STRENGTHENING OUR CONTRIBUTION TO HONG KONG

HKIA generates substantial economic value for our city through airport-related business activities, which produce wider catalytic impact on Hong Kong’s pillar industries. As the Hong Kong people’s airport, we aim also to showcase the best of Hong Kong and contribute to the city’s sustainable development.
CONTRIBUTING TO HONG KONG’S ECONOMY

HKIA contributes directly to Hong Kong’s economy through aviation services and non-aviation businesses operating at the airport that generate employment and income.

**Economic Impact of HKIA**

<table>
<thead>
<tr>
<th>Economic contribution (direct + indirect + induced)</th>
<th>HK$94 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Hong Kong’s GDP</td>
<td>4.6%</td>
</tr>
<tr>
<td><strong>Employment (direct + indirect + induced)</strong></td>
<td>148,158 jobs</td>
</tr>
<tr>
<td>% of Hong Kong’s total employment</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

**Employment at HKIA**

- AAHK employees: 1,609
- HKIA workforce: 73,000

**Supporting Hong Kong’s Economic Pillars**

**Supporting External Trade and Attracting Foreign Businesses**

- Hong Kong’s external merchandise trade value by air:
  - 41.2% of total imports
  - 37.5% of total exports

**HKIA’s Air Cargo Strategy**

HKIA remained the world’s busiest cargo airport for the sixth consecutive year, handling over 4.34 million tonnes of cargo in 2015/16. To reinforce HKIA’s cargo leadership, we conducted a consultancy study on the development of our air cargo operation, including a review of market trends, opportunities and challenges. The study findings showed that there are opportunities in fast-growing market segments, including e-commerce shipments and transshipments requiring high-value logistics services with special handling. As a result, our future air cargo strategy will focus on transition from a “volume-focus” to a “value-focus” operation.

**Leverage the growing e-commerce market**

To facilitate e-commerce growth, we will work closely with integrators and postal service providers in planning the development and expansion of facilities at HKIA to ensure sufficient handling capacity.

**Strengthen the role of HKIA as a transshipment hub**

Transshipment is another future development focus for HKIA. AAHK has been working closely with the industry and the Government to explore potential areas, including streamlining of procedures and the administration process, that could facilitate the flow of transshipment cargo at HKIA. AAHK will also review the provision of necessary infrastructure at HKIA to support the development of transshipment services.

**Strengthen the ability to handle temperature-controlled cargo**

To facilitate the development of temperature-controlled freight operations at HKIA, AAHK has formed a cross-industry taskforce comprising members from the supply chain such as cargo terminal operators, airlines, pharmaceutical companies and distributors, and perishable goods distributors. The objective of the taskforce is to establish end-to-end solutions on time-definite handling of temperature-controlled cargo, which requires special handling and stringent operational requirements, and to assist the airport community in adopting the latest industry standards. AAHK will take the lead to work with International Aviation Transport Association (IATA) to achieve the “IATA CEIV Pharma Recognised Airport” status for HKIA.
EXPANDING HKIA’S CATCHMENT AREA

Amidst growing competition from airports in the Mainland and Southeast Asia, we must establish HKIA as the preferred multi-modal hub in the Pearl River Delta (PRD) by providing convenient, efficient and comfortable air transport services for passengers from the PRD. In order to expand HKIA’s catchment, we are strengthening our connectivity with the PRD, and aim to capitalise on new infrastructure developments, such as the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Key Initiatives

♦ Expanded the number of remote city terminals in the PRD from three to nine, from which passengers can travel to HKIA via coach or ferry. We expect to have 22 remote city terminals, covering land and sea transport as well as high-speed railway hubs, in the Mainland by 2021.
♦ Enhanced our cross-boundary ferry and coach services, adding one new ferry destination and two new coach destinations to our network.
♦ Enhanced our upstream check-in (UCI) services for sea-to-air passengers by increasing the number of sea-ports with UCI from six to eight and recruiting two more airlines to offer UCI (making a total of 19 airlines), covering 75% of all sea-to-air passengers.
♦ Introduced the “one ticket for air-sea-coach” for the Mainland and overseas markets.

