



Hong Kong Aircraft Engineering Company Limited



Sustainable Development Report

2009

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Note: For more detailed information and referencing, readers are advised to refer to Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2006, www.globalreporting.org

1. Scope of Our Report

This is the first Sustainable Development Report produced by Hong Kong Aircraft Engineering Company Limited's (HAECO). It follows the Global Reporting Initiative's (GRI) Sustainability Reporting guidelines. It covers Hong Kong Aircraft Engineering Company Limited's (HAECO) operations in Hong Kong and meets GRI's Application Level C+. It does not cover the companies in which HAECO invests in. The two largest of these companies, Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO) and Hong Kong Aero Engine Services Limited (HAESL), publish their own reports.

This report covers the ten GRI performance indicators which are most relevant to HAECO and the reporting year is the calendar year of 2009.

Reports for the three companies are available at the following internet websites :

HAECO www.haeco.com/about_haeco/SD%20Report%202009.pdf

HAESL www.haesi.com/pdf/HAESL%20SD%20Report%20Full%20Version%202009.pdf

TAECO www.taeco.com/TAECO%20EHS%20Report%202009.pdf

2. Chief Executive Officer's Message

2009 was a very challenging year for HAECO. Demand for the Group's airframe heavy maintenance and line maintenance services reduced as airlines reduced maintenance expenditure and grounded aircraft in response to the global economic crisis. The Group registered over 40% drop in profit in 2009. We have responded by improving our teamwork and responsiveness to customer needs.

Looking forward, while there are signs that the worst might be over, a sustained recovery remains uncertain. We will focus on our continuous improvement and quality program so as to deliver superior value for money service to our customers. We are striving to expand our horizon by not only focusing on individual company on a stand-alone basis but also leveraging the strengths and capabilities of the individual group companies to create a total solution for our customers.

Details of our 2009 financial performance can be found in Annual Report 2009 Hong Kong Aircraft Engineering Company Limited available at www.haeco.com.

3. Business Overview

HAECO is a member of the Swire Group; it was incorporated in 1950 and is a full-service aircraft maintenance provider at the Hong Kong International Airport. It offers comprehensive line and heavy maintenance packages, including extensive aircraft component overhaul support. At the end of 2009 HAECO had 4,621 employees in Hong Kong. Its three major operating divisions are :

LINE MAINTENANCE (Chek Lap Kok) :

Located in the Passenger Terminal Building which offers transit servicing, component replacement and minor structural repairs as well as comprehensive cleaning, refueling and apron services.

AIRFRAME HEAVY MAINTENANCE (Chek Lap Kok) :

Located in the CLK aircraft maintenance area which provides airframe overhaul, refurbishment and modification for many types of aircraft, including corrosion control and aircraft modifications.

COMPONENT AND AVIONICS OVERHAUL (Tseung Kwan O) :

HAECO's component overhaul facilities have extensive capability on a wide range of both mechanical and avionics components fitted to different aircraft model.



Airframe Heavy Maintenance and Line Maintenance



Component and Avionics Overhaul

HAECO closely monitors the impact of its operations on the environment and makes every effort to reduce the extent of such impact. Its facilities incorporate systems to minimise the effect of effluents on the environment. It has an ongoing programme to reduce energy and resource usage, and to recycle waste where practicable.

In 2009 HAECO adopted a Sustainable Development Policy which :

- recognises the link between shareholder value and the sustainable development of its business and the communities in which they operate;
- committed HAECO to working on environmental, health and safety, employment, supply chain and community issues which its operations affect; and
- committed HAECO to working with other parties to promote sustainable development in the industries in which it operates.

It also published a Supplier Corporate, Social and Environmental Responsibility Code of Conduct on its internet website.

A taskforce focusing on energy saving solutions has been set up. Additional representatives from various departments of company have been nominated in order to address the sustainable development more comprehensively. Assistance from outside expertise has been sought where applicable.

The Business Environmental Council carried out an audit and HAECO was certified compliance with the Clean Air Charter Scheme in March 2009.

Under the Scheme of Indoor Air Quality Certification, HAECO employed an independent government approved consultant to carry out the measurement and was awarded the "Good Class" grade in August 2009.

4. Governance and Stakeholder Engagement

HAECO has complied with all the mandatory code provisions of the Listing Rules and has met most of the recommended best practices set out in the Code on Corporate Governance Practices.

Sustainable Development Committee

HAECO has a committee, chaired by Director Finance, to co-ordinate and monitor the implementation of the sustainable development policy. The functions of the Committee include, but not limited to, the following items :

- ensuring sustainable development requirements are established, implemented and maintained;
- reviewing the sustainable development management system to ensure its continuing implementation, suitability, adequacy and effectiveness;
- establishing and reviewing the high priority sustainable development issues, requirements, targets and management programmes;
- driving the continuous improvement of overall performance, efficiency, and effectiveness of the organisation through the use of the business planning, objectives and metrics, audit results, analysis of data, corrective and preventive actions, and management review;
- enhancing internal communication of sustainable matters between management and employees and promoting awareness amongst staff; and
- ensuring the availability of appropriate resources.

Stakeholder Engagement

HAECO has a lot of dialogues and meetings discussing the environmental, health and safety issues with Airport Authority Hong Kong, the airlines, other airport operators and authorities.

Our Personnel & Administration Department has regular industrial sharing with field operators as well as Labour Department on staff issues.

Management and the wider workforce are in regular monthly dialogue through the three main staff representative bodies, namely the Works Consultative Committee, the Local Contract Staff Association and the Overseas Contract Staff Association. These scheduled meetings are augmented by briefings and discussions on specific issues as circumstances dictate.

In order to have a complete picture on our stakeholders' concern, HAECO had carried out a stakeholder mapping exercise so as to give a clear picture on how to take care our stakeholders in future and improve the engagement process.

