

At CDB Aviation, we believe strong governance is non-negotiable.

We are committed to transparency and support the adoption of new disclosures standards as a means to drive progress on the sustainable development agenda.



100%

staff completion of
compliance & cyber
security training



ISO 27001

aligned security
standards



Dedicated

Sustainability

Committee



China-SOX

Compliant

CDB Leasing strong
track record in ESG
reporting

8

Annual Reports to date



**Developed
new Supplier
Code of Conduct**

**Financial Action Task
Force best practice
AML policies and
procedures**



Launched
**new confidential
whistleblowing
hotline**

ETHICS & COMPLIANCE

Why it matters?

CDB Aviation is one of the world's leading aviation lessors and operates globally, adhering to and complying with all applicable laws and regulatory regimes in our home jurisdictions of Ireland, the EU, China and Hong Kong, in addition to all jurisdictions where we conduct business. We uphold the highest standards of ethics, cognisant that doing so is also a business imperative. Our reputation and the trust of our customers and stakeholders depends on it, as does our commercial and financial success.

Key targets:

- Enhance systems to ensure best-in-class compliance oversight
- Zero cyber security breaches
- 100% of staff trained on ethics and compliance annually

Key Actions for 2024:

- Enhance our staff training and communications on ethics and compliance
- Automate and enhance systems to facilitate implementation of compliance framework
- Complete internal audit on various key compliance areas



Our staff members are expected to conduct themselves with the highest standards of ethics and integrity

Maintaining the highest levels of ethics and integrity are non-negotiable core values of CDB Aviation and it was no surprise to the company when Ethics and Compliance emerged as the highest priority among our stakeholders when we conducted our materiality assessment in 2022. We systemically and actively seek to protect the strong reputation of the company, our shareholder, staff members, customers and all other stakeholders in all our business dealings. Our staff members are expected to conduct themselves with the highest standards of ethics and integrity as outlined by our Staff Member Code of Conduct.

Approach to Compliance

We have developed a robust compliance framework and established processes. Working closely with our shareholder company, CDB Leasing, and respective local law legal advisers, we ensure strict compliance with all relevant applicable laws and regulations. Our C-Suite KPIs are also designed to ensure the business operates in an ethical and fully compliant manner.

Our processes ensure close co-operation and alignment of our compliance team with other internal functions including Internal Audit, Risk, and Finance to ensure that overlapping controls are in place where required, in addition to reducing duplication of effort. To enhance the compliance function in the organisation, our Compliance Team communicates regularly with staff, keeping them apprised of topics of interest and new developments.

In keeping with best practice, we adopt a '3 lines of defence' approach to compliance, which is set out as follows on the right.



Oversight of the '3 lines of defence' approach is provided in the first instance by the C-Suite and ultimately at Board level, where our Audit and Compliance Committee oversees business dealings to ensure we are in full compliance with applicable regulations and best practice standards.

In addition, compliance is a standing agenda item at quarterly board meetings, with additional communications taking place with Board and C-Suite members as and when required throughout the year.

Policies and Procedures

CDB Aviation has a full suite of compliance policies and procedures in place which are designed to ensure we always conduct business in an ethical manner and to protect staff members and stakeholders from potential compliance or ethics risks. These policies (detailed below) were reviewed and updated during the course of 2023 to ensure continued relevance and accuracy with particular emphasis on heightened risk areas such as sanctions and fraud:

- Anti-money laundering, sanctions and know your customer
- Anti-bribery policy, corruption and anti-fraud
- Data protection
- Whistleblowing
- Conflicts of interest
- Dealings in securities
- Confidential information

We also have an annual compliance monitoring programme in place for key risk areas such as anti-money laundering, anti-bribery and corruption, and international sanctions. In 2023, we carried out updated risk assessments for these areas to ensure that CDB Aviation is continuing to identify key risk areas and follows international best practice standards.

Ethics and Compliance Training

CDB Aviation provides a detailed and comprehensive compliance training programme which is mandatory for all staff members. This is provided both in-person and online for staff members.

In 2023, detailed training was provided on the following topics, through a combination of in-person training sessions and online sessions. Attendance and completion of these was mandatory for all staff:

- Anti-money laundering
- Anti-bribery and corruption
- International sanctions

In addition, there were compliance-related communications and webinars to all staff, including on the following topics:

- Staff member code of conduct
- Conflicts of interest
- Dealing with government officials
- Lobbying of designated public officials
- Examples of bribery and corruption in the aviation sector

Each staff member is required to complete an annual staff certification where they acknowledge their understanding of the requirements under the core compliance policies listed above. A 100% staff completion rate is sought and attained by the end of Q1 each year.

