



*Environmental, Social
and Governance Report
2018*

CALC

China Aircraft Leasing Group Holdings Limited

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock code : 01848

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT CALC

China Aircraft Leasing Group Holdings Limited (“CALC” or the “Company”, together with its subsidiaries, the “Group”) is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) (SEHK stock code: 01848. HK). CALC is a one-stop aircraft full life-cycle solutions provider for the global aviation industry. The Group offers services at every stage of an aircraft life cycle, from new aircraft, mid-aged aircraft, and retiring aircraft, capturing the asset value of an aircraft fleet by proactive asset management. The Group’s scope of business includes regular operations such as aircraft leasing, purchase and leaseback, and structured financing, as well as value-added services such as fleet planning, fleet upgrade, aircraft disassembling and recycling, as well as component trading.

CALC is currently the largest independent aircraft lessor in China. With such a strong order book, CALC was listed as one of the top five global aircraft lessors by *Airfinance Journal*. As of 31 December 2018, CALC’s fleet totalled 133 aircraft, with a strong order book backlog for new aircraft of 232 aircraft.

CALC is the founder and the largest shareholder of Aircraft Recycling International Limited (“ARI”), which is a multi-strategy aviation company providing asset management services and comprehensive solutions for mid-to-end-of-life aftermarket aircraft. Its comprehensive service offerings include aircraft and engine leasing, direct purchases and portfolio trades, aircraft purchase and leaseback, supply of serviceable aircraft components, disassembly and recycling, aircraft maintenance, repair and overhaul (“MRO”), aircraft conversion and more.

To support its continued expansion, CALC is adopting an asset-light approach in this traditionally capital-intensive industry. In June 2018, CALC partnered with mezzanine financiers to roll out China Aircraft Global Limited (“CAG”), for investing in aircraft portfolios on lease to global airlines.

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2. MESSAGE FROM THE CEO

CALC believes that governance, environmental protection and social participation are crucial to the sustainable development of the Group. During the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”), CALC continued to keep tight control of various governance risks as well as the safeguard of the environmental and social responsibility.

In this year, we are pleased to inform that our aircraft recycling facility in Harbin (the “Harbin Base”), which is also Asia’s first large-scale aircraft recycling facility, has commenced operation. It reflects our aspiration in developing aircraft recycling and our commitment to environmental sustainability. As a good corporate citizen, CALC keeps leveraging our resources to support different segments in the communities where we operate and serve.

With its established infrastructure, CALC is well poised to continue its vertical and horizontal integration to amplify its competitive strengths. Looking ahead, CALC will seek to manage an enlarged and diversified aircraft portfolio powered by its asset-light business model. Meanwhile, CALC, aided by the technical expertise of ARI and its wholly-owned subsidiary Universal Asset Management, Inc. (“UAM”), will continue to strengthen its operational efficiency, widen its financing base and expand its technical know-how to solidify its leading position as a full value chain aircraft solutions provider.

3. ABOUT THIS REPORT

This report is the fifth Environmental, Social and Governance (“ESG”) Report published by the Group. We are pleased to present this report which highlights our commitments and progress in achieving environmental and social sustainability.

This report is available in both Chinese and English, and can be accessed on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. In case of any conflict or inconsistency between the Chinese version and the English version, the English version shall prevail.

The Group welcomes your feedback on our sustainability performance. Please send your opinion to feedback@calc.com.hk.

Scope and Reporting Boundary

This report covers our sustainability performances of our operations with controlling interests, including our Hong Kong headquarters and Mainland China offices during the Reporting Period¹. For easy comparison of the Group’s yearly performance, the structure of this report and the previous one aligns as closely as possible.

¹ Sub-contractors and outsourced services are excluded.

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Reporting Frequency and Referenced Guidelines

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in the Rules Governing the Listing of Securities on SEHK.

Reference is made to the guidelines² published by the Environmental Protection Department, the National Development and Reform Commission of the People’s Republic of China, and International Civil Aviation Organisation (“ICAO”)² in our greenhouse gas (“GHG”) emissions analysis.

UNSDG Alignment

The Sustainable Development Goals (“SDGs”) are series of international development goals announced by the United Nations (“UN”) which aimed at making improvements in social, environmental and economic aspects. The Group’s vision is aligned with the SDGs. We strive to play a proactive role in implementing SDGs in our business activities. Among the 17 SDGs that set by the UN, the 6 SDGs below are those which our stakeholders value the most.



Ensure healthy lives and promote well-being for all at all ages



Achieve gender equality and empower all women and girls



Promote inclusive and sustainable economic growth, employment and decent work for all



Build resilient infrastructure, promote sustainable industrialisation and foster innovation



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts

² Please refer to the “Sustainability” chapter of this Report for more information

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4. STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

CALC believes that stakeholders provide valuable insights to our business development. Hearing from various stakeholders helps us in developing sustainable and long-term strategies as well as ensuring our operation is aligned with stakeholders' expectations. Through collaborative and transparent communications with our key stakeholders, we are able to define the most important aspects for both our stakeholders and the Group.

