

CALC

中國飛機租賃集團控股有限公司
China Aircraft Leasing Group Holdings Limited

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

Stock code : 01848



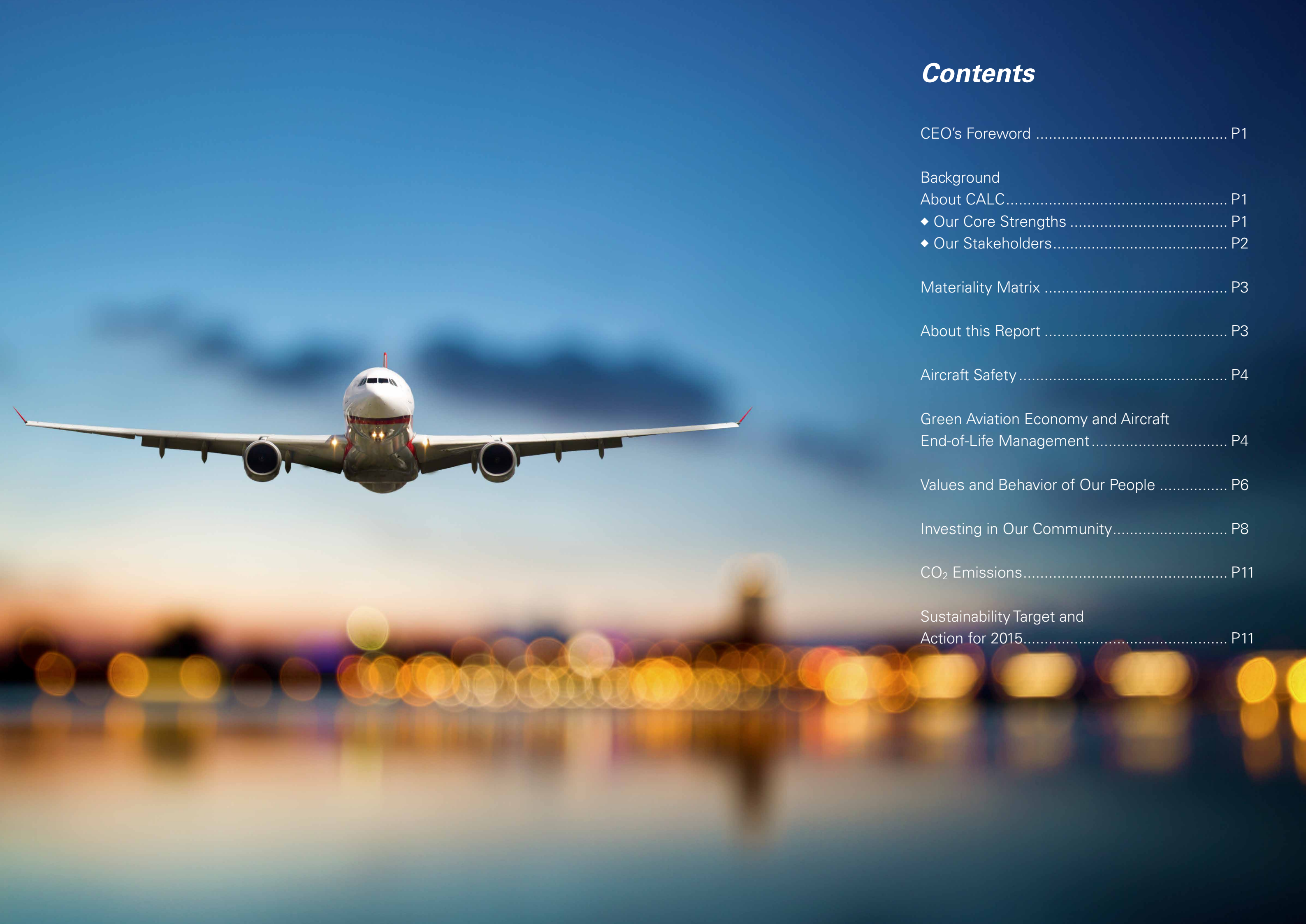
FLY AHEAD

Environmental, Social and Governance Report 2014



CALC is one of the forerunners in China's aircraft leasing industry, with a distinctive and profitable business model.

www.calc.com.hk



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Our Mission

To be a full value chain aircraft solutions provider, utilizing our expertise to create innovative, value-added fleet management solutions for airlines worldwide.