5. Environmental Performance

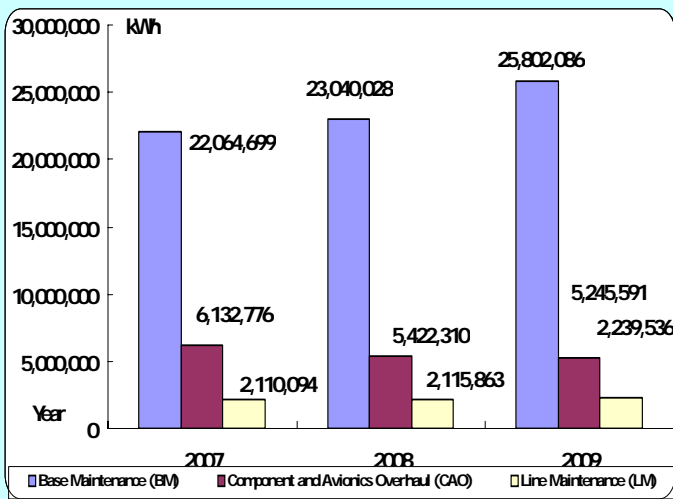
HAECO carried out various energy saving programs to improve energy efficiency performance, reduce electricity consumption and carbon dioxide emission.

5.1 Electricity

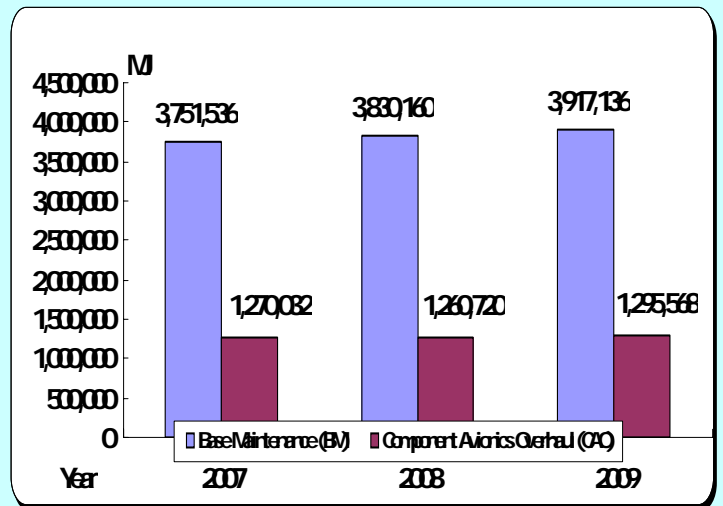
In 2009, total electricity consumption increased by 8.9% to 33.2GWH; the major reasons for Base Maintenance increase were construction activities and 4 months' operation for Hangar 3. Electricity consumption at Component and Avionics Overhaul reduced by 3.3%, contributed mainly by less operating hours in production floors as well as replacement of more high energy saving fluorescent lamp. The retrofit of T8 to T5 fluorescent lamp process will continue in 2010.

5.2 Town Gas

Town gas consumption in Base Maintenance increased by approximately 2.3% from 3,830,160MJ to 3,917,136MJ in 2009. The increase of 2.3% was primarily due to engine igloo dehumidifiers' consumption. In Component and Avionics Overhaul, a consistent level of gas consumption has been maintained. There is no town gas supply at our Line Maintenance (LM) division.



Annual electricity consumption



Annual town gas consumption



New Solar water heaters installed at Hangar 3 in 2009

5.3 Solar Water Heaters at Hangar 3

With the successful experience of using solar energy to heat up water by employing solar water heater, more solar water heaters have been installed at the roof of the Hangar 3 in 2009. 4 sets of solar water heater have been installed to provide pre-heated water for staff canteen use in Hangar 3. Solar energy is clean and renewable and will not emit any greenhouse gas which contributes to global warming.

5.4 Two Pilot Induction Lamps installed at Equipment Maintenance (EM)

2 pilot induction lamps were installed at the Equipment Maintenance (EM) and waste temporary storage waste room of Hangar 1.

Power consumption of existing High Intensity Discharge (HID) lamps in EM is 400 watts each, and the load of the induction lamp fixtures is 200 watts. The annual power consumption for the 2 existing HID lamps is 3,504kWh while the new induction lamps consume 1,752kWh annually. This represents approximately 50% savings in the power consumption of the fixtures in the flood light. The installation was completed in September 2009. If the pilot run is satisfactory, more induction lamps will be installed in other working areas.



Comparison of Energy Consumption and Cost

| Luminaries | Input Power | Quantity | Annual Operating at 12 hrs/day | Annual Energy Cost | Average lifetime (hrs) |
|----------------|-------------|----------|--------------------------------|--------------------|------------------------|
| Existing lamp | 400W | 2 | 3,504 KW | HK\$3,504 | 8,000 |
| Induction lamp | 200W | 2 | 1,752 KW | HK\$1,752 | 80,000 |
| Annual Savings | | | 1,752 KW | HK\$1,752 | N/A |

The percentage of energy savings is approximately 50%. 0.96 ton carbon dioxide emission can be reduced annually. The payback period for this pilot project is around 2.7 years.

5.5 Electrified Aircraft Ground Equipment

HAECO has been gradually replacing diesel powered ground equipment with electric ones, which is easier to operate whilst reduces air pollution.

So far, HAECO has invested in 4 charging stations with a total of 22 fast charging ports, which include Battery Monitor and Identifier (BMID) devices. This system greatly reduces the charging time so that the equipment can be charged to a workable level during short breaks and lunch time etc., and remains operational throughout the whole working day. Also, controlling temperature and consistently rebalancing the battery, it is possible to extend the useful life of a battery. This is not only cost saving but also environmental friendly.

In addition, Base Maintenance has started trial use of an electric power-driven mobile packaged Aircraft Cooling Unit (ACU) to provide air conditioning for aircraft parked outside Hangar.

During 2010 it is planned to install a 400Hz power supply points outside Hangars 1 & 2 to provide power for aircraft parked in this area.