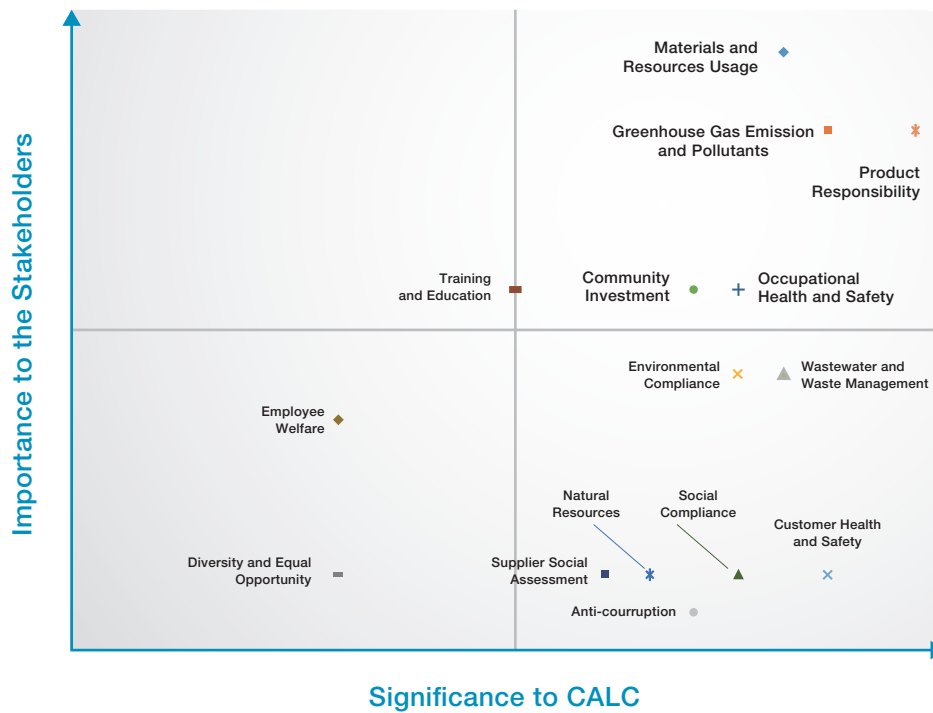
| | |
|-----------------------|--|
| Internal Stakeholders | <ul style="list-style-type: none"> ▶ Board of Directors ▶ Executives ▶ Management ▶ New Recruits |
| External Stakeholders | <ul style="list-style-type: none"> ▶ Shareholders ▶ Airlines ▶ Suppliers ▶ Media ▶ Investors ▶ Industry Associations ▶ Government ▶ NGOs |
| Method of Engagement | <ul style="list-style-type: none"> ▶ Meeting ▶ E-mail ▶ Interview ▶ Workshop ▶ Site Visit ▶ Seminar ▶ Exhibition ▶ Announcements ▶ Briefing ▶ Events |

Materiality Assessment

To understand the concerns of our stakeholders, we have invited an independent consultant to conduct a stakeholder engagement workshop. Through interactive sessions and discussions, stakeholders familiarised themselves with current environmental and social issues and the challenges in the aviation industry in terms of sustainable development. This workshop helps us in determining the environmental and social issues that are of most interest or concern to the stakeholders and the Company. The Materiality Matrix below shows the top five material topics.

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Materiality Matrix



Order of Importance/
significance

Topics

| Order of Importance/ significance | Topics |
|--------------------------------------|--|
| 1 | Product Responsibility |
| 2 | Materials and Resources Usage |
| 3 | Greenhouse Gas Emission and Pollutants |
| 4 | Occupational Health and Safety |
| 5 | Community Investment |

The prioritisation of material topics are summarised based on two parameters: perceived importance to the stakeholders and the impacts significant to CALC. When viewing the matrix, please consider both the horizontal position and the vertical position of the topic.

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5. OPERATING PRACTICE

Our Business

CALC provides customer-oriented fleet solutions covering the aircraft full life-cycle, which include, but not limited to aircraft leasing, aviation financing, mid-to-old aged aircraft solutions, aircraft recycling, etc. Our services include:

***Aircraft Procurement***

The Group sources new and used aircraft from aircraft manufacturers and international secondary aircraft market. Direct purchase with aircraft Original Equipment Manufacturers (“OEMs”) enables us to well manage our aircraft portfolio in terms of aircraft model, aircraft age, and residual value.

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Aircraft Leasing

CALC maintains close contacts with its existing airline customers and exploring leasing opportunities with prospective airline customers. Our aircraft leasing business is conducted by way of direct aircraft purchase and lease transactions or aircraft purchase and leaseback, both under long-term leases. During the Reporting Period, CALC has delivered 29 aircraft to airline customers, of which 25 were new aircraft and 4 were used aircraft. CALC has delivered its first ever A321neo aircraft to an airline customer in June 2018. This is also the Group's first Airbus neo aircraft we delivered.



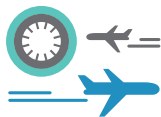
Fleet Upgrade

CALC offers fleet upgrade of trading in old aircraft while leasing new ones from our order book. Backed by our ability to re-market used aircraft to international secondary aircraft markets, CALC is one of the few lessors in China that offers fleet upgrade to meet increasing airlines' demand for flexible fleet planning.



Purchase and Leaseback

CALC purchases aircraft or accepts the transfer of the relevant purchase commitment from the airline operators and lease the aircraft back to them. The airline operators select the appropriate aircraft, and we provide the leasing services to the airline operators.