ADDRESSING LABOUR CHALLENGES

Shortage of manpower has been a structural issue since Hong Kong reached near full employment in 2014. The rapid growth of the aviation industry in Asia and fierce competition for skilled workers due to the development of several large-scale infrastructure projects in Hong Kong have also made securing manpower for HKIA’s current operation and planned expansion an ongoing challenge.

Finding the Right Solutions

We recognise the importance of working closely with our business partners and contractors to address common labour concerns and ensure the smooth operation of the airport. In addition to holding regular meetings with the major employers at HKIA to discuss human resources issues, we invited our business partners, tenants and suppliers to a focus group in May 2016 to identify solutions to the labour shortage and attracting talent. This engagement exercise helped clarify what our stakeholders expect of AAHK in this area:

♦ Lead the airport community by providing better facilities and benefits for airport staff
♦ Improve talent recruitment and retention initiatives
♦ Collaborate with partners to attract and nurture young people to work in the aviation industry
AAHK is committed to taking the lead and adopting a multi-pronged approach:

♦ Working with the Government and aviation industry to invest in talent development by providing training and career opportunities for young people
♦ Improving transportation arrangements and upgrading airport staff amenities to foster a caring and comfortable working environment
♦ Leveraging technology to reduce our reliance on manpower through greater automation and enhanced productivity
Key Initiatives

Establishing an Aviation Academy
♦ The aim of the Aviation Academy is to build the capacity and capability of the aviation industry to meet its current and future manpower and talent needs, to cater for HKIA’s future growth and develop Hong Kong into a regional aviation training hub.
♦ Unlike other industries, the aviation courses available in Hong Kong are not part of an industry-recognised programme of certification and accreditation. This impacts the industry’s ability to attract and retain the best talent. The Academy will provide a structured and eventually accredited platform to coordinate, consolidate and fill the current gaps in aviation training.
♦ We are developing the training scope, curriculum and operation details, and will recruit the first batch of students in 2017.

Engaging current and potential staff
♦ We organised the HKIA Career Expo and participated in various job and career fairs in different districts of Hong Kong to promote the thousands of job opportunities offered at HKIA.
♦ As part of the Hong Kong International Airport Recreation and Community Engagement (HKIAReC) initiative, we organised airport-wide talent shows, interest groups and recreational activities to strengthen staff bonding and build a sense of belonging.

Upgrading the airport working environment
♦ Three additional well-equipped resting areas for airport staff were opened in the restricted area in Terminal 1. The two airport staff canteens, Sky Bird 1 and Sky Bird 2, reopened after renovation to provide an enhanced dining environment and specially priced meals.
♦ We are establishing a Child Care Centre at HKIA to support working parents.

Enhancing staff transportation
♦ We work with the bus operators to offer fare concessions to airport staff and to increase the frequency of services and establish new routes. In 2015/16, 14 new routes and 88 additional daily bus trips were added, including five overnight express routes launched to enhance the transportation options for both staff and passengers.
♦ We also launched an overnight staff shuttle bus service to take staff from remote areas on the airport island to the public bus terminal.
ENGAGING WITH YOUNG PEOPLE

Young people in Hong Kong play an important role in fuelling the growth of the aviation industry. Listening to their views and expectations is therefore a crucial element of our community engagement strategy and long-term development plan. Through a series of focus groups, we asked a diverse range of young people how we can better engage with them. They also shared their ideas for improving our services and communication with passengers and the Hong Kong community.

Suggestions from young people

- Set up a training academy enabling young people coming out of college to serve apprenticeships, which would bring new manpower to the airport.
- Better promote the jobs available at HKIA to young people.
- Be innovative and open to new ideas; innovation and technology could help attract young people.
- Reach out to secondary schools to engage with young people at an early age so that AAHK and the industry are high in their minds when they graduate and start looking for jobs.
- International exposure is a sought after offer. If AAHK can offer international exchange programmes for its employees, it will be an attractive proposition to young people.
- As young people, we are looking ahead not looking back on how amazing Hong Kong was in the past. AAHK should focus on forward-thinking strategies to get more young people involved and interested.