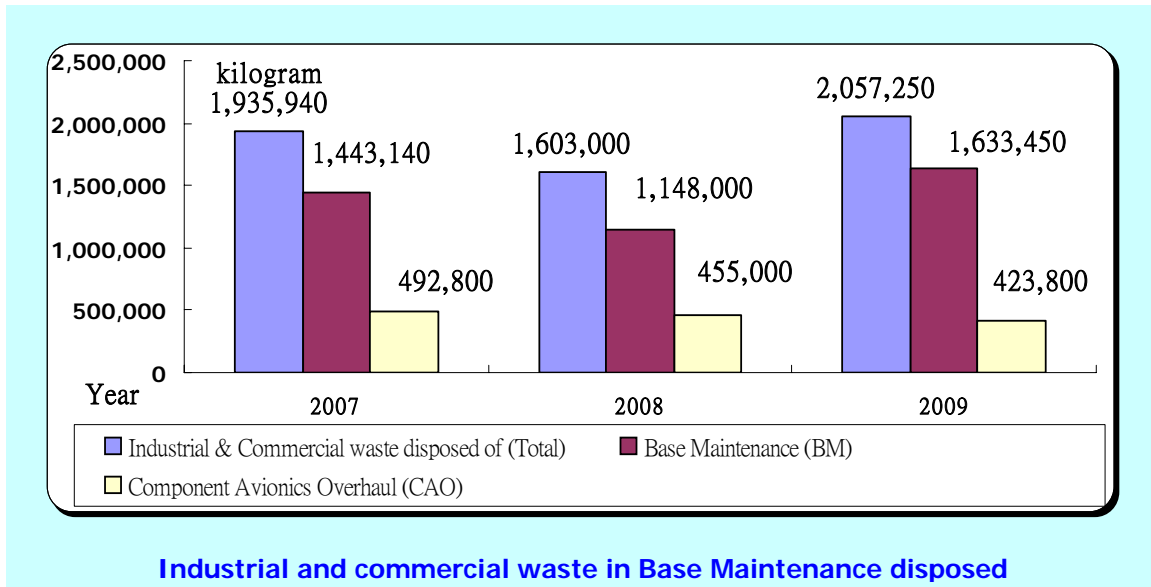
Charging stations



Electric power-driven mobile packaged ACU

5.6 Waste Management

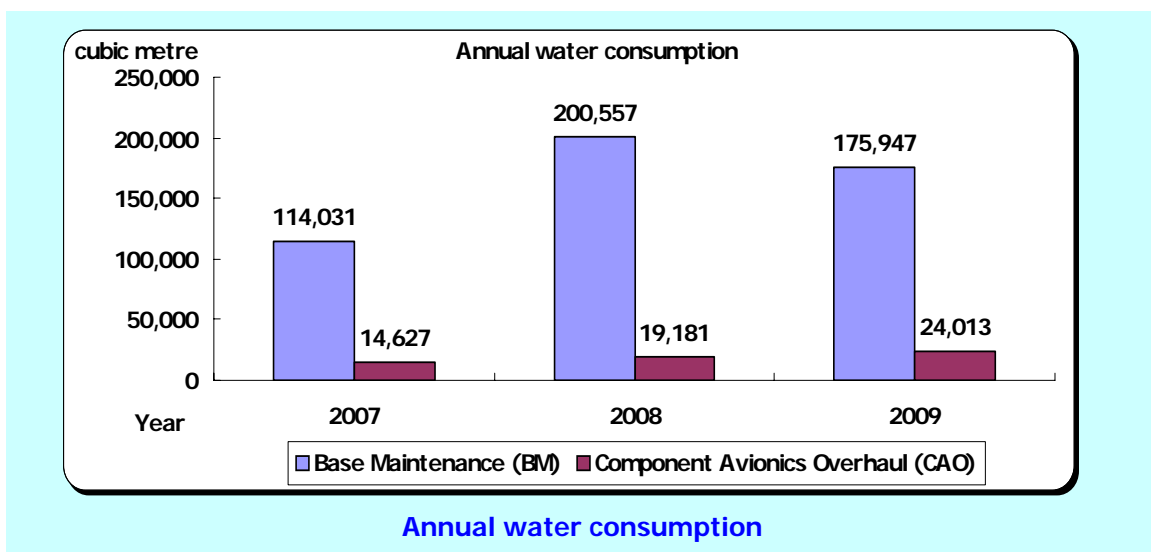
In 2009, industrial and commercial waste in Base Maintenance increased by 486 tonnes or 42.3% on that of 2008, mainly attributable to construction wastes generated from Hangar 3.



5.7 Water Resources Management

A new rainwater collection system was installed in the new Hangar 3. The water collection collected is recycled for toilet flushing.

The following chart shows that water consumption at Component and Avionics Overhaul increased by 25.2% from 19,181m³ in 2008 to 24,013m³ in 2009. The reason is due to higher water consumption for the water cooling tower.



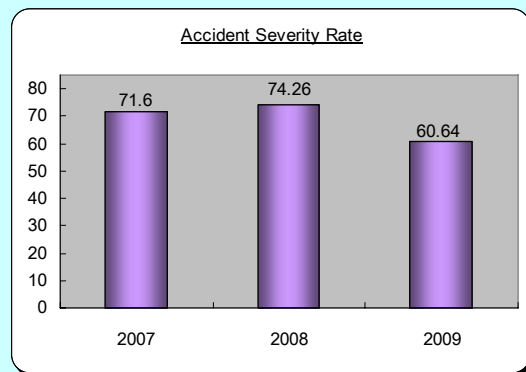
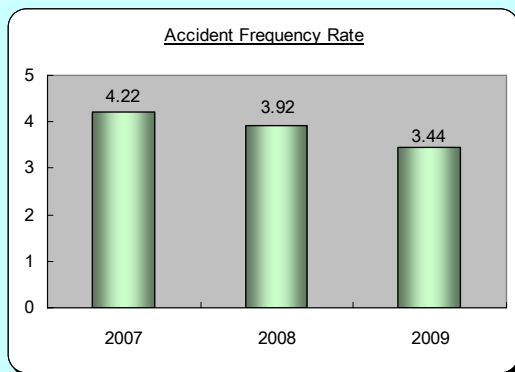
6. Health and Safety

6.1 Safety Performance

It is always our belief that an effective safety management system, supported by management's commitment, is the key to further improvement on health and safety performance.

With the concerted efforts of all staff, in 2009 accident frequency rate and severity rate reduced by 12.2% and 18.3% respectively compared to 2008.

To achieve continuous improvement on health and safety, a number of safety programs were implemented in 2009: including better design of equipment and workplaces; implementation of best housekeeping practices; establishment of safe driving management system and participation of workshop and symposium in which the best health and safety practices are shared among the airport community.