Aircraft Trading

CALC is also engaged in aircraft trading of either aircraft only or aircraft with lease attached when suitable opportunity arises.

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**Aircraft Recycling**

CALC, together with ARI, owns and operates two aircraft recycling bases. One located in Mississippi, US, held under UAM. It has completed over 300 aircraft disassembles that span the spectrum of the commercial aircraft aftermarket. The other base is located in Harbin, China, which is the first large-scale aircraft recycling facility in Asia.

Dismantling of retired aircraft and subsequent reuse of the high-value second-hand components after undergoing appropriate inspection and restoration procedures is already commonplace amongst major reputable airlines, which brings down their maintenance costs. Using the Aircraft Fleet Recycling Association accredited system for airframe disassembles, our technical team is capable of executing precise and efficient disassembles that remove components from nose to tail. In 2018, ARI has dismantled a total of 21 aircraft, of which estimated recycling rate of the aircraft was 85% to 90%.

**Component Trading**

Through creating logistics partnerships and a global MRO network, we continually position inventory in locations around the planet designed to fulfil any critical component requirements.

**Aviation Financing**

CALC explores aviation financing products with stable returns which enrich product varieties of capital market. The Group launched China's first asset-backed security ("ABS") which is denominated and settled in a foreign currency, and the first ABS in aircraft leasing in the public placement market. We believe that ABS will hold significance in attracting U.S. dollar investment in China and in reducing outflows of the currency. In addition, CALC partnered with mezzanine financiers to roll out CAG, to invest in aircraft portfolios on lease to a diversified set of global airlines. CALC is the exclusive servicer of CAG and will source all acquisition opportunities and provide aircraft and lease management service for CAG. This will diversify our financing pattern and facilitate the rapid growth of the enterprises. The Group keeps introducing different aviation financing structures to previously unexposed markets, which is beneficial to the aviation industry at large.

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Aircraft Life Cycle Management

With increasing focus on environmental issues related to aircraft end-of-life and related practices, procedures, and safety and environmental concerns, CALC is committed to providing proper aircraft disassembly, recycling, and end-of-life solutions. CALC, together with ARI, are the first in Asia to provide one-stop solutions for mid-to-late life aircraft. Our four platforms, known as “aircraft disassembly & MRO platform”, “aircraft engine and parts leasing platform”, “global part-out & distribution platform”, and “specialised investment platform” strive to extend the life cycle of aircraft.

Anti-corruption

Staff integrity is one of our critical factors to success. We strictly comply with “The Anti-corruption Law of the People’s Republic of China” and Hong Kong’s “Prevention of Bribery Ordinance”. Employees are required to comply with the Code of Conduct of the Company, which covers our policy in preventing corruption, fraud, bribery, extortion, money laundering and any other malpractice or unethical activities. Employees of CALC should not accept any forms of advantages offered by business partners.

To ensure the Company is operating ethically in our daily business activities, any suspected corruption will be reported to the appropriate regulatory authorities. Penalties for relevant director or staff member who in breach of the Code of Conduct may include, but not limited to termination of appointment or employment. During the Reporting Period, there was no legal case regarding corrupt practices brought against the Group or its employees.

Supply Chain Management

CALC strives to maintain and develop a sustainable relationship with our suppliers. The Group has established a fair and transparent Suppliers Selection & Management Procedure for selecting and managing all suppliers to minimise risks relating to sustainability in the supply chain. In particular, the Group uses a vendor evaluation matrix to assess the proposals of various vendors, including environmental compliance and commitment to social responsibility. The Company has several professional teams to monitor, control and review the entire procurement process. We have set up initial acquisition plan, while budget and proposal are prepared internally and reviewed by senior management prior to submission for approval of Strategy Committee under the Board of Directors. All of our suppliers are managed under the Suppliers Selection & Management Procedure and we conduct regular assessment of the performance of suppliers to ensure the quality of products delivered by them.

Product Responsibility

CALC strictly complies with “The Measures for the Administration of Foreign-funded Lease Industry” and “The Contract Law of the People’s Republic of China”, and is committed to provide a reliable and responsible service to our customers. We identify key risks of our product annually and set up risk monitoring and mitigating measures for each risk. Regular meetings of professional teams are in place to monitor the delivery progress of aircraft, including the manufacturing progress, readiness of our customers to take delivery, availability of aviation financing, completion of delivery and financing related legal documents. A comprehensive checklist is used to ensure processes are handled properly and completed as scheduled.



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As an aircraft leasing company, CALC recognises that safety of the aircraft is the priority to our customers. The Company has a team of experienced engineers with in-depth technical knowledge and a series of procedural control to prevent any risks related to engineering and configuration of aircraft. The team is also responsible for pre-delivery inspections to ensure the technical condition of the aircraft. Annual inspection is performed for leased aircraft to monitor its sellable or leasable condition upon the expiry of aircraft lease.

Protecting our customers' information is crucial for our business. Non-disclosure of business information and non-competitive clauses are also built in our employee's employment agreement to ensure our information confidentiality. During the Reporting Period, no accident related to customer privacy was found.

Case Studies

Redelivery of an A321 Aircraft

In April 2018, CALC and ARI successfully completed the redelivery, export and lease of China's first Airbus A321 which had been imported 20 years ago. The Group has received this end-of-lease aircraft from a Chinese carrier, and subsequently leased to a European carrier, showcasing the Group's distinctive capability in aircraft full value chain asset management. This is the first time the Group has received an end-of-lease aircraft.