Our responses

- AAHK is planning an Aviation Academy and organising job fairs to promote training and job opportunities for young people.
- AAHK is profiling different career options at HKIA through its website and HKIA News.
- AAHK has set up the HKIA Technovation Board to drive innovation and technology development and is investing substantial resources to build a smart airport.
- AAHK conducts regular airport tours and educational visits for young people.
- AAHK has established the “HKIA-Heathrow Staff Development Exchange Programme” to create international exchange opportunities with world leading airports for employees.
- AAHK is keen to engage with more young employees and stakeholders in the long-term development of HKIA.

Key Initiatives

Airport Ambassador Programme

AAHK has been running the Airport Ambassador Programme since 2002 in partnership with the Labour Department (under its Young Employment and Training Programme) and the Hong Kong Federation of Youth Groups. It provides on-the-job training and placement opportunities for young people interested in working at HKIA and in aviation-related industries. The programme recruits new ambassadors aged 18 to 24 on an annual basis. So far, more than 1,000 young people have graduated from the programme and about 65% of them have taken on aviation- and customer service-related jobs, including at AAHK.

Summer internship programme

AAHK offers an eight-week summer internship programme to university students and students from Hong Kong Institute of Vocational Education to provide them with structured training and first-hand job experience. In 2016, 57 summer trainees joined the programme and were attached to various departments across AAHK. Apart from working on departmental tasks, they also completed group projects on topics about airport operation and development, and engaging with young people.

Airport tours and educational visits

We regularly organise educational visits to the airport for students as an extension to their classroom learning. These visits consist of a presentation on HKIA, a look at an exhibition about our current and future development plans, and a tour of the airport facilities. In 2015/16, AAHK conducted over 70 airport visits and briefings for more than 4,000 secondary school students from districts across Hong Kong. They were encouraged to share their visit experiences through various creative media as part of the HKIA Educational Visit Sharing Programme. Another 35 airport visits and briefings were organised for about 1,800 students from universities and tertiary education institutes.

ENGAGING WITH UNIVERSITY STUDENTS ON SUSTAINABILITY

Over the past years, our Sustainability Department has organised airport visits and supported guest lectures for local universities to provide students the opportunity to better understand our sustainability commitment and performance, as well as to strengthen our communication with the young generation.

This year, we further engaged with the students of The Hong Kong University of Science and Technology as a supporting organisation of its undergraduate Business Ethics and Social Responsibility course during the Spring 2016 semester. The students were required to develop group projects on various sustainability issues related to HKIA. To support their assignment, we first arranged an airport visit and provided reference materials to help them develop project ideas. Further guidance was given to the students through an engagement session and email correspondence. At the end of the course, AAHK was one of the assessors of the final projects and student presentations. The students proposed interesting ideas and solutions on community engagement, food waste, carbon/energy management, carbon offsetting and renewable energy.
A DIALOGUE WITH YOUNG PEOPLE

As part of the sustainability reporting process, we conducted focus groups with young people to explore how AAHK could attract young talent to join the aviation industry and become an employer of choice. They expressed their interest for more direct engagement opportunities with companies. Therefore, we arranged for three focus group participants to pose their questions directly to Wilson Fung, AAHK’s Executive Director, Corporate Development, who oversees sustainability at AAHK.

Many companies at HKIA have difficulty recruiting and retaining people. What can AAHK do to attract more young people to work at HKIA?

We have to let young people know more about the operation and development of HKIA and the huge variety of job opportunities here. In addition to posts that people are familiar with, such as pilots and flight attendants, there are other interesting and rewarding jobs such as air traffic control, airport security, aircraft maintenance, airport facilities management, engineering and planning, which offer good long-term prospects, especially as the 3RS project gets underway. Of course, we have to keep improving staff transportation and amenities to provide a friendly and convenient working environment, and be more innovative and high-tech in running the airport, as this appeals to young people.