Our Vision

To become a top-tier aircraft service provider with a global presence, originating from China and reaching out to the world.

Our Short-term Goal

To build a portfolio of 100 commercial aircraft by 2016 and initiate an aircraft disassembly business by 2017.



CEO'S FOREWORD

POON Ho Man
Chief Executive Officer

Hong Kong, 26 March 2015



Promoting sustainability through good corporate governance, environmental protection, community investment and workplace practice is one of China Aircraft Leasing Group Holdings Limited's ("CALC's") key strategic objectives. This is to demonstrate our commitment to transparency and accountability to the stakeholders.

This is our first Environmental, Social and Governance ("ESG") Report which covers the significant efforts that CALC has put into aircraft safety, environmental protection and investing in its people and communities relating to its Hong Kong operations. In this report, we provide an outline of CALC's sustainability performance in year 2014 and set out our targets and action plan for the future.

As our vision is to become a top-tier aircraft service provider with global presence, originating from China and reaching out to the world, our group has to observe and respond to the economic, social and climate change that is happening everywhere in the world. These are complex issues and no simple solution is available. We not only have a responsibility to the society in which we live and work, but also have to constantly find ways to tackle such upcoming challenges.

Recognizing that 85% of the weight of an aircraft can be recycled, reused or recovered, CALC has seized the opportunity of signing a Memorandum of Understanding with the Municipal Government of Harbin in December 2014 for the establishment of the most sizeable aircraft disassembly plant in China. When this plant comes into operation in 2017, we expect that the environmental impact of disposing of the old aircraft can be reduced, and the parts recovered for reuse can be transferred to recycling markets and have their lives extended with quality assurance.

As part of our ongoing commitment to promoting sustainability, we will be progressively expanding our scope of ESG reporting covering our operations in mainland China starting in 2015. I would like to take this opportunity to thank our people for their contribution and support to our business objectives and various charitable activities during the year. Through enhancing our governance and inspiring our people on sustainable development, I am confident that we can focus our efforts on the areas of concern to our stakeholders and create a long-lasting and strong impact on our society.

ABOUT CALC

China Aircraft Leasing Group Holdings Limited ("CALC" or the "Group"; Stock Code: 01848.HK) is a forerunning aircraft operating lessor in China headquartered in Hong Kong with wholly-owned subsidiaries and representative offices in Beijing, Shanghai, Shenzhen and Tianjin, China; Labuan, Malaysia; Toulouse, France and Dublin, Ireland. Through its overseas leasing platform in Dublin and its domestic leasing platforms in Tianjin and Shanghai, CALC has created competitive advantages through its strategic "dual-platform" business model which enables the Group to provide its airline customers with innovative, flexible and competitive leasing solutions inside and outside China. As an independent aircraft operating lessor, CALC takes advantage of the extensive international financial network to access to a wide range of sustainable sources of financing from the region and beyond.

CALC owns and manages a portfolio of 44 commercial aircraft by the end of year 2014. With primary focus on China, CALC is expanding its footprints into global emerging markets, providing innovative and dynamic leasing solutions to airline customers around the globe.

CALC is committed to the sustainable use of materials and preserve the environment around us, their short-term goal is to build a portfolio of 100 commercial aircraft by 2016 and initiate an aircraft disassembly business by 2017.

