

# Sustainable Development Report

2011



# CEO's Message



**This is the first HAECO Group sustainable development report covering three of its major operating companies: HAECO, TAECO and HAESL. In this report, we aim to provide stakeholders with an overview of the Group's strategies, activities and performance related to sustainable development over the past year, as well as future plans.**

Our vision is to become a world-class Aircraft Maintenance, Repair and Overhaul (MRO) service provider. We believe that the Group's ability to create long-term shareholder value depends on the sustainable development of our businesses and the communities in which it operates. The Group's sustainable development policy recognises this and commits the Group to managing the environmental, health and safety, employment, community and supply chain issues which our operations affect. The policy also commits the Group to working with others to promote sustainable development in the industries in which it operates.

The Group monitors and tries to reduce the impact of our operations on the environment. Its facilities incorporate systems intended to minimise impact on the environment. Reducing energy consumption and greenhouse gas emissions is a key environmental aim for the Group. In 2011, a 'radiant-cooling ceiling' air-conditioning system was installed in HAECO's administration building, which reduced energy consumption by 40% when compared to traditional systems. 7,800 square metres of solar panels, which are capable of generating 1.39 million kilowatt-hours of clean and renewable energy per year, were installed at TAECO. HAESL explored the use of biofuels for engine testing.

Health and safety is a key priority to the Group's operation. The Group's lost time injury rate (that is the number of instances of time being lost as a result of injury per 200,000 hours worked) fell by 6% from 2010 to 2011. HAECO introduced a workplace organisation methodology called 5S, which represents sorting, straightening, systematic cleaning, standardising and sustaining, in its hangars and workshops and continued to improve the design of work stands and equipment, in each case with a view to establishing high standards of workplace safety. HAESL introduced its "I Care I Report" programme to encourage staff to report unsafe acts and conditions and its "HandSafe" programme to increase staff awareness of hand safety. TAECO provided safety management training to those staff responsible for operational health and safety and held an occupational health and safety seminar.

The Group recognises that the development of its staff is a key to the sustainable development of its business. In addition to providing our full-range aircraft maintenance technical training programmes, HAECO introduced a series of non-technical training programmes to improve our staff's personal skills such as leadership and management effectiveness. The Group's medical schemes cover the health needs of its staff and their family members. We also encourage our staff to participate in variety of volunteer services in the local community.

Looking forward, the Group will work towards achieving its goals in a sustainable way. We will continue to improve in order to meet the expectations of our shareholders, staff, customers and the wider community. I would like to thank all of HAECO's stakeholders, in particular our employees, for their support to HAECO as we pursue this important journey of sustainable development. We have published this report in the spirit of accountability and transparency, and sincerely welcome your feedback.

**Augustus Tang**

Chief Executive Officer

July 2012

# Corporate Governance and Sustainability Management

## Sustainable Development Policy

- HAECO Group has adopted the **Sustainable Development (SD) Policy** developed by Swire Pacific. The Policy emphasises that the growth of business should not compromise the quality of the environment, or the wellbeing of our employees and the community
- The SD Policy is supported by a set of Environmental, Social and Governance (ESG) policies or codes of conduct, which govern individual sustainability areas



- The management responsible for sustainability areas has to report to a sustainable development committee chaired by senior management

## Risk Management

- The Group identifies and analysing the risks underlying the achievement of business objectives and sustainable development. Specialists in their respective areas work in committees and working groups and determine how such risks should be managed and mitigated through Enterprise Risk Management process
- As a subsidiary, the Group's sustainability management is reported to the highest governance body – the Board of Directors at Swire

## Internal Review

- Internal review on sustainability management is conducted through a self-assessment questionnaire (SAQ), HAECO Group companies are required to complete the SAQ every year to report on the progress of their sustainability management

## Stakeholder Engagement

- The Group understands the importance of listening to its stakeholders. Engaging our stakeholders is part of the process we use to formulate our business strategy
- Stakeholders are engaged in a planned and systematic manner, including, but not limited to, on-going dialogue, face-to-face meetings, online questionnaires and focus group discussions