As a recent graduate, I am curious to know what kind of talent AAHK is looking for.

As the airport operator, we contract out most of our services. Hence, we are looking for all-rounded individuals who can eventually take up managerial roles that coordinate the whole airport operation. Being the only airport in Hong Kong, growing our own talent in airport management and succession planning are very important in order to sustain our operation and development. The Management Trainee, Graduate Engineer and summer internship programmes are examples of AAHK’s efforts.

Young people care about Corporate Social Responsibility. What is AAHK doing on this front?

One of our new initiatives is in community investment where we are adopting the “shared value” concept to leverage our unique position and resources to improve the livelihood and quality of life of targeted groups. This goes beyond philanthropy and focuses on long-term partnerships that benefit both HKIA and our community. The initiative will be launched next year.

It seems that most young people would join an airline if they are interested in the aviation industry. How do you attract them to work for AAHK instead?

We see the airport as a big community so we are happy to see young talent coming to work here, whether for the airlines or other companies. For the same reasons, we are setting up an Aviation Academy to provide a centralised training platform for young people interested not just in AAHK but in the entire aviation industry. It will strengthen the talent pool for the whole airport.

Apart from the 3RS project, are there any other interesting or challenging projects coming up?

3RS is no doubt a very significant project for both the HKIA and Hong Kong. But putting that aside, there are many other exciting projects on the horizon, for example, the Intermodal Transfer Terminal (ITT) and the North Commercial District (NCD). Around the airport, new transport infrastructure that will be completed soon includes the Hong Kong-Zhuhai-Macao Bridge and the Tuen Mun-Chai Lap Kok Link. These will dramatically enhance the connectivity of the airport to its vicinity. The ITT can leverage the transport infrastructure to extend the catchment of HKIA and the NCD will be a major attraction and destination in its own right, with hotel, retail, dining and the most up-to-date entertainment facilities.

We are also working on our Master Plan 2035. Our vision is for HKIA to create an “aerotropolis” for Hong Kong that drives the economic and social development of areas around it. The airport is not just a transportation hub for passengers and cargo, but also a key engine for the economic growth of Hong Kong.

It is good to hear this from you first-hand, but the general public or young people might not easily grasp this. How about using social media to better communicate this?

We are thinking how best to use social media but it is not easy, particularly for a statutory authority like AAHK. Unlike other communication platforms, social media entails a great measure of unpredictability and the last thing we want to see is our key messages being misunderstood. We have been using social media, albeit in a limited way, to communicate and share interesting stories, photos and videos on a regular basis. These are being complemented by other initiatives through conventional media channels. For example, we launched a series of “airport heroes” stories through our HKIA News and HKIA Blog to feature different HKIA staff members working behind the scenes to ensure a smooth journey for our passengers.

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SHOWCASING HONG KONG TO THE WORLD

For many people visiting Hong Kong, HKIA is their first and last impression of our city. Therefore, apart from providing high quality airport services and facilities, we also use the airport as a platform to showcase the unique culture and character of Hong Kong.

CASE STUDY

PROMOTING HONG KONG’S ARTS AND CULTURE

“I Love Hong Kong” Retail Zone

Hong Kong is known for its vibrant and creative local culture. An “I Love Hong Kong” retail zone was launched at L7 Departure East Hall as an epitome of Hong Kong with iconic retail brands and trades. To deliver the authentic taste and creativity of our local designers and entrepreneurs to passengers, we also introduced pop-up stores for local brands in the Departure Hall of Terminal 1. Passengers can bring home an essence of Hong Kong from the local products on offer.