In this transaction, CALC's asset management team closely worked with the Chinese carrier to complete each part of the deal in compliance with the requirements on aircraft redelivery and export. ARI assessed the maximised value and solutions of aging aircraft in second-hand market. Subsequently, we have successfully leased this 20-year-old A321 aircraft to a European carrier as an operator. This transaction will extend the operational time limit of the aircraft and increase its residual value, which means the Group has utilised and created value at different stages of the aircraft life-cycle.

Through this cooperation, CALC and ARI have successfully leveraged the comparative strength of their industry expertise. Not only is CALC able to mitigate the risks arising from the aircraft residual value incurred by airline clients, but it is also able to enhance its fleet's flexibility.

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Commencement of Operation of Aircraft Recycling Base in Harbin (the “Harbin Base”)

On 8 June 2018, the Harbin Base has formally commenced operation. Located in Heilongjiang, the Harbin Base is the first large-scale aircraft recycling facility in Asia equipped with modern facilities and devices that utilise advanced technology. The Harbin Base has various systems for aircraft maintenance, conversion, disassembling, installation of aircraft parts, as well as aircraft materials management and sales. It covers seven areas of business operation, including aircraft purchasing, selling, leasing, disassembling, replacing, conversion and maintenance, providing dynamic aircraft recycling solutions to airlines, MROs, lessors, as well as manufacturers and distributors of aircraft materials.

CALC’s unique business model offers services covering an aircraft’s full life cycle to meet airlines’ fleet management requirements, including services for new aircraft, mid-aged and retiring aircraft. With the Harbin Base’s comprehensive aircraft solutions, ARI will further strengthen CALC’s aircraft full value chain.

6. SUSTAINABILITY

Greenhouse Gas Emissions

CALC monitors its GHG emissions to guide its green policy. During the Reporting Period, our total greenhouse gas emission was 406 tonnes and at 2.0 tonnes CO₂ equivalent per employee in our headquarters, a 20% decrease from 2017; and at 3.2 tonnes CO₂ equivalent per employee in our Mainland China offices.



GHG Emissions in 2018³ (tonnes CO₂ equivalent)

| | Hong Kong Headquarters | Mainland China Offices |
|----------------------------------|------------------------|------------------------|
| Scope 1 Direct Emissions | 3.3 | 7.5 |
| Scope 2 Indirect Emissions | 83.5 | 94.0 |
| Scope 3 Other Indirect Emissions | 66.6 | 151.0 |
| Total | 153.4 | 252.5 |
| Intensity (tonnes/employee) | 2.0 | 3.2 |

³ The calculation is referenced to the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)”. Emissions factors for electricity purchased is referenced to the information released by HEC in 2017 and “Regional Baseline Grid Emission Factor in China”. GHG emissions from air travel is calculated by ICAO Carbon Emissions Calculator. Direct GHG emissions (scope 1) include fuel consumption; indirect GHG emissions (scope 2) include electricity consumption; other indirect GHG emissions (scope 3) include air travel, paper waste disposal and bottled water consumption.

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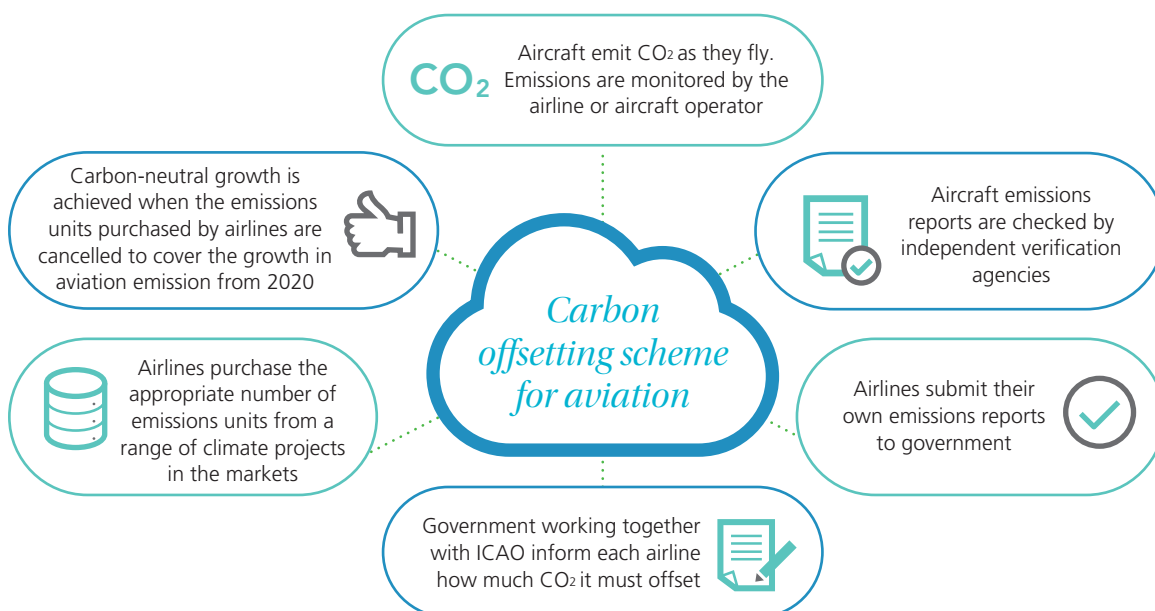
We have a Green Office Programme to promote green habits and working environment. To conserve energy, our office equipment is on energy-saving mode. Our lighting is designed to be sectionalised. To reduce our carbon footprint, we make use of virtual meetings to reduce the number of overseas travel required. Our electricity intensity in the headquarters has reduced by 17% compared to 2017.