Accident Frequency Rate = No. of Lost Time Injuries/ Total No. of Hours Worked x 200,000
 Accident Severity Rate = No. of Man-days Lost/ Total No. of Hours Worked x 200,000

6.2 'Lean' and 5'S' Concepts

Facing keen competition in the aviation industry nowadays, there is a need for us to build strength to improve production efficiency and to create professionalism and culture of continuous improvement.

Getting the commitment from the top management, 'Lean' and 5'S' concepts were introduced in mid-2009. Led by a Project Steering Group, a series of action programs including the training of leaders and staff members; establishment of a shared platform for information exchange both internally and externally; implementation of projects across various departments and continuous dissemination of 'Lean' and 5'S' concepts to new and existing staff, have been planned and successfully carried out.

Amongst the 16 'Lean' and 5'S' projects across 14 departments in 2009, couples of them embedded the elements of keeping good housekeeping practices in their works or workplaces. Getting improvement on cleanliness and tidiness of workplaces and working environment not only increase the work efficiency, but also enhance overall safety performance.

| | |
|---|--|
|  |  |
| <p><u>Typical Tools Box WITHOUT Visual Management</u></p> | <p><u>Tools Box WITH Visual Management</u></p> |
|  |  |
| <p><u>Storage of Reflective Vest</u></p> | <p><u>New Storage Cabinet</u></p> |
| <p>BEFORE</p> | <p>AFTER</p> |

6.3 Safe Design of Facilities and Workplaces

New Safety Designs of Hangar 3

The new Hangar 3, our third maintenance hangar at Hong Kong International Airport was officially opened on 25 September 2009. This new 16,464 square-metre facility has the following safety features:-

Anti-slip Feature – The nature of our activity makes slip-and-fall accidents one of our major accident types. We continually look for ways to prevent and reduce its occurrence, for example durable anti-slip fiberglass step covers are installed on all concrete surfaced stairs around the hangar and specially selected anti-slip floor tiles are used to cover the floor area in canteens, kitchens and toilets.

Improved Lighting Arrangement – Floodlights hanging under the roof of the hangar are carefully arranged and spaced. This new arrangement provides higher light luminosity than the previous hangars. They are supplemented by louvers and windows around the roof and walls of hangar.

New Tail Dock Design – To further enhance accessibility to the tail cone area above the stabilizer of aircraft during maintenance work, a new dedicated platform is designed and integrated into the tail dock of Hangar 3. This electrical-driven platform can provide a more direct access to tail cone section without the need of installing tubular scaffold from time to time.



[Staircase installed with anti-slip stair cover](#)



[Tail dock with direct Auxiliary Power Unit access design](#)

Provide Better Working Environment

As one of the 5'S' projects, the layout of the Paint Shop was re-designed in order to provide a better and more efficient working environment for our staff to carry out paint spraying work. The paint booths inside the Paint Shop are now enclosed by fixed panels (see picture below) instead of plastic curtains. Assisted by the better enclosure, the extraction efficiency of the extraction hood is increased and spreading of paint mist to the adjacent paint spraying preparation area inside the Paint Shop is minimized, hence creating a healthier working environment for staff.

Modification of Engine Cowl Pump for Higher Access

The hose connection for engine C-duct hydraulic pumps is generally a little bit higher than the reachable height of our mechanics making the connection awkward and increasing the risk that staff slip and hurt themselves. To resolve this inconvenience, our engineering staff has modified the mobile hydraulic pump by adding a step (see picture below). This not only provides a secure higher access for our mechanics but also increases the working efficiency by saving time to position an extra step near the engine at work.



[Paint booth enclosed by fixed panels](#)



[Step integrated on engine
C-duct hydraulic pump](#)

Tooling Bar-code Operation System

The aviation industry has very high standards of controlling tools as part of protecting the safety of aircraft as well as the passengers on board. All aircraft maintenance tools and equipment are calibrated, inspected, tested and examined periodically. To further enhance control over tools, a “Tooling Bar-code Operation System” covering all tools and equipment used in Base Maintenance was introduced during 2009. This system provides information on tool location and calibration status allowing more efficient deployment of tools and control of their calibration status.

6.4 Driving Safety Management

Hong Kong International Airport being one of the busiest international airports in the world has a high volume of the ground equipment traffic. Therefore, road safety is always one of our greatest concerns.

In 2009, a number of safe driving initiatives were developed and implemented to further enhance our driving safety performance. The three main enhancement areas were:

- (1) The “Refinement of selection, training and assessment of competent driver” programme that ensures drivers have comprehended knowledge and skills about alert driving and are familiar with the airport’s driving environment before being authorised to drive independently within the airport restricted area where the traffic environment and rules only significantly different from public roads;
- (2) The “Use of the state-of-the-art safe driving devices” programme that reduces the risk of accidents during vehicle reversing and monitors the driving performance of individual driver real- time;



[Goods truck with visual monitoring device for reversing installed](#)

Speed Analytical Report - Mobile Traffic

Legend:
 This vehicle Speeding report is specially prepared for HAECO within the HGA airport restricted area with the following designated zones and speed limits:
 1) Taxiway H, W to E 25km/h; 2) Taxiway H, E to W 25km/h;
 3) TAXIWAY H 25km/h; 4) Airport restricted area 25km/h;
 5) (GMA2 / GMA3) 50km/h.

Caution:
 Due to the nature of GPS technology, please confirm the speeding data using the online history Replay tools to verify with the actual environment which may be subject to interference.

