Chemical waste disposed (Liquid) | L | 40,880 | 48,620 | 55,600 | 14.4% |
| Chemical waste disposed (Solid) | kg | 9,858 | 13,913 | 23,734 | 70.6% |
| Spent kerosene (aircraft fuel) recycled | L | 4,200 | 5,000 | 4,000 | -20.0% |
| Lubrication oil recycled | L | 10,800 | 12,800 | 17,200 | 34.4% |
| Significant chemicals/oil spills | No. | 0 | 0 | 0 | - |
| Compliance | | | | | |
| Significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | No. | 0 | 1 | 0 | - |



REFERENCE

| Occupational Health & Safety Performance | | 2015 | 2016 | 2017 | % |
|---|------|-----------|-----------|-----------|--------|
| Total workforce | No. | 848 | 861 | 932 | 8.2% |
| Man-hours worked (Total Attended Hour by all staff) | Hour | 1,889,287 | 1,951,746 | 2,069,547 | 6.0% |
| Work-related fatalities (employees) | No. | 0 | 0 | 0 | – |
| Lost time injuries ^(Note 1) | No. | 7 | 6 | 4 | -33.3% |
| Minor injuries/first aid cases | No. | 2 | 1 | 1 | – |
| Total lost days | Day | 160 | 68 | 34 | -50.0% |
| Lost time injury rate ^(Note 2) | | 0.74 | 0.61 | 0.39 | -36.6% |
| Man day lost rate ^(Note 3) | | 16.9 | 7.0 | 3.3 | -47.1% |

Note

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



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GRI Content Index for 'In accordance' – Core

General Standard Disclosure

| General Standard Disclosures | Page | Location of Disclosure | External Assurance |
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| Strategy And Analysis | | | |
| G4-1 | 6-7 | Message from the Director and General Manager | ✓ |
| Organisational Profile | | | |
| G4-3 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-4 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-5 | 4-5 | About this Report | ✓ |
| G4-6 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-7 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-8 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-9 | 19-25 | Our People | ✓ |
| | 37-40 | Our Business and Value Chain | ✓ |
| G4-10 | 19-25 | Our People | ✓ |
| G4-11 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-12 | 37-40 | Our Business and Value Chain | ✓ |
| G4-13 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-14 | 8-12 | About HAESL: Best in the world, Best for the world | ✓ |
| G4-15 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-16 | 13-18 | Sustainable Development at HAESL | ✓ |

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| G4-18 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-19 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-20 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-21 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-22 | 4-5 | About This Report | ✓ |
| G4-23 | 13-18 | Sustainable Development at HAESL | ✓ |
| Stakeholder Engagement | | | |
| G4-24 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-25 | 13-18 | Sustainable Development at HAESL | ✓ |
| G4-26 | 19-25 | Our People | ✓ |
| G4-27 | 13-18 | Sustainable Development at HAESL | ✓ |
| Report Profile | | | |
| G4-28 | 4-5 | About This Report | ✓ |
| G4-29 | 4-5 | About This Report | ✓ |
| G4-30 | 4-5 | About This Report | ✓ |
| G4-31 | 4-5 | About This Report | ✓ |
| G4-32 | 4-5 | About This Report | ✓ |
| | 45-48 | GRI content index | ✓ |
| G4-33 | 4-5 | About This Report | ✓ |
| | 49-50 | HKQAA Verification Statement | ✓ |
| Governance | | | |
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| Ethnic and Integrity | | | |
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SPECIFIC STANDARD DISCLOSURES

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| Economic | | | | |
| Economic Performance | DMA G4-EC1 | 37-40 | Our Business and Value Chain | ✓ |
| Indirect Economic Impacts | DMA G4-EC7, G4-EC8 | 37-40 | Our Business and Value Chain | ✓ |
| Environmental | | | | |
| Materials | DMA G4-EN1 | 32-36 | Our Environment | ✓ |
| Energy | DMA G4-EN3, G4-EN5 | 32-36 | Our Environment | ✓ |
| Water | DMA G4-EN8 | 32-36 | Our Environment | ✓ |
| Emissions | DMA G4-EN15, G4-EN16, G4-EN17 | 32-36 | Our Environment | ✓ |
| Effluents and Waste | DMA G4-EN22, G4-EN23, G4-EN24 | 32-36 | Our Environment | ✓ |
| Compliance | DMA G4-EN29 | 32-36 | Our Environment | ✓ |