OUR CORE STRENGTHS

- CALC's shareholders are structured by state-owned enterprise and foreign financial institution, solid shareholders have complementary advantages.
- Ireland and Tianjin's dual-platform model creates the flexible and optimal aircraft leasing solutions.
- Wide range of financing channels and multiple financing tool makes CALC enjoys lower financing costs.
- Operation focuses on China and positive expanding global emerging market with creative and diversified leasing solutions.
- CALC have large marketing networks in the aviation industry such as domestic and international airlines, OEM and other industry partners.
- Experienced and professional management and operations team with high execution efficiency.
- Comprehensive risk management system and investment committee structure to control risk of investment effectively.

OUR STAKEHOLDERS

Our stakeholders stand with us on the roadmap of sustainability. They are those who are interested in or affected by our activities and the way we conduct our businesses. We engage our stakeholders through various channels, including, but not limited to, regular communications, face-to-face meetings, seminars and training sessions.

Stakeholder group	Engagement Channel	Our Focus
Shareholders / Investors	<ul style="list-style-type: none">Annual General Meeting and noticesAnnual reports, financial statements and announcementsDirect communicationsCorporate websiteInvestor briefingsPlant visit	<ul style="list-style-type: none">Financial performanceBusiness sustainabilityRecognition of investment communityCorporate transparency
Airlines	<ul style="list-style-type: none">Corporate websiteCommunication through Fleet Consultation TeamFeedback and requirement collection system	<ul style="list-style-type: none">Value-added aircraft solutionsFleet management consultationManage full life-cycle of the aircraftAircraft safetyIndustry trends analysis
Employees and professional team	<ul style="list-style-type: none">Training sessionsWork-life-balance activitiesVolunteer and charitable initiativesPeriodic performance appraisalMeetings and close communications	<ul style="list-style-type: none">Maintain a sustainable aircraft lease return in long termAircraft marketing and re-marketingIntegrity and business conductSustainable development strategy
Government	<ul style="list-style-type: none">Direct communicationOngoing dialogueFeedback through face-to-face meetings	<ul style="list-style-type: none">Policy implementationBusiness strategy and performanceLocal regulations and actual practicesBusiness ethicsResponsible corporate citizen
Industry associations	<ul style="list-style-type: none">Seminars and workshopsAnnual meeting participationIndustry forum and summit	<ul style="list-style-type: none">Technical competence and experienceLocal regulations and best practicesBusiness sustainability
Media	<ul style="list-style-type: none">InterviewsMedia briefingsCorporate websitePress conference	<ul style="list-style-type: none">Corporate reputationBranding activitiesSustainable development with contribution to the society
Suppliers	<ul style="list-style-type: none">Site visits and reviewsClose communications	<ul style="list-style-type: none">Corporate reputationEnvironmental responsibilityIndustry experience and expertise

We shall continue to engage each stakeholder and build better relationships so that we can stay focused on our priorities. One of our initiatives for 2015, namely setting up a Sustainability Steering Committee with different focus groups for engaging our investors, employees, suppliers and customers, has already been achieved at the date of this report. The Sustainability Steering Committee consists of Mr. POON Ho Man (Chief Executive Officer), Ms. LIU Wanting (Executive Director) and Mr. YU Tai Tei (Chief Financial Officer).

Environmental, Social and Governance Execution





AIRCRAFT SAFETY

Aircraft safety is ranked as the most important item in the materiality matrix. In terms of sustainability, safety is an essential attribute for airlines maintaining their reputation for operating safety.

Pre-sale Focus

- **Product selection:** To provide choices and advice to customers according to their requirements. All of those suggestions should meet the aviation performance and operating standards.
- **Product acceptance:** To ensure that the requirements are fulfilled by the supplier.

After-sale Focus

- **Ongoing dialogue:** To maintain close communications with the airlines.
- **Co-ordination:** To co-ordinate the suppliers and customers for aircraft enhancement.
- **Safety check:** To conduct reviews of the aircraft condition on a regular basis.

GREEN AVIATION ECONOMY AND AIRCRAFT END-OF-LIFE MANAGEMENT

In 2013, the Group helped China Eastern Airlines to extend the life of three aircraft that had been used for almost 24 years. Our marketing personnel learnt that China Eastern Airlines was worried about how to handle the aircraft being left at their airport like statues. The solutions they obtained from the two major international aircraft lessors at that time were to have them sold. However, the price offered was much lower than the book value.