Date and Time Selected: 2009-07-18 00:00:00-23:59:59

| Sequence | Time | Driver | License | Speed#(km/h) | Speed Limit(km/h) | District | Street | Zone |
|----------|---------------------|----------------|---------|--------------|-------------------------|--------------------|-------------------------|------|
| 2 | 2009-07-18 07:05:07 | HA00129-KG3983 | 39.0 | 35 | AirportAVD | SOUTH BURNWAY ROAD | Airport Restricted Area | |
| 2 | 2009-07-18 07:06:10 | HA00129-KG3983 | 40.0 | 35 | AirportT11 | SOUTH BURNWAY ROAD | Airport Restricted Area | |
| 2 | 2009-07-18 07:07:11 | HA00129-KG3983 | 60.0 | 50 | AirportSouth Runway W/M | SOUTH BURNWAY ROAD | SUNWAY H | |
| 2 | 2009-07-18 07:07:40 | HA00129-KG3983 | 37.0 | 35 | AirportM6 | SOUTH BURNWAY ROAD | Airport Restricted Area | |
| 2 | 2009-07-18 07:08:10 | HA00129-KG3983 | 38.0 | 35 | AirportM7 | SOUTH BURNWAY ROAD | Airport Restricted Area | |
| 2 | 2009-07-18 07:08:41 | HA00129-KG3983 | 40.0 | 35 | AirportM3 | SOUTH BURNWAY ROAD | Airport Restricted Area | |
| 3 | 2009-07-18 17:46:13 | HA00129-KG3983 | 40.0 | 35 | AirportM4 | SOUTH BURNWAY ROAD | Airport Restricted Area | |

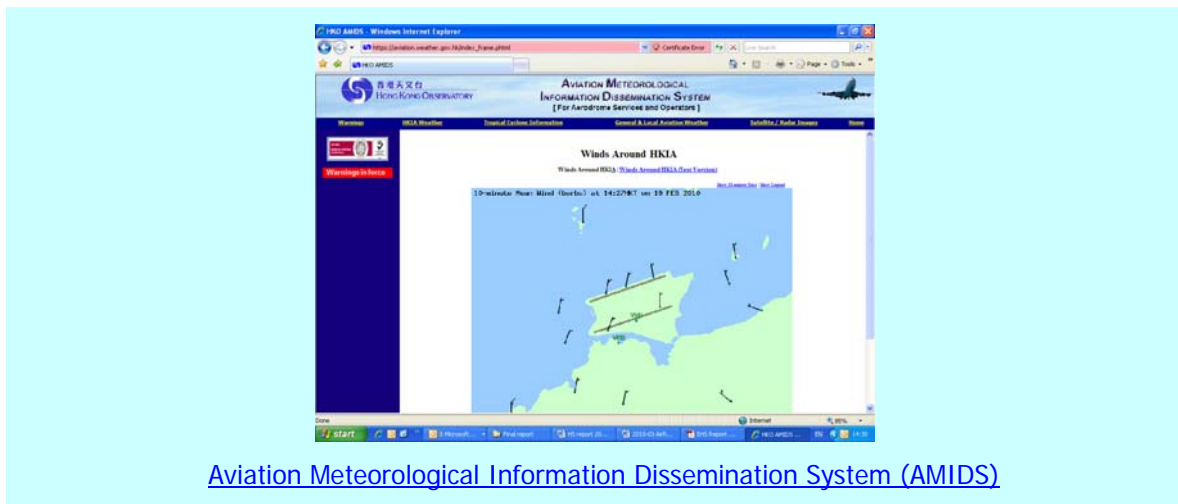
[Real-time fleet driving safety performance monitoring report](#)

- (3) “Centralisation of driving performance data and establishment of safe driving reminding system to drivers” that enhance the retrieval of traffic related data, handling non-compliance cases, trend analysis and sharing of traffic safety information among different user departments. With these concerted efforts, we were able to cut down our traffic accident by 36.3% in 2009.

6.5 Emergency Preparedness

Work-at-height Safety under Strong Wind

To enhance management of the safety of staff working at height in strong winds, we have changed from using territory-wide Typhoon Signal issued by the Hong Kong Observatory to the web-based Aviation Meteorological Information Dissemination System “AMIDS” recently introduced by the Hong Kong Observatory. This new information system provides more accurate in-situ and real-time wind speed information in the airport area, and thus appropriate measures can be swiftly taken in order to protect the safety of staff especially for those who need to work at height in outdoor areas.



[Aviation Meteorological Information Dissemination System \(AMIDS\)](#)

6.6 Safety Campaign

As in previous years, HAECO actively participates in safety campaigns organised by the Airport Authority Hong Kong in order to promote safety awareness among staff. In November 2009, a campaign called “Airfield and Baggage Hall Safety Campaign” with a new theme about “Care for your family, care for work safety” was launched; not only our staff but also their family members participated in a number of programs including photo and essay competitions, talks, video shows and safety role model award.

At the closing ceremony on 18th December 2009, 3 of our staff were awarded with Role Model awards while one staff family member who is aged 15 won the 2nd runner-up in the Safety Essay Competition (Family Member Stream).



[HAECO Management congratulates the award-winning recipients](#)

7. Being a Responsible Employer

HAECO recognises that the development of its people is the key to the sustainable development of its business. HAECO places great emphasis on supporting, rewarding and motivating staff to realise their full potentials. HAECO is an equal opportunities employer, offering its staff competitive compensation and benefit packages. It strives to provide an environment that promotes diversity and respect, safeguards health and safety, and encourages an appropriate work-life balance and long-term career development.

Talent Development

HAECO recruits personnel with a diverse range of talents and specialised skills. We operate different types of trainee schemes to train people to be specialists or professionals for the aircraft maintenance industry. We aim to provide training and development programmes to help staff realise their full potential and develop their career in the Company.

Over the years, our Graduate Trainee scheme has attracted quality graduates from Hong Kong and overseas. The two-year scheme aims to train and develop fresh graduates to be a competent specialist in respective functional areas of the Company. They then undergo a minimum of another two years of extended on-the-job training. During the training period, they are able to acquire a right mix of specialised skills and management skills so as to help their transition to a generalist leadership role.

Young management staff may be nominated by division heads to join the Company's Management Development Programme (MDP). With their General Manager as their mentor, staff selected for MDP are nominated for management courses, workshops, seminars or conferences. It is expected that, through this programme, staff who have management potential and capabilities will be developed to be our future leaders.

Management staff with leadership potential may also be nominated to enroll in the Swire Leadership and Management Development (SLMD) Programme. John Swire & Sons (H.K.) Ltd. has established a curriculum for developing leaders in different career stages. The curriculum outlines an expanded approach to supporting, accelerating and directing on-the-job learning experiences through an individual's career.

Staff Communication

HAECO actively consults staff on a variety of issues to ensure that they are committed to sharing the values of the Company. It has three staff associations that represent staff at different grades respectively. Regular meetings with staff representatives are held at company or departmental levels to ensure that issues of mutual concern or of common interests are addressed in a timely manner. Kong Gei News, a bilingual quarterly house journal, and Hot News, a newsletter for special events, are widely read by staff.