According to International Air Transport Association (“IATA”), civil aviation represents 2% of global CO₂ emissions from human activity. The aviation sector has the most energy and carbon intensive forms of transport, and must limit its impact on climate change. The ICAO adopted a Carbon Offsetting and Reduction Scheme for International Aviation (“COSIA”) to address CO₂ emissions from international aviation. It is a market-based scheme by which airlines compensate their international flights CO₂ emissions by purchasing carbon offsets. The goal is to achieve carbon-neutral growth from 2020.

There will be three phases of implementation. From 2021 until 2026, only flights between states that volunteer to participate in the pilot and/or the first phase will be subject to offsetting requirements. For the second phase from 2027, all international flights will be subject to offsetting requirements. However, flights to and from Least Developed Countries, Small Island Developing States, Landlocked Developing Countries and states which represent less than 0.5% of total activity will be exempt from offsetting requirements, unless these states participate on a voluntary basis.



CALC is aware of the carbon emission reduction target and it is reflected in its purchase strategy of energy efficient aircraft and phasing out of old aircraft models.



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Natural Resources

Benefits of aircraft leasing on the environment

Recognising the pollution involved in using and discarding aircraft, CALC has been incorporating environmental considerations into its decisions in acquiring new aircraft and developing new businesses. During the Reporting Period, the Group delivered the first ever A321neo aircraft which is well-recognised by its improvement in per-seat fuel efficiency. Also, the Group marked a monumental milestone – becoming the first ever company to fully recycle carbon fibre from commercial aircraft. Looking forward, the Group will continue to incorporate environmental sustainability into the core of the enterprise and make business decisions that are responsible to the environment.

Case Studies

Delivery of CALC's First Ever A321neo Aircraft

In June 2018, CALC has delivered its first ever A321neo aircraft to an overseas airlines.

Incorporating Airbus' latest technology Sharklets and new engine choices, A320neo Family is delivering per seat fuel improvements of 20 per cent, along with additional range of up to 500 nautical miles/900 km. Also, the nitrous oxide emissions are 50 percent below regulatory requirements as outlined by the Committee on Aviation Environmental Protection ("CAEP"). Moreover, this aircraft significantly reduces its engine noise levels, generating only half the noise footprint compared to previous generation aircraft.

UAM First Ever to Fully Recycle Carbon Fibre from Commercial Aircraft

UAM, an aircraft recycling unit of the Group, has become the first in the world to completely recycle carbon fibre from commercial aircraft in early 2018. This monumental milestone in sustainability firmly entrenches UAM as the global leader in complete aircraft recycling. The resulting second-generation carbon fibre material is fit as raw resource for industrial use. As such, it becomes a feasible supply for advanced additive manufacturing supply chains, utilised by automotive and other manufacturing industries in need of cost-competitive carbon fibre. The innovative and bold process applies material science and advanced manufacturing techniques pioneered by UAM's Innovation Technology Team. CALC will continue develop new technology to further enhance aircraft recycling industry.



Material Consumption

We have a Green Office Programme to promote green habits and working environment. We endeavour to promote efficient use of resources such as water and office papers.

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Water consumption

In our offices, sensor-activated faucet and water saving bowls are installed to conserve water usage.

In the Harbin Base, all wastewater produced by the facility are treated at a sewage treatment station in the facility. A wastewater purifying station was built to meet higher environmental protection standards and goes beyond what is legally required. The effluent, which has gone through 22 treatment procedures, meets the quality standard for drinking water.

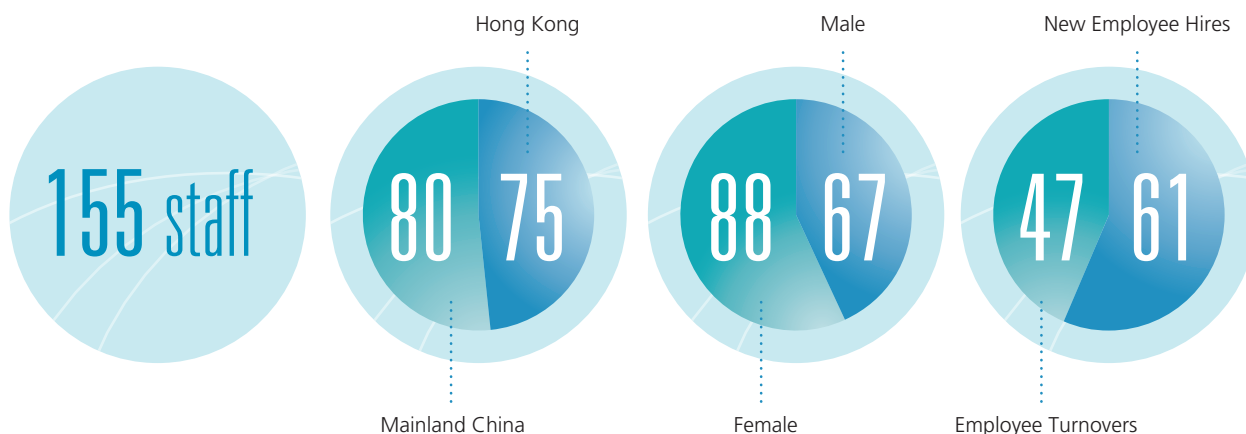
Paper consumption

The majority of our paper consumption comes from financial printing, which uses FSC⁴ certified paper that is environmentally friendly sourced. In our offices, recycling bins are placed next to the printers to encourage paper recycling and reuse. We have recycled over 330 kg of paper in 2018.