‘Hong Kong Classics: Art, Culture and Music’

Under the direction of AAHK’s Arts and Culture Advisory Committee, the ‘Hong Kong Classics: Art, Culture and Music’ programme was launched for the first time in 2015. The six-month programme of performances and exhibitions at the airport showcased the best of local artists and musicians. The first integrated, culture-themed festival held at HKIA enhanced the airport’s artistic ambience and passenger experience while showcasing our unique local culture.

The airport is the gateway for travellers arriving in Hong Kong. By showcasing local art and cultural vibrancy at HKIA, we hope that the airport will become a place that promotes Hong Kong’s tourism and culture at the front line, and earns wider recognition and support from Hong Kong people. I welcome advice from the art and cultural sector and the wider community, which will help us gain more insights in programme positioning, theming and direction.

Anita Fung
Chairlady of the Arts and Culture Advisory Committee, AAHK
INVESTING IN THE LOCAL COMMUNITY

AAHK has supported various community causes through charitable donations and corporate volunteering in the past. We recognise that our stakeholders would like us to contribute more strategically to the Hong Kong community. The success of our business is tied to the prosperity and stability of Hong Kong, and as a responsible corporate citizen, we must play a role in addressing some of our city’s social and economic challenges.

Developing our Community Investment Strategy

We have begun taking a more strategic approach to our community investment (CI) strategy by targeting issues that directly impact the airport’s business, particularly labour shortage. Our objective is to devise measures that help address or resolve a community problem, which at the same time can enable the airport to continue to grow.

This approach is reflected in our CI vision statement:

“To contribute to the social and economic growth of Hong Kong, in particular Lantau and other neighbouring communities, by nurturing talent, realising the potential of individuals, and encouraging participation in aviation-related industries.”

Based on our vision, we conducted a feasibility study to identify the needs of our neighbouring communities and develop pilot project ideas that focus on people development. Our CI project will involve collaboration with non-governmental organisations, the community and airport business partners. Our overall strategy and project development will be finalised in 2016/17.

Supporting Local Technology and Innovation

In March 2015, the HKIA Innovation Centre collaborated with the Hong Kong Science and Technology Parks Corporation (HKSTP) to launch the “Technologies from Science Park at HKIA” programme. Through the programme, incubatees and start-ups at HKSTP have the opportunity to introduce their technological solutions and submit innovative project proposals to help address the business needs and challenges at HKIA.

CASE STUDY

LOCAL TECHNOLOGY FOR A SMART AIRPORT

During the year, we organised a roadshow at HKSTP to inspire and encourage local businesses to come up with technological innovations that will contribute to the creation of a ‘smarter’ airport. The main areas under exploration included robotics, the Internet of Things (IoT), mobile applications, display technology, big data and analytics, social media, operations monitoring and energy saving.

So far, we have received around 80 proposals for technologies that could improve airport operation. The three applications we are currently testing/implementing as ‘proof of concept’ projects are:

♦ The use of high speed imaging technology for automated optical inspection (AOI) of the airfield ground lighting (AGL) system. The proposed solution would significantly improve the efficiency and accuracy of AGL maintenance inspection, which currently relies on human visual inspection and manual checks. The project commenced in February 2016.

♦ The use of Human Intrusion Detection and Alarm System (HIDAS) to detect human presence on the moving belts of our baggage handling system bridging the landside and airside areas. We conducted tests that confirmed 100% accuracy of detection. The technology is ready for full-scale implementation planning.

♦ The installation of wireless mobile charging stations for electronic devices.

We appreciate the opportunity to partner with AAHK in demonstrating how home-grown innovative technologies can add value to a world-class airport by enhancing its operational efficiency. The “Technologies from Science Park” programme connects technology start-ups like us with large organisations, enabling us to jumpstart and showcase our business and catalyse adoption of our innovations.

Dr Nick Lau
Director of PHO Imaging Limited
## SUPPLY CHAIN SUSTAINABILITY

Many of the primary services for AAHK’s airport management and development work are outsourced to contractors and suppliers. Our procurement activities are managed separately for daily operation and for development projects. As the airport operator, we oversee the sustainability of HKIA as a whole, and it is important that we work with reputable contractors and suppliers that manage their environmental and social impacts responsibly.