Work-life Balance

HAECO encourages staff to maintain appropriate work-life balance. The Company's medical schemes cover the health needs of its staff and their family members. The Company Clinics, apart from providing regular medical services, offer health advice to staff and organise rehabilitation programme for the injured. The Employees' Welfare Society, with committee members elected by staff, organises sports, social and recreational activities for staff and their family members.

8. HAECO and the Community

HAECO is committed to maintaining good relationships with the communities of which it is a part of and to enhancing the opportunities and lifestyle available to members of these communities, while respecting their culture and heritage. This commitment has translated into our sponsorship and community investment programmes as well as our staff engaging in the wider community through voluntary services.

In 2009, HAECO and its staff made charitable donations of around HK\$3 million. This included HK\$2.8 million to Hong Kong charities through The Swire Group Charitable Trust, HK\$34,000 for the Tai Lam Tree Planting project, HK\$42,100 to the Hong Kong Polytechnic University as bursary for its students, and HK\$53,000 raised in the 24-hour Pedal Kart Grand Prix for charitable causes in Hong Kong.

Community Investment

HAECO staff, together with the Company's retirees who are members of our Veterans Club, are active in showing care to those in need in our society. They visited homes for the elderly, gave performance, offered volunteer services (e.g. taking portraits for the elderly) and donated food to the needy.

On human capital investment, we have collaborated with different educational institutions (i.e. Vocational Training Council – Youth College, Hong Kong Institute of Vocational Education, and several local universities), government departments (i.e. Education Bureau, Labour Department), a public corporation (i.e. Employees Retraining Board) and a professional body (i.e. Hong Kong Institution of Engineers) in promoting education or vocational/pre-employment training in aircraft maintenance and providing career development opportunities to their graduates. Besides, we have worked closely with community associations in Tung Chung and other areas in offering job opportunities to local people.

Efforts Appreciated

Our efforts in community investment are widely appreciated by our society. Here are some examples:

- In recognition of the efforts made by HAECO in developing the youth in Hong Kong, the Labour Department presented HAECO with a 'Caring Training Employer' award.

- The Employees' Retraining Board (ERB) presented the 'ERB Outstanding Employer Award' to HAECO in recognition of HAECO's active participation in the Manpower Development Scheme of the ERB and for the assistance given to the ERB in developing the local workforce.
- The Hong Kong Council of Social Services awarded HAECO the 'Caring Company Logo' in recognition of the efforts made by HAECO to care for its staff and the community.
- The Salvation Army Hong Kong presented HAECO with a 'Certificate of Appreciation' in appreciation of the efforts made by HAECO to provide career development opportunities to people in our community.

The Labour Department presented HAECO with a 'Certificate of Appreciation' as a token of appreciation to HAECO for providing internship positions and on-the-job training to university graduates.

Sharing Safety Practices with the Communities

Safety Talk on Driving Safety Management in HAECO

Continuous vigilance is required to safely manage a sizable vehicle fleet which operates round-the-clock within airport area where the traffic is continuously busy.

Our efforts in enhancing the driving safety management system has earned the acclaim of the Airport Authority Hong Kong. Upon their invitation, we shared our experiences in a safety talk on 23 July 2009 to other airport ground support franchisees. Through this sharing platform, we are delighted to see a further advancement of driving safety record in the Hong Kong International Airport.

Cabin Cleaning Safety Symposium 2009

In the collaboration with the Airport Authority Hong Kong, The Chinese University of Hong Kong, The Hong Kong Institute of Vocational Education (Tsing Yi) ("IVE Tsing Yi") and other cabin cleaning franchisees in the airport, the first cabin cleaning safety symposium was launched on 5th September 2009 in the campus of IVE Tsing Yi.

As one of the main cabin cleaning services providers in the Hong Kong International Airport, HAECO shared the best cabin cleaning safety practices in the symposium with the aim of further enhancing the safety standard about cabin cleaning within the industry. The symposium included demonstration of good and bad cabin cleaning practices in the cabin mock-up facility located at IVE Tsing Yi.

HAECO 2009 Christmas Party Environmental Games

In order to enhance the environmental awareness of HAECO staff and their families, some environmental games (photos 1 – 3) were introduced in HAECO Christmas Party. The Party was held on 20th December 2009. The total number of participants was around 600.



Photo 1: Shooting environmental targets



Photo 2: Struggling to environmental protection



Photo 3: Waste recycling

9. Procurement and Supply Chain

Supplier Code of Conduct

At HAECO we are committed to operating in accordance with our Sustainable Development policy so that our environmental and social impacts are well managed. We actively seek to select and work with suppliers who share this commitment. We have produced a Supplier Code of Conduct describing our standards, and a user-friendly electronic CSR Suppliers Self-Audit questionnaire for suppliers to conduct a self-audit on their compliance with these standards. The self-audit address 9 issues: legal and regulatory compliance, environment, forced labour, child labour, compensation, health & safety, discrimination & rights, subcontractors & other service providers, and documentation & Inspection.

Supplier Selection

Our Supplier Code of Conduct is published on the website of HAECO (www.haeco.com). When selecting suppliers, we ask them to complete our CSR Suppliers Self-Audit questionnaire for our consideration. We also require suppliers to comply to the Supplier Code of Conduct.

10. Social Performance Table

| Indicators | Units | 2009 |
|--|-------|-------|
| Total Workforce | no. | 4,621 |
| By Employment Type | | |
| Technical Staff | no. | 2,603 |
| General Staff | no. | 2,018 |
| By Age Group | | |
| Under 30 years old | no. | 1,462 |
| 30-50 years old | no. | 2,054 |
| Over 50 years old | no. | 1,105 |
| Employee Yearly Turnover Rate ⁽¹⁾ | rate | 12.1% |
| Lost Time Injure Frequency Rate ⁽²⁾ | rate | 3.44 |
| No. of Fatalities | no. | 0 |
| Employees receiving Performance Reviews | % | 99.3% |
| Reported Incidents of Discrimination | no. | 1 |
| No. of prosecution or fine by government on Environment, Health and Safety | no. | 0 |

(1) Employee Yearly Turnover Rate computed as # of leavers/# of staff for each month and averaged on a yearly basis.