With the client's best interests in mind and a passion for providing value-added solutions, the Group's professional team made a detailed review of the old aircraft's maintenance and operation records in accordance with the international operating standards. This was to ensure that all components of the aircraft were still functioning properly with a complete operating and maintenance record. The Group then successfully helped China Eastern Airlines obtain airworthiness approval from the European Aviation Safety Agency, bought all three aircraft from them at the price of serviceable ones and resell these aircraft to an airline in Europe. China Eastern Airlines was immensely impressed that the Group has achieved this mission impossible.

This success story has driven the Group to commit actively to the development of the Aircraft End-of-Life Solutions and paved the way to its establishment of the aircraft disassembly plant. According to the Process for Advanced Management of End-of-Life Aircraft ("PAMELA") program by Airbus, an estimated 200 to 300 aircraft will be retired each year over 20 years. The management of their end-of-life must be addressed in a responsible manner. The Green Aviation Economy project has been identified as an implementation approach to aircraft end-of-life solutions.



The Group believes in the Green Economy concept, where protecting the environment is as important as developing its businesses. As a forerunner of China's aircraft leasing industry, the Group has stepped into the Green Aviation Economy.

As a matter of fact, 85% of the weight of an aircraft can be recycled, reused or recovered. For example, the engines, APU, avionics and landing gear are parts that can be removed from an aircraft and reused on other aircraft with certain conditions to return good value. Moreover, up to 75% of the total weight of an aircraft is made up of aluminium. Those components can be sorted into different alloy types which could be used in specific aviation materials. Other metallic parts remaining on aircraft can be shredded, smelted and returned to their respective recycling markets according to their chemical composition. Once the reusable parts of an aircraft are recovered, they can be put back into productive use in categories like televisions, phones, computers, building claddings, boats, furniture and houses.

In the context of Green Aviation Economy initiatives, the group has signed a Memorandum of Understanding with the Municipal Government of Harbin for the establishment of China's most sizeable aircraft disassembly plant in December 2014 with the following benefits, as demonstrated by the existing western-based companies:

- **Energy saving:** Much more energy can be saved in aluminium casting down than under the traditional situation
- **Materials re-use:** Certain materials like aluminium for aerospace purposes can be reused as secondary raw materials
- **Materials resources saving:** Use of secondary raw materials can save material resources
- **Wastes reduction:** Landfill wastes can be significantly reduced
- **Consumption reduction:** Demand for natural resources and energy is reduced for environmental care
- **Contamination reduction:** Environment-friendly disposal of aircraft waste reduces air, water and soil contamination
- **Reliability and safety certifications:** Certified levels of reliability and safety are met in connection with aerospace parts and equipment



VALUES AND BEHAVIOR OF OUR PEOPLE

"We believe in trust, understanding, equality and fairness. In 2014, our Human Resources (HR) team focused on harmonizing key HR processes, policies and systems for our offices at different locations. In 2015, HR will put more effort into talent and performance management, employee healthcare and wellness."

Integrity

We are committed to conducting business with integrity and respect for the law and our values. Employees are required to adhere to our internal rules and regulations in work and conduct our day-to-day business to ensure that our growth is sustainable. This requires all of us to act with integrity and respect for our long-standing values of trust, equality and fairness.

'Speak up' policy

Although we stand firm on our belief and values, demand our employees to follow them strictly and adhere to our rules and regulations, there might be instances of misconduct that our stakeholders might suspect or observe. In such cases, we want them to speak up and let us know, so that we can bring the matter to the attention of our Audit and Risk Committee members without fear of unnecessary non-work-related interference. This allows us to address the issue in a timely manner and take appropriate action accordingly.