### Procurement for Daily Operation in 2015/16

#### Spend profile by type

- Operation-related goods and services: 18%
- Maintenance and engineering works: 11%
- Airport-specific equipment: 12%
- IT and telecommunications: 17%
- General goods and services: 33%

#### Spend profile by geographical location of suppliers

- Hong Kong: 90%
- Outside Hong Kong: 10%

### Procurement for Development Projects in 2015/16

#### Number of contracts awarded:

- 14

#### Value of contracts awarded:

- HK$6.1 billion

### Managing Supply Chain Sustainability

In 2014/15, we developed and launched a five-year plan for managing sustainability matters in our supply chain. We committed to embed sustainability considerations in our procurement processes, including the selection of suppliers. Our plan follows a three-pronged approach to reflect the different levels of control that AAHK exercises over its supply chain. For details of the progress made in 2015/16 and future actions, please refer to the ‘Supply Chain Sustainability’ section in the Appendices.

### Mapping sustainability risks

To better understand the risks in our supply chain, we conducted a self-assessment of the key sustainability risks related to the main categories of goods and services we procure, and developed a preliminary risk map.

The findings of the mapping exercise suggest that:

- The environmental, social and governance impacts that pose the most significant supply chain risks are related to workplace health and safety, working conditions, corruption and bribery, pollution, waste and use of materials.
- The provision of goods and services in relation to maintenance and engineering works, such as civil and structural works, and for airport-specific equipment, such as aircraft loading bridges or the baggage handling system was identified as having a higher level of risk.

#### Types of goods and services

<table>
<thead>
<tr>
<th>Types of goods and services</th>
<th>Impacts with significant risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport-specific equipment</td>
<td>- Pollution&lt;br&gt;- Use of materials&lt;br&gt;- Workplace health and safety</td>
</tr>
<tr>
<td>Maintenance and engineering works</td>
<td>- Pollution&lt;br&gt;- Energy&lt;br&gt;- Greenhouse gas (GHG) emissions&lt;br&gt;- Ecology&lt;br&gt;- Noise&lt;br&gt;- Workplace health and safety&lt;br&gt;- Wages and benefits&lt;br&gt;- Corruption and bribery</td>
</tr>
<tr>
<td>Operation-related goods and services</td>
<td>- Pollution&lt;br&gt;- Energy&lt;br&gt;- GHG emissions&lt;br&gt;- Waste&lt;br&gt;- Workplace health and safety</td>
</tr>
<tr>
<td>General goods and services</td>
<td>- Waste&lt;br&gt;- Use of materials&lt;br&gt;- Workplace health and safety&lt;br&gt;- Corruption and bribery&lt;br&gt;- Community health and safety</td>
</tr>
</tbody>
</table>

While we have systems, procedures and processes in place to manage supply chain-related risks when they occur on-site, particularly related to health and safety and pollution control, we have identified areas where our management approach could be enhanced to reduce these impacts and the associated risks, such as working conditions and waste management. Moreover, there is a need to establish a system to assess our suppliers’ upstream activities for social and environmental impacts and manage the associated risks.

Based on these results, we will develop a methodology for more in-depth assessment of supply chain risks. The methodology will focus on the categories of goods and services, the supply chain stages and impacts that were identified as having a higher risk for AAHK.

For more details about the risk mapping process and findings, please refer to the ‘Supply Chain Sustainability’ section in the Appendices.

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(1) Excludes spending on development projects and Government-related services and expenses. (2) Covers the primary goods and services for daily airport operation. (3) Includes building services, electrical and mechanical, infrastructure, civil and utilities works, and related consultancy services. (4) Includes the provision of supply, installation and maintenance services for airport-specific equipment such as airfield ground lighting, aircraft loading bridges, automated people mover and baggage handling systems. (5) Covers a variety of goods and services including administrative, consultancy and professional services.