(2) Lost Time Injure Frequency Rate is computed as (# of injuries resulting in lost time/total workforce hours) x 200,000.



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (hereinafter referred to as “HKQAA”) was commissioned by Hong Kong Aircraft Engineering Company Limited (hereinafter referred to as “HAECO”) to conduct an independent verification of the Sustainable Development Report 2009 (hereinafter referred to as “the Report”). The Report stated the sustainable development performance of HAECO for the period from 1st January 2009 to 31st December 2009. The purpose of the verification exercise was to independently review the materiality, completeness, accuracy, consistency and reliability of the information presented in the Report.

Methodology

The verification procedure included reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying selected sample of data and information consolidated in the Report. The process we have used in this verification exercise is based on current best practices. In this respect, the Report has been evaluated against the following criteria:

- Adherence to the principles of AA1000 Assurance Standard (2008)
- The Global Reporting Initiative (GRI) 2006 Guideline.

Conclusion

In our opinion, the Report presents a coherent overview of the differing material issues of HAECO in sustainable development. We have verified the report content and confirmed that the “C+ Application Level” of the Global Reporting Initiative (GRI) Sustainability Reporting Guideline Version 3.0 (G3) has been achieved.

HAECO has undertaken an extensive process to identify the issues that are of relevance to its sustainable development performance, which it has covered in detail in the Report. The information presented in the Report provided a structured, balanced, reliable, consistent and accurate representation of the sustainable development performance of HAECO. In addition, it is a fair and honest representation of HAECO's initiatives, targets, progress and achievements upon their continual efforts in sustainable development. All selected data examined during our verification were consistent with the supporting information reviewed. In conclusion, the information provided in the Report is confirmed to be reliable, material, complete and accurate.

Signed on behalf of Hong Kong Quality Assurance Agency

A handwritten signature in black ink, appearing to read 'Connie Sham', written in a cursive style.

Connie Sham

Senior Manager, Strategic Business Manager

Contact us

Thank you for reading this report

Contact information

Matthew Tang, Environmental Protection and Industrial Safety Manager

E-mail matthewt@haeco.com

Tel 852 2767 6092

Fax 852 2767 6313

Address 80 South Perimeter Road, Hong Kong International Airport, Lantau, Hong Kong

Website www.haeco.com

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Appendix I HAECO Sustainable Development Policy

Appendix II Supplier Corporate, Social and Environmental Responsibility Code of Conduct

Appendix III Environmental Performance Table

Report Application Levels

| | | C | C+ | B | B+ | A | A+ |
|----------|---------------------|---|----|---|---------------------------|---|---------------------------|
| Mandator | Self declared | | ✓ | | Report Externally Assured | | Report Externally Assured |
| Optional | Third party checked | | ✓ | | | | |
| | GRI checked | | | | | | |

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Appendix I



HAECO Sustainable Development Policy

We adopt this policy because:

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

Our policy:

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

Making it happen:

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

* Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. *"Our Common Future", 1987 - World Commission on Environment and Development.*

Appendix II

**Supplier Corporate, Social and Environmental Responsibility Code of Conduct**

HAECO is committed to selecting and retaining qualified suppliers that meet HAECO's Supplier Code of Conduct according to the following core standards:

Legal and Regulatory Compliance

Suppliers shall ensure their operations and the products and services supplied to HAECO comply with all national and other applicable laws and regulations.

Environment

We have a responsibility to look after the natural environment both for today and in the future. All stages in the Supplier's supply chain shall comply with, and preferably exceed applicable national and legal requirements. HAECO will have a strong preference for Suppliers who publicly report upon and measure their environmental impact and seek to improve the impact of their operations upon the environment. We will have a strong preference to select suppliers whose goods or services can make a significant difference to reducing HAECO's environmental impact.

Forced Labour

Suppliers must not use forced labour in any form – prison, indentured, bonded or otherwise.

Child Labour

Suppliers must not employ any person below the local legal minimum age, or below the age of 16, unless the person is employed as part of a recognized professional apprenticeship programme.

Compensation and Working Hours

Suppliers must provide each employee at least the local legal minimum wage and benefits where applicable. In Hong Kong, HAECO is committed to support the HKSAR Wage Protection Movement and will seek similar commitment from its Hong Kong based suppliers.

Suppliers must pay their employees promptly, providing each with clear, written accounting for every pay period. Wages should be paid regularly, on time and be fair in respect of work performance. Payment should not be made more than one month in arrears and deduction should not be made from employee pay for disciplinary reasons. Weekly working time must not exceed the legal limit where applicable, and overtime work should always be voluntary and properly compensated.

Employees should be granted their stipulated annual leave and sick leave without any repercussions, and should take their stipulated maternity or paternity leave in accordance with national laws where applicable.

Health and Safety

Suppliers must have in place health and safety policies and standards designed to reduce work-related injury and illness, and promote the general health of employees. These policies must be made available to employees.

Discrimination / Rights

All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics or beliefs. Suppliers shall not discriminate on the basis of race, colour, national origin, gender, sexual orientation, disability, and other similar factors.

Subcontractors and other Service Providers

If, in order to provide their own goods and services, the supplier has a substantial reliance on subcontractors and other service providers, then the supplier should have its own supplier social responsibility code of conduct. This should be integrated within its business process to select and manage the performance of those subcontractors and other service providers.

Documentation and Inspection

Suppliers must maintain records of all documentation needed to demonstrate compliance with this Code of Conduct and required laws, agree to make these documents available for HAECO or its designated monitor; and agree to submit to inspections with or without prior notice.