Our stakeholders can simply fill up the "Feedback and Complaints" form on our website and the message will be delivered to the specified recipient and have our Risk Team copied on it. More training and awareness programs will be conducted from time to time for our employees at different locations so as to ensure that every employee understands clearly our requirements, values and the expected standard of behavior they need to maintain in their work and business activities.

Healthcare and well-being

Lemon water is available for staff every day. Lemons are packed with nutrients like Vitamin C, B-complex vitamins and various minerals. Drinking lemon water before having breakfast can help digestion, enhance enzyme function, alkalise one's blood and relieve digestive issues such as heartburn, nausea and bloating.

We are committed to implementing work-life-balance practices as this is critical for sustaining employee performance over time. We also organise monthly birthday parties and after-hours activities like ball games so that our people can relax, refresh their minds and keep fit.

In 2015, we will continue promoting the "Eat and Drink Healthily" concept to our staff. We will also provide delicious and chemical free fruit snacks and keep them away from junk food.

The Group cares for its employees, and supports them in their personal life difficulties through an employee protection plan. CALC exerts every effort to create a 'big family' atmosphere for all its people.



Developing our people and team building

We emphasise teamwork within and across organizational units and provide training and development opportunities to ensure that our people have the right skills and knowledge to get the job done and are relieved from stress. The core strength of CALC comes from this cohesion. The group focuses on the perfection of training programs and creating space for staff development, to help every employee reflects his or her self-value.

In May 2014, we organised a team building camp in Shenzhen which provided an opportunity for the participants to brainstorm and work together on assigned tasks and projects with an aim to promote unity, co-operation, teamwork and a sense of pride and camaraderie. We are committed to organizing similar team building activities periodically in future years.



Diversity and Equal Opportunity

It is important to promote equal opportunities in workplace so as to establish an environment for our people to maximise their potential, regardless of gender, pregnancy, marital status and race. Our employees can fill in the "Feedback and Complaints" form on our website in case they wish to lodge a complaint. We are committed to thoroughly investigating each complaint and having it resolved fairly and in the strictest confidence.



Our Workforce: Employees by Age Group as at 31 December 2014

Hong Kong			Group	
Age group	No. of Employee	Turnover rate	No. of Employee	Turnover rate
18-25	2	0%	4	0%
26-35	16	30%	50	28%
36-45	14	14%	25	24%
46-55	9	10%	9	10%
above 56	1	0%	1	0%
Total	42		89	



INVESTING IN OUR COMMUNITY



CALC is committed to lending a helping hand to different sectors of people in need. We believe that a sustainable business is dependent on the stability and well-being of our communities. Our corporate philanthropy is aimed at giving a lasting and positive impact to communities through financial giving and employee volunteerism.

During the second half of 2014, we made financial donations to various charitable bodies to contribute to the community. At the same time, many of our people volunteered to participate in activities such as the Community Chest Walk; acting as mentors for the Mentorship programme of Hong Kong Community College and the Youth Business Hong Kong Programme of the Hong Kong Federation of Youth Groups; or acting as duty accountants of the free public advisory service scheme run by the Hong Kong Institute of Certified Public Accountants.

Forms of contribution in second half of 2014

Cash	HK\$1,160,000
Management and other employee time	113 hours



ACCA COMMUNITY DAY 2014 公益關愛日

While developing its business resources and meeting the needs of the community, CALC is actively promoting social responsibility, in partnership with its stakeholders to achieve a win-win situation.



The CALC Group is a staunch supporter of public spirited activities, protecting environment, and care for the community. It is also committed to making contributions to the sustainable development of society, and conducting its activities with positive energy.





Corporate Social Responsibility

On the day of its listing, CALC donated HK\$1,000,000 to The Community Chest of Hong Kong to help those in need. Mr. Poon Ho-man, CEO of CALC presented the donation to Mr. John E Strickland, GBS, JP, Campaign Committee Member of the Community Chest.

CALC was honored to support an educational initiative of The Hong Kong Society of Financial Analysts through their research challenge in mid-November 2014.