7. WORKFORCE AND LABOUR PRACTICES

Employee Statistics

There are 155 staff in our Hong Kong and Mainland China offices. All of our staff are full-time employed. The male to female ratio is 0.76:1.



During the Reporting Period, we fully complied with the labour standards in Hong Kong and Mainland China.

Labour Practice

The Group's Staff Handbook and relevant policies have laid out key information on employee management, remuneration and dismissal, welfare, attendance appointment and grading, working hours, leaves, equal opportunities, diversity, anti-discrimination, code of conduct, child and forced labour prevention, and other benefits in accordance with relevant laws.

Development and Training

Gearing up employees is vital to sustainable growth of the Group. The Company is committed to help employees to fully develop their potentials through regular and comprehensive development training. In accordance with our Staff Handbook, we encourage employees at all levels to undertake studies which enable them to acquire the necessary skills, knowledge and qualification to support their career enhancement in line with our business needs.

In our Hong Kong headquarters, we provide training subsidy for employees who would like to take external programs and professional examinations. Courses, seminars and workshops are organised on an ongoing basis for the employees. During the Reporting Period, 100% of our Hong Kong staff received training provided by the Company.

⁴ Forest Stewardship Council.

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Employee Welfare

To build a sustainable and stable team, the Company places a strong emphasis on improving welfare and safeguards for our employees. Our employees are entitled to annual leave, bonus leave, marriage leave, and maternity leave/paternity leave. All employees are insured against any industrial accident arising out of and in the course of their employment. On completion of probation, employees can be admitted to the Company's group medical scheme which covers out-patient visits and hospitalisation.



To allow employees enjoy life apart from work, the Company organises various outings and charity activities. The Company also offers trip reimbursement every year for qualified employees. Employees who are on business trips will be covered by travel insurance.

Health and Safety

Ensuring a safe working environment for our employees is always important for the Group. In order to provide an accident-free working environment and prevent occupational diseases, our Staff Handbook includes a set of Office Safety Management Requirements, which includes ventilation, lighting, proper housekeeping, the safe use and maintenance of electrical equipment as well as fire prevention. There were no cases of non-compliance with laws and regulations related to health and safety during the Reporting Period.



8. GIVING BACK

CALC is committed to corporate social responsibility by implementing the "ESG Policy" and encouraging to participate in local community service, charitable and educational activities. In 2018, we have participated in activities organised by Orbis, World Green Organisation ("WGO") and World Wide Fund Nature for Hong Kong ("WWF-Hong Kong"). Our monetary contributions amounted to HK\$329,000.



Orbis Walk for Sight

CALC supported "Orbis Walk of Sight", a fund-raising event held in March 2018. Our colleagues helped out in a braille booth hosted by student representatives from Ebenezer School & Home for the Visually Impaired, joining hands with students to provide voluntary works.



Eco Tour – Tai Tong Nature Trail

We participated in WGO's "Eco Tour – Tai Tong Nature Trail" event in May 2018. Our colleagues walked along Tai Tong Nature Trail in Yuen Long and learned the importance of environmental conservation as well as green and low-carbon living style.

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**Upcycling Workshop and Voluntary Services**

Our colleagues learned to upcycle discarded coffee grounds into mosquito repellent and scrub in WGO's "Upcycling Workshop and Voluntary Services" held in June 2018. After learning, we also shared the knowledge with 50 women and kids from low income family to promote sustainable lifestyle.

**Green Hero Contest Day**

In June 2018, CALC was named "Champion of Sportsmanship" for our strong team work and spirit in building an "aircraft" with recycled materials in WGO's Green Hero Contest Day. We were also awarded with "Green Enterprise" for our long-term commitment and contributions in building a greener community.

**Gei Wai Harvesting**

In August 2018, our colleagues joined WWF-Hong Kong's "Gei Wai Harvesting" to experience the most conventional way of shrimp harvesting, discovered the traditional management practices of tidal shrimp ponds, as well as explored the unique beauty of this wetland. Gei Wai at Mai Po is the last remaining in Hong Kong and a good example of sustainable use of wetland.

**Orbis Moonwalkers**

In November 2018, CALC took part in "Orbis Moonwalkers 2018", an annual overnight fundraising walkathon. Our colleagues, together with more than 4,000 sight-savers joined the activities to raise donation benefit the needlessly blind by sharing the skills with local medical professionals across the developing world.