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SPECIFIC STANDARD DISCLOSURES

| Material Aspects | DMA and Indicators | Page | Location of Disclosure | External Assurance |
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| Social | | | | |
| Employment | DMA | 19-25 | Our People | ✓ |
| Labor/Management Relations | G4-LA1, G4-LA2 DMA | 19-25 | Our People | ✓ |
| Occupational Health & Safety | G4-LA4 DMA | 19-25 | Our People | ✓ |
| Training and Education | G4-LA5, G4-LA6, G4-LA7 DMA | 19-25 | Our People | ✓ |
| Anti-corruption | G4-LA9, G4-LA10, G4-LA11 DMA | - | All staff receives annual Performance review and career development review. | ✓ |
| Anti-competition Behavior | G4-SO5 DMA | - | We did not receive any report of confirmed incidents in 2017. | ✓ |
| Local communities | G4-SO7 DMA | - | We did not receive report of anti-competition behavior in 2017. | ✓ |
| Customer Health and Safety | G4-SO1 DMA | 26-31 | Our Community | ✓ |
| Customer Privacy | G4-PR1, G4-PR2 DMA | 37-40 | Our Business and Value Chain | ✓ |
| Compliance | G4-PR8 DMA | - | We did not receive any substantiated complaints concerning breaches of customer privacy in 2017. | ✓ |
| | G4-PR9 DMA | 37-40 | Our Business and Value Chain | ✓ |



REFERENCE

Verification Statement



香港品質保證局

Scope of Verification

Hong Kong Quality Assurance Agency (HKQAA) has been engaged by Hong Kong Aero Engine Services Limited (HAESL) to undertake an independent verification for its Sustainability Report 2017 (Refer to as “The Report”). The scope of HKQAA’s verification covers the data and information of HAESL’s sustainability performance for the period 1st January 2017 to 31st December 2017. The Report disseminates how HAESL is sustainably performed in economic, ecological and social aspect in 2017.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagement 3000 (Revised) – “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (ISAE 3000). Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in ISAE 3000 for the purpose of devising the verification conclusion and the extent of this verification process undertaken was provided for the reporting criteria selected i.e. Core Option of the GRI G4 Sustainability Reporting Guidelines.

We assess the disclosure and presentation of the Report and undertook analytical review of:

- the information provided by HAESL on its reporting and management processes;

- HAESL’s approach to stakeholder engagement and recent outputs;
- current sustainability issues that are critical to HAESL and are of interest to stakeholders;
- how related data is measured, recorded and reported; and
- process for gathering and consolidating the specified key performance data and sample checking the data consolidation.

Also, we performed testing on a selective basis of data and information to assure that such had been appropriately measured, recorded, collated and reported.

Independence

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

Conclusion

On the basis of the results of our verification undertaken, it is the opinion of HKQAA’s verification team that:

- The Report outlines HAESL’s sustainability performance in a material, responsive, fair and balance manner;
- The data and information states in the Report are reliable and complete; and
- The Report has been prepared in accordance with the reporting criteria.

HAESL has reported specifically the sustainability issues identified as the most influencing matters to its business and stakeholders through a materiality identification exercise. Also, the report illustrates the challenges and opportunities associate to HAESL’s sustainability



REFERENCE

context, it covers different projects undertaken in 2017 and the approaches that HAESL adopted to manage the result achieved. Very impressively, HASEL has a stringent data management mechanism in place where all data undergoes robust internal vetting to ensure high level of integrity is attained that forms the basis of credible and transparent reporting. In summary, the Report reflects truthfully HAESL's commitments, ceaseless efforts and progress of performance towards sustainability in 2017.

Signed on behalf of Hong Kong Quality Assurance Agency



Jorine Tam

Director, Corporate Business

May 2018

CONTACT US

Thank you for reading this report.

Give us your feedback

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

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