Industry Responsibility

CALC's active participation in global industry events as a Chinese lessor helps improve communication and exchange among industry peers internationally.

Our concept of responsibility is focused on the harmonious development of both our business and the community it serves, thereby not only reflecting the value of the enterprise but also promoting the pace of social development.



2014 15th Annual Asia-Pacific Airfinance Conference

The Tianjin DFTP has become a recognised breeding ground for business innovation in China, and CALC is the first wholly foreign-owned aircraft leasing company to be established there.

As a forerunner of China's aircraft leasing industry, we have always taken it as our responsibility and mission to lead development of the industry. We have consistently tried to promote improvements of the external policy environment and the progress of the aircraft leasing business.

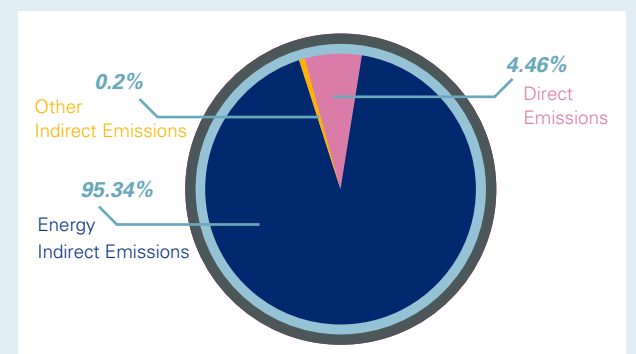


2014 The 3rd China Airfinance Development (DFTP) Summit

CO₂ EMISSIONS

Carbon Footprint for year ended 31 December 2014

Scope	Details	Tonnes of CO ₂ e
1: Direct Emissions	Company-owned car	5.43
2: Energy Indirect Emissions	Electricity consumed	115.93
3: Other Indirect Emissions	Paper used	0.24
Total		121.60
Carbon Footprint (tonnes per employee per annum)		2.90



CALC encourages double-sided printing and copying, and has also appended on all emails an automatic footnote asking the recipients to consider the environment before printing.

CALC participated in the Green Office Awards Labelling Scheme (GOALS) of the World Green Organisation (WGO) in March 2015 with an aim to develop green office practices.

SUSTAINABILITY TARGETS AND ACTION PLAN FOR 2015

In 2015, CALC will introduce the following initiatives to strengthen its ESG performance:

Programmes / Targets	Focus
Participation in Green Office Awards Labelling Scheme (GOALS) of World Green Organisation (WGO) 	<ul style="list-style-type: none"> To develop a green office for CALC through implementation of WGO Green Office Best Practices under nine categories – energy saving, water saving, waste reduction, paper/printing saving, green procurement, IT use and disposal, transportation, education and awareness, green innovation.
Training workshops, talks and seminars on various topics <ul style="list-style-type: none"> Prevention of Bribery and Corruption Awareness of Equal Opportunities Development of a healthy and safe workplace Innovation and Risk Management 	<ul style="list-style-type: none"> To raise staff awareness of anti-corruption practices, occupational health and safety, equal opportunities, etc. To build the capacity of the staff by improving their knowledge and skills for discharging duties at work, as well as meet the continued growth of CALC as a leading aircraft service provider.
Work-life balance and team building activities <ul style="list-style-type: none"> Ball games Monthly birthday parties Off-site team building camp 	<ul style="list-style-type: none"> To raise employee awareness of the importance of maintaining a healthy work-life balance To sustain employee performance over time To promote unity, co-operation and teamwork
Establishment of Sustainability Steering Committee and focus groups	<ul style="list-style-type: none"> To provide formal engagement channels with stakeholders, including investors, employees, suppliers, customers and the community, and to facilitate the conducting of a thorough materiality analysis to identify additional stakeholders' concerns.
Development and review of policies on human resources, health and safety, development and training, environmental protection, etc.	<ul style="list-style-type: none"> To enhance CALC's compliance and best practice in environmental, social and governance areas To address the opportunities and risks arising from strategic issues, and enhance management efficiency and employee relations.



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