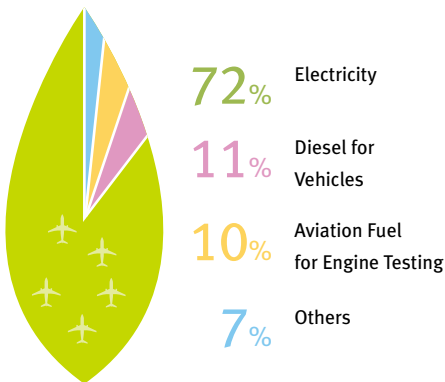
Aspects	Key Issues
Governance and Sustainability Integration	<ul style="list-style-type: none"> <li>• Communication of management commitment</li> <li>• Operation integration and efficiency</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Climate change and energy management</li> <li>• Waste management</li> <li>• Air quality</li> </ul>
Health & Safety	<ul style="list-style-type: none"> <li>• Safety culture</li> <li>• Workplace safety</li> <li>• Safe work practices and accident prevention</li> </ul>
Employee	<ul style="list-style-type: none"> <li>• Staff compensation and benefits</li> <li>• Staff development</li> <li>• Work-life balance</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>• Ethical and sustainable supply chain</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Youth development</li> <li>• Community needs</li> <li>• Staff voluntary services</li> </ul>

# Environment

We believe that our business does not necessarily grow at the cost of the environment. Instead, we aspire to achieve net zero impact to the environment through innovation, investment and operation excellence.

## Climate Change and Energy Management

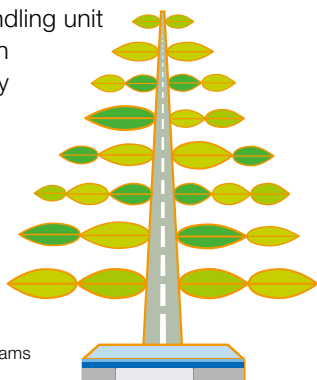
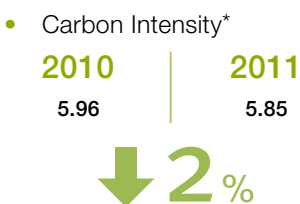
- HAECO Group is keenly aware that the greenhouse gas (GHG) emission from its business operations contribute to global warming and climate change. In 2011, the Group's carbon footprint totalled 74,309 tonnes of CO<sub>2</sub>e



- The figures above illustrated that improving the energy efficiency of our operations is essential to reduce our carbon footprint. For example, we introduced a radiant-cooling ceiling system, a 40% more energy efficient air-conditioning system compared to traditional one, at HAECO



- Other energy saving projects:
  - Magnetic floating air compressor
  - Induction lamp and LED lightings
  - Daylight harvesting
  - Green roof
  - Frequency inverter for air handling unit
  - Demand controlled ventilation
  - Air conditioning heat recovery



\* Carbon Intensity is measured in terms of kilograms of carbon emission per manhour sold

## Renewable Energy

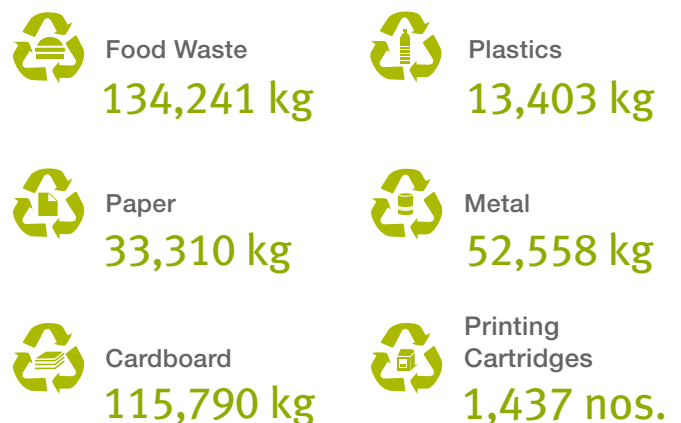
- We have continued to pursue in our operations the use of clean, safe and reliable energy from renewable sources. Last year, 7,800 square metres of solar panels were installed on the roof of TAECO's administration building. These panels are capable of annually generating 1.39 million kilowatt-hours of electricity and reducing carbon emissions by around 1,000 tonnes



- In addition, HAESL, in conjunction with Rolls-Royce, has begun communications with a biofuel company to use sustainable biofuel in engine testing

## Waste Management

- We follow the principles of reduce, reuse, recycle and replace in our waste management strategy in order to minimise the amount of waste sent to landfill
- Materials recycled by the Group in 2011:





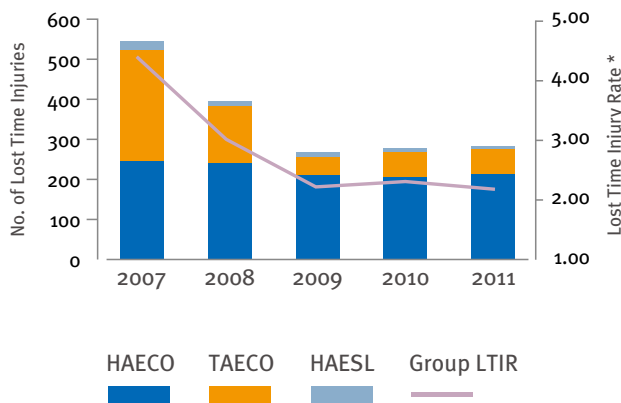
# Workplace Safety

The Group aims to conduct its business in a manner that protects the health and safety of its employees, customers, business associates, contractors and the public.

## Safety Improvement Programme

- We have launched a **5S** (Sorting, Straightening, Systematic cleaning, Standardising and Sustaining) project in hangars and workshops
- Work-at-height safety was improved by adopting specialised fall arrest devices
- A full assessment of the machine guarding was conducted at HAESL to ensure that all machinery is properly guarded
- TAECO held an (OHS) Occupational Health & Safety seminar to review the safety management system to identify areas that require improvement

## Five Year Lost Time Injury Statistics



## Increase Safety Awareness

- As part of the Visual Management programme, safety walls were installed around workplaces
- At HAECO, “Zeroharm Man Notice Board” and “No Take 2” posters of previous accident cases were posted to increase staff awareness of workplace safety and educate workers on how to prevent accidents from recurring
- At HAESL, a near-miss management programme titled “I Care I Report” was introduced to encourage staff to report unsafe acts and conditions in the workplace

## Lost Time Injury Rate\*

2010 | 2011  
2.31 | 2.18  
↓ 6%



\* Lost Time Injury Rate represents the number of lost time 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.



Hangar environment improved with 5S



Technicians working on aircraft wing with fall arrest device



Visual Management Board at workplace

# Employee

We strive to provide a working environment that promotes diversity and respect, safeguards health and safety, and supports an appropriate work-life balance as well as long-term career development.

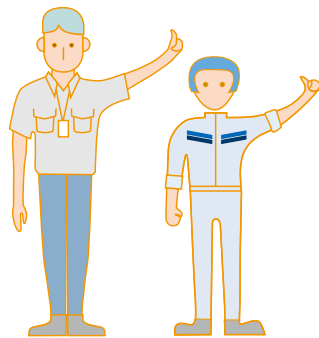
## A Caring Employer

- HAECO provides medical schemes that cover its staff and their family members. Its in-house clinic offers advice on health issues, provides rehabilitation services for injured workers and organises preventive health programmes
- In addition to offering regular medical coverage for staff, HAESL organised an onsite health assessment to employees during Wellness Day 2011
- Approximately 65% of TAECO staff are housed in a purpose-built company-owned residential facility at minimal cost to the employees

## Training and Developing the New Generation

- HAECO Group operates trainee schemes to provide new recruits with knowledge and skill relevant to the aircraft maintenance industry
- Under the Graduate Trainee Programme, graduate trainees from the programme will be rotated into various major front-end functional areas of HAECO's businesses

Over  
**696,000**  
Training Hours



## Work-life Balance

- HAECO's Employees' Welfare Society organises a number of sporting, social and recreational activities for employees and their family members. Our staff took part in various sports competitions including basketball, dragon boat racing, golf, badminton and indoor rowing



Dragon boat racing at Discovery Bay, Lantau Island

# Business Partners

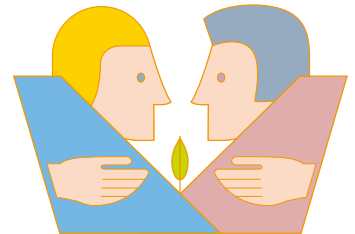
We prefer to work with suppliers who ensure sustainability standards are upheld, and share the Group's commitment to honesty and integrity.