HK-Heilongjiang Youth Exchange Delegation

CALC is dedicated in supporting educational activities. In 2018, we have invited 55 youths from Hong Kong to visit the Harbin Base through our "HK-Heilongjiang Youth Exchange Delegation". Throughout the visit in our facility, our guests gained a thorough understanding of aircraft recycling and the technology development in Harbin. Our guests discovered new insights in the aircraft recycling industry. We hope to bring inspirations to our next generation.

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9. AWARDS, ACCOLADES AND MEMBERSHIP

Awards and Accolades

CALC has been awarded WGO’s “United Nations Sustainable Development Goals – Green Office Awards Labelling Scheme (GOALS)” for fourth years, and has granted “Eco-Healthy Workplace Label” for the second consecutive year, recognising its achievement in establishing a green office. We are also a “Silver Member” of WWF-Hong Kong’s Corporate Membership Program for the third consecutive year and a “Corporate Partner” of Orbis in 2018. CALC also obtained the “Sustainability Rating Seal” from Hong Kong Quality Assurance Agency (HKQAA) in 2018.

As a recognition to our good corporate citizenship, CALC has received the “Caring Company Logo” for the fourth consecutive year.



Hong Kong Aircraft Leasing and Aviation Finance Association

Rooted in Hong Kong, CALC is dedicated to the development of aircraft leasing and aviation financing industry of the city, leveraging our experience in the Chinese and global leasing markets. In June 2017, CALC, as a founding member, joined hands with various industry partners to establish Hong Kong Aircraft Leasing and Aviation Finance Association, through which we wish to facilitate industry innovation and infrastructure advancement. Our Chairman, Mr. CHEN Shuang, is the Founding Chairman and our CEO Mr. Mike POON is the Founding Chief Advisor, while our corporate communications team is acting as the secretariat to support operations of the Association. Since inauguration, the Association has been in regular contact with the Government and industry players, listening and exchanging views on various ideas to promote and develop aircraft leasing and financing using the Hong Kong tax platform.

In October 2018, the Association and Airfinance Journal hosted Hong Kong Aircraft Leasing Taxation Workshop, which CALC and InvestHK jointly sponsored.

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10. ESG PERFORMANCE HIGHLIGHTS

Environmental Performance

| | Hong Kong Headquarters | Mainland China Offices | Unit |
|--|---------------------------|---------------------------|---|
| Greenhouse Gas (GHG) Emissions | | | |
| Scope 1 | 3.3 | 7.5 | tonnes CO ₂ equivalent |
| Scope 2 | 83.5 | 94.0 | |
| Scope 3 | 66.6 | 151.0 | |
| GHG Emissions Intensity | 2.0 | 3.2 | tonnes CO ₂ equivalent/ employee |
| Energy and Water Consumption | | | |
| Direct Electricity Consumption | 105.7 | 106.2 | MWh |
| Direct Electricity Consumption Intensity | 1.4 | 1.3 | MWh/employee |
| Water Consumption ³ | 12.6 | 18.1 | m ³ |
| Water Consumption Intensity | 0.17 | 0.23 | m ³ /employee |
| Direct Fuel Consumption (patrol) | 1,236.58 | 2,767.77 | L |
| Direct Fuel Consumption Intensity | 16.5 | 34.6 | L/employee |
| Materials Consumption and Recycling | | | |
| Paper | 2,093.3 | 1,896 | kg |
| Paper Recycling | 301 | 33 | kg |
| Waste Disposal | | | |
| Non-hazardous ⁵ | 2.9 | – | tonne |
| Non-hazardous Waste Intensity | 0.04 | – | tonne/employee |

³ Includes bottled water consumption only.

⁵ Waste disposal are managed by the building management and collected by designated waste collectors. We will collect and report non-hazardous waste disposal data in Mainland China offices in next year's ESG Report.

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Social Performance

| | Hong Kong Headquarters | Mainland China Offices |
|-----------------------------------|---|---|
| Employee | Male: 31 Female: 44 | Male: 36 Female: 44 |
| Under 30 | 14 | 26 |
| Between 30 and 40 | 35 | 45 |
| Between 41 and 50 | 20 | 8 |
| Above 50 | 6 | 1 |
| Chief Level Executives | 5 | – |
| Senior Management | 5 | – |
| Middle Management | 19 | 16 |
| General Staff | 46 | 64 |
| Turnover Rate | Overall: 41% Under 30: 86% Between 30 and 40: 29% Between 41 and 50: 35% Above 50: 33% | Overall: 20% Under 30: 12% Between 30 and 40: 22% Between 41 and 50: 25% Above 50: 100% |
| Percentage of employees trained | Male: 100% Female: 100% | Male: 100% Female: 100% |
| | Chief Level Executives: 100% Senior Management: 100% Middle Management: 100% General Staff: 100% | Middle Management: 100% General Staff: 100% |
| Average training hours | Male: 10.8 Female: 10.8 | Male: 12.4 Female: 8.3 |
| | Chief Level Executives: 9.8 Senior Management: 11.0 Middle Management: 10.9 General Staff: 10.8 | Middle Management: 14.3 General Staff: 9.1 |
| Number of work-related fatalities | 0 | 0 |
| Lost day due to work injury | 0 | 0 |