Appendix III

| Environmental Performance Table | | Quantity for the year | | |
|---|-------|-----------------------|------------|------------|
| Environmental Statistic | Unit | 2009 | 2008 | 2007 |
| Business Volume Indicators | | | | |
| Revenue | HK\$m | 2,824 | 3,202 | 3,008 |
| Base Maintenance (BM) manhours sold | Hour | 2,390,354 | 2,650,342 | 2,529,942 |
| Line Maintenance (LM) aircraft handled | No. | 90,724 | 100,191 | 97,239 |
| Component Avionics Overhaul (CAO) manhours booked | Hour | 281,849 | 262,134 | 244,763 |
| Year end headcount | No. | 4,621 | 4,861 | 4,523 |
| Energy and Fuel Use | | | | |
| Electricity consumed: Base Maintenance (BM) | kWh | 25,802,086 | 23,040,028 | 22,064,699 |
| Electricity consumed: Line Maintenance (LM) | | 2,239,536 | 2,115,863 | 2,110,094 |
| Electricity consumed: Component Avionics Overhaul (CAO) | | 5,245,591 | 5,422,310 | 6,132,776 |
| Total | | 33,287,213 | 30,578,201 | 30,307,569 |
| Town gas consumed : Base Maintenance (BM) | MJ | 3,917,136 | 3,830,160 | 3,751,536 |
| Town gas consumed : Component Avionics Overhaul (CAO) | | 1,295,568 | 1,260,720 | 1,270,032 |
| Total | | 5,212,704 | 5,090,880 | 5,021,568 |
| Vehicle fuel | | | | |
| Industrial diesel consumed by vehicles | L | 2,721,534 | 3,164,663 | 3,152,867 |
| Petrol consumed by vehicles | | 152,033 | 148,656 | 103,520 |
| Total | | 2,873,567 | 3,313,319 | 3,256,387 |
| Greenhouse Gas (GHG) | | | | |
| CO2 equivalent emissions by type | | | | |
| GHG direct CO2 emission (Scope 1) | | | | |
| Industrial diesel consumed by vehicles | kg | 7,114,090 | 8,272,429 | 8,241,594 |
| Petrol consumed by vehicles | | 351,956 | 344,139 | 239,649 |
| Halon 1301 and HFC refrigerants emission | | 3,294,357 | 1,587,199 | 1,389,030 |
| Town gas consumed | | 306,138 | 298,984 | 294,913 |
| Total | | 11,066,542 | 10,502,751 | 10,165,186 |
| GHG indirect CO2 emission (Scope 2): Electricity | kg | 17,975,095 | 16,512,229 | 17,275,314 |
| Overall CO2 emission (Scope 1 + Scope 2) | | 29,041,637 | 27,014,979 | 27,440,501 |
| CO2 equivalent emissions by business unit | | | | |
| Base Maintenance (BM) | kg | 24,924,396 | 22,870,324 | 22,667,477 |
| Line Maintenance (LM) | | 1,209,349 | 1,142,566 | 1,202,754 |
| CAO town gas and electricity consumption | | 2,907,892 | 3,002,089 | 3,570,270 |
| Total | | 29,041,637 | 27,014,979 | 27,440,501 |

| Environmental Performance Table | | Quantity for the year | | |
|---|------|-----------------------|-----------|-----------|
| Environmental Statistic | Unit | 2009 | 2008 | 2007 |
| Chemical Waste Produced | | | | |
| Solid chemical waste disposed (incl. spent rags and empty chemical drums & cans) | kg | 176,490 | 187,170 | 194,970 |
| Liquid chemical waste disposed (incl. paint, lube oil, battery acid, etc.) | L | 58,326 | 63,122 | 58,658 |
| Spent kerosene (aircraft fuel) disposed | | 78,015 | 78,000 | 75,600 |
| Chemical Waste Recycling | | | | |
| Spent lube oil recycled | L | 72,265 | 77,400 | 75,600 |
| Spent kerosene (aircraft fuel) recycled | | 52,010 | 52,000 | 50,400 |
| Halon 1301 recycled | kg | 3,122 | 2,884 | 2,385 |
| Materials Used | | | | |
| Paper and paper products consumed | kg | 105,494 | 108,890 | 96,108 |
| Aircraft tyres consumed & retreaded | | 215,465 | 272,995 | 317,131 |
| Vehicle tyres consumed | | 26,904 | 32,226 | 35,442 |
| Solid Waste Produced | | | | |
| Industrial & Commercial waste disposed | | | | |
| Base Maintenance (BM) | kg | 1,633,450 | 1,148,000 | 1,443,140 |
| Component Avionics Overhaul (CAO) | | 423,800 | 455,000 | 492,800 |
| Total | | 2,057,250 | 1,603,000 | 1,935,940 |
| Grease trap waste disposed | | | | |
| Base Maintenance (BM) | kg | 164,000 | 162,000 | 168,000 |
| Component Avionics Overhaul (CAO) | | 100,000 | 100,000 | 108,000 |
| Total | | 264,000 | 262,000 | 276,000 |
| Food waste disposed | kg | 473,700 | 470,400 | 424,500 |
| Material Recycling | | | | |
| Paper recycled | | | | |
| Base Maintenance (BM) | kg | 5,180 | 4,950 | 5,606 |
| Component Avionics Overhaul (CAO) | | 7,850 | 7,280 | 6,896 |
| Total | | 13,030 | 12,230 | 12,502 |
| Aluminum sheet recycled | kg | 16,360 | 16,360 | 10,225 |
| Metal turning recycled | | 298 | 193 | 378 |

| Environmental Performance Table | | Quantity for the year | | |
|--|----------------|-----------------------|---------|---------|
| Environmental Statistic | Unit | 2009 | 2008 | 2007 |
| Cardboard recycled | kg | 60,950 | 60,401 | 56,011 |
| Number of printing cartridges recycled | | | | |
| Base Maintenance (BM) | No. | 680 | 579 | 760 |
| Component Avionics Overhaul (CAO) | | 139 | 150 | 300 |
| Total | | 819 | 729 | 1060 |
| Vehicle tyres recycled | kg | 27,911 | 24,699 | 32,764 |
| Water | | | | |
| Potable water consumed | | | | |
| Base Maintenance (BM) | m ³ | 175,947 | 200,557 | 114,031 |
| Component Avionics Overhaul (CAO) | | 24,013 | 19,181 | 14,627 |
| Total | | 199,960 | 219,738 | 128,658 |
| Waste Water Produced | | | | |
| Base Maintenance (BM) | m ³ | 157,872 | 189,723 | 102,727 |
| Component Avionics Overhaul (CAO) | | 22,118 | 17,527 | 12,335 |
| Total | | 179,990 | 207,250 | 115,062 |