## Supplier Corporate Social Responsibility Code of Conduct

- Since 2009, a Supplier Corporate Social Responsibility Code of Conduct (SCSRCoC) has been introduced. The SCSRCoC requires HAECO's suppliers, especially those in major contracts, to comply with the appropriate legal requirements and standards relating to the environment, health and safety and labour matters
- To ensure suppliers' compliance with HAECO's SCSRCoC, a survey was conducted with suppliers engaged in major contracts

> 300

Major Suppliers  
Surveyed



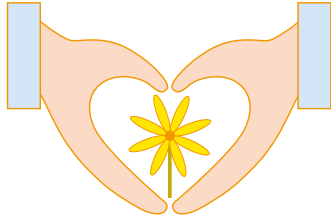
## Procurement Process Integrated with Sustainability and Ethics

- Major capital expenditures are required to undergo an environmental, health & safety impacts assessment to ensure that relevant impacts are properly addressed and control measures are in place
- Procurement staff and major user departments involved in the purchasing process were invited to attend a series of seminars organised by the Independent Commission Against Corruption (ICAC). Effective from 2011, procurement staff are required to make annual declarations of potential conflicts of interests

# Community

The Group is committed to maintaining a strong relationship with the community, as well as enhancing the opportunities available to members of it, while respecting their culture and heritage.

HKD **3** Million  
**Charitable  
Donation**



## Giving a Hand

- HAECO's staff organised a fundraising event with the Hong Kong Red Cross for victims of the 2011 earthquake in Japan. HAESL's staff participated in the annual Trailwalker event, completed the 100 km MacLehose Trail and raised HK\$46,000 to support Oxfam's various poverty alleviation and emergency projects in Africa and Asia
- Other supports to charitable organisations and volunteer services:
  - Blood donations to the Hong Kong Red Cross
  - Support and participation in the 24-Hour Charity Pedal Kart Grand Prix organised by the Hong Kong Round Table

## Empowering the Community

- Under the Hong Kong Labour Department's Youth Pre-employment Training Programme and Work Experience and Training Scheme, HAECO arranges training for young people who express an interest in the aircraft maintenance industry
- We also provide scholarships and practical training opportunities to students of the Youth College Vocational Training Council and the Institute of Vocational Education who are studying aircraft maintenance diplomas

## Building a Sustainable Community

- Working with Xiamen University's State Key Laboratory of Marine Environmental Science, TAECO's community engaging team started planting mangroves in Xiamen's coastal area in 2009



Volunteer Service to Elderly Residents of Tung Chung

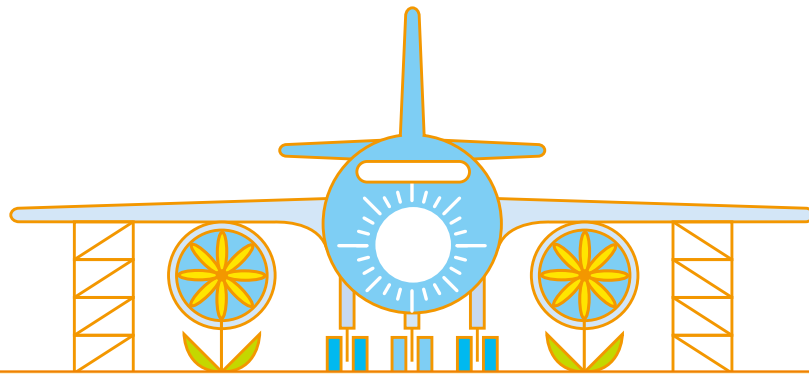


Pedal Kart Competition – HAECO & HAESL



TAECO's Marine Environmental Science (MEL) Project

# Plans for 2012



## Governance

- Develop a sustainable development strategy and action plan

## Environment

- Review wastewater footprint
- Conduct study on total scrap management, which increases our waste recycle rate
- Continue to improve energy efficiency in operations

## Health & Safety

- Enhance safety organisation at HAECO
- Improve near-miss reporting system – “I Care I Report I Resolve” at HAESL
- Engage bus service providers to improve bus safety

## Employee

- Introduce a ‘Sustainable Talents for Aviation Repair and Maintenance’ (STAR) programme to enhance human resources management at HAECO

## Supply Chain

- Ensure compliance of HAECO Supplier CSR Code of Conduct by significant suppliers
- Launch a pilot Supplier CSR Code of Conduct compliance audit programme

## Community

- Review community investment strategy
- Encourage employees to participate in volunteer services

## Request for Feedback

We welcome your views on how we may further our environmental and social commitments or improve our reporting.

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To view the full report

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