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11. ESG REPORTING GUIDE CONTENT INDEX

| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|--------------------------------------|---|--|
| A. Environmental | | |
| A1. Emissions | | |
| General Disclosure | <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> | <p>Since the Group's business does not involve aviation operations, no significant air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste are involved. Therefore, we have no policies in the respective aspects.</p> <p>There are no laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> |
| A1.1 | The types of emissions and respective emissions data. | There are no significant emissions generated from our daily office operations. |
| A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | SUSTAINABILITY |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | ESG PERFORMANCE HIGHLIGHTS |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | During the Reporting Period, the Group did not produce any hazardous waste. |
| A1.5 | Description of measures to mitigate emissions and results achieved. | ESG PERFORMANCE HIGHLIGHTS |
| | | There are no significant emissions generated from our daily office operations. Therefore, no specific emissions mitigation measure is in place. |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|--|--|---|
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | <p>SUSTAINABILITY</p> <p>ESG PERFORMANCE HIGHLIGHTS</p> <p>Our daily office operations do not involve generation of hazardous waste. Therefore, no specific reduction initiative is in place.</p> |
| A2. Use of Resources General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | SUSTAINABILITY |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | ESG PERFORMANCE HIGHLIGHTS |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | ESG PERFORMANCE HIGHLIGHTS |
| A2.3 | Description of energy use efficiency in initiatives and results achieved. | SUSTAINABILITY |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | <p>SUSTAINABILITY</p> <p>Water for our office use is obtained from municipal water supplies. There are no associated issues regarding water sourcing.</p> <p>Water efficiency initiatives are to be planned and executed by property management companies. Therefore, we do not have any water efficiency initiatives in our offices.</p> |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|---|--|--|
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Our operations do not involve the use of packaging material. |
| A3. The Environment and Natural Resources General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Group's business activities mainly comprise office operations, which will not cause significant impact on the environment and natural resources. Therefore, no relevant policies are in place. |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Group's business activities mainly comprise office operations, which will not cause significant impact on the environment and natural resources. |
| B. Social | | |
| B1. Employment General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | WORKFORCE AND LABOUR PRACTICES There are no laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. |
| B1.1 | Total work force by gender, employment type, age group and geographical region. | WORKFORCE AND LABOUR PRACTICES |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | ESG PERFORMANCE HIGHLIGHTS ESG PERFORMANCE HIGHLIGHTS |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|--|--|--|
| B2. Health and Safety General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | WORKFORCE AND LABOUR PRACTICES There are no laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. |
| B2.1 | Number and rate of work-related fatalities. | ESG PERFORMANCE HIGHLIGHTS |
| B2.2 | Lost days due to work injury. | ESG PERFORMANCE HIGHLIGHTS |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | WORKFORCE AND LABOUR PRACTICES |
| B3. Development and Training General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | WORKFORCE AND LABOUR PRACTICES |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | ESG PERFORMANCE HIGHLIGHTS |
| B3.2 | The average training hours completed per employee by gender and employee category. | ESG PERFORMANCE HIGHLIGHTS |
| B4. Labour Standards General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | WORKFORCE AND LABOUR PRACTICES There are no laws and regulations that have a significant impact on the Group relating to preventing child and forced labour. |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|---|---|---|
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | The Group regularly reviews its employment practice to ensure that we are in compliance with the Employment Ordinance of Hong Kong, Labour Law of the PRC, and other laws and regulations related to child and forced labour. |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | WORKFORCE AND LABOUR PRACTICES The Group has zero tolerance towards such practice. Violations are subject to internal disciplinary actions or handled by relevant authorities. |
| B5. Supply Chain Management General Disclosure | Policies on managing environmental and social risks of the supply chain. | OPERATING PRACTICE |
| B5.1 | Number of suppliers by geographical region. | China: 46 |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | OPERATING PRACTICE |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|--|--|--|
| B6. Product Responsibility General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | OPERATING PRACTICE The Group has not identified material concerns in its operations regarding health and safety, advertising, labelling and privacy matters in our operation, thus a dedicated policy is not in place. The Group places corporate advertisement in certain trade magazines, of which the content is monitored and approved by Corporate Communications Department to ensure accuracy. There are no laws and regulations that have a significant impact on the Group regarding health and safety, advertising, labelling and privacy matters relating to the products and services provided by the Group. |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | No cases during the Reporting Period. |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | There were no cases of products and services related complaints received during the Reporting Period. |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Not applicable |
| B6.4 | Description of quality assurance process and recall procedures. | OPERATING PRACTICE |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | OPERATING PRACTICE |

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| Topics, General Disclosures and KPIs | Description | Relevant Chapter(s) or other references/ Explanation |
|--|---|---|
| B7. Anti-corruption General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | OPERATING PRACTICE The Anti-corruption Law of the PRC and Hong Kong's Prevention of Bribery Ordinance aim at maintaining a fair and just society and inflicting punishments against unscrupulous and corruption behaviours. Ethical behaviour and compliance with applicable laws and regulations is of utmost importance to the Group as it affects the Group's reputation. Thus, in the Group's Code of Conduct, we articulate the standard of behaviour that we expect our employees to live up to. Beyond the Code of Conduct, we provide training to help employees understand the meaning of the Code of Conduct and what they're expected to do. |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | OPERATING PRACTICE |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | OPERATING PRACTICE |
| B8. Community Investment General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take in to consideration the communities' interests. | GIVING BACK |
| B8.1 | Focus are as of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | GIVING BACK |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | GIVING BACK |



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