During 2023, the compliance team provided a series of functional specific targeted training sessions aimed at enhancing staff understanding of compliance across the wider business. This was complemented by additional compliance training for Board members and C-Suite, and the rollout of data privacy training to the Data Privacy Working Group, a focused working group comprised of representatives from the Legal, HR, IT and Data Governance teams.





Whistleblowing

CDB Aviation strives for a workplace which is ethical, open and transparent. Adopting clear formal procedures on whistleblowing is an important step to achieving this form of workplace. In addition, the promotion of a 'speak-up' culture enables companies to keep a finger on the pulse and make better-informed decisions.

As part of our commitment to good governance, in 2023, CDB Aviation put in place a new confidential hotline through which staff can safely raise, in an anonymous manner, concerns about possible violations of ethical codes and report any issues or breaches. This was a key step in ensuring our staff members have a safe and confidential point of contact to report any concerns they may have and to encourage them to do so.

We are pleased to report that we had no whistleblowing incidents in 2023.



Risk Management

Our approach to risk management is guided by our Risk Management Framework which sets out clearly our approach to the governance, implementation and workings of risk management practices across the organisation. The approach is supported by the fostering of a risk awareness culture, and combined with our framework, it enables us to prepare and respond to changing circumstances.

Our risk reporting is conducted in the first instance by a number of teams working together across the business. Each team has specific procedures they follow to identify and mitigate risks related to their work on a day-to-day basis. Our Strategy and Risk Teams liaise to review longer-term risks to ensure these are effectively factored into business planning. The outcome of this process enables us to identify, assess and prioritise material topics including ongoing and emerging risks.

To aid decision-making when purchasing aircraft, and given the high capital cost, value and long life-cycle of the asset, we have rigorous controls in place to assess risk. Some of the key variables considered on transactions include:

- Airline creditworthiness
- Country risk / concentration
- Asset type (core vs non-core assets)
- New generation vs current generation technology

Alignment with our sustainability strategy including new ESG metrics for our asset and credit evaluation process as we make investment decisions.



Information Security and Privacy

Information security has emerged as a primary risk area in an increasingly digitalised world. Consequently, our approach to cyber security is taken with the utmost seriousness by our Shareholder, Board and Management Team.

In recognition of its importance as a potential issue, our IT team reports formally twice a year to the Audit and Compliance Committee in relation to CDB Aviation's cyber security position.

The company has implemented a range of procedures and measures to build its security, including that all IT procedures are aligned to the ISO 27001 standard on information security. We continue to invest in security and make best-in-class use of data and technology through the implementation of a cloud-first strategy. This approach allows for greater agility and speed to change, adjust and respond effectively to any potential data security issues.

Working closely with our cyber partners, we have implemented a Security Information and Event Management (SIEM) solution to ensure resilience within our system at all times. The SIEM solution provides real-time analysis of security alerts generated by our applications and day-to-day workings.

As part of our ongoing investment in cyber security protection, CDB Aviation has a number of initiatives underway to further embed and increase the maturity of cyber security within the organisation and to adopt a continuous approach to service improvement.



Human Rights

Ethical behaviour within the organisation is of the highest importance to CDB Aviation. This principle extends to having zero tolerance, both within our company and the suppliers we work with, for any activity that is illegal, unethical or that breaches human rights.

We believe that the risk of modern slavery or human trafficking in the aviation leasing industry is relatively low and to date, CDB Aviation has not identified any occurrences of modern slavery or human trafficking in our business or supply chain. In addition, we are not aware of any such instances in the wider aircraft leasing industry.

Nevertheless, we recognise that modern slavery and human trafficking are serious issues that we must be alert to on an ongoing basis. We are also cognisant that while disclosures and actions on human rights issues have been voluntary to date, new requirements are likely to follow under the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD). In preparation for greater levels of disclosures, CDB Aviation published its first anti-slavery and human trafficking statement in 2023.

SUSTAINABLE SUPPLY CHAIN

Why it matters?

In the aviation leasing industry, a robust supply chain is essential to support business operations. We expect all suppliers to adhere to high standards of business conduct and environmental, social, and governance practices. By implementing sustainable procurement practices we can use our purchasing power to influence suppliers' ESG performance and improve the sustainability of our business.

Key targets:

- 100% of key suppliers adhering to new CDB Aviation Supplier Code of Conduct by end of 2024

Launch enhanced procurement processes to assess supplier sustainability performance and incorporate this into supplier selection and performance management

Key Actions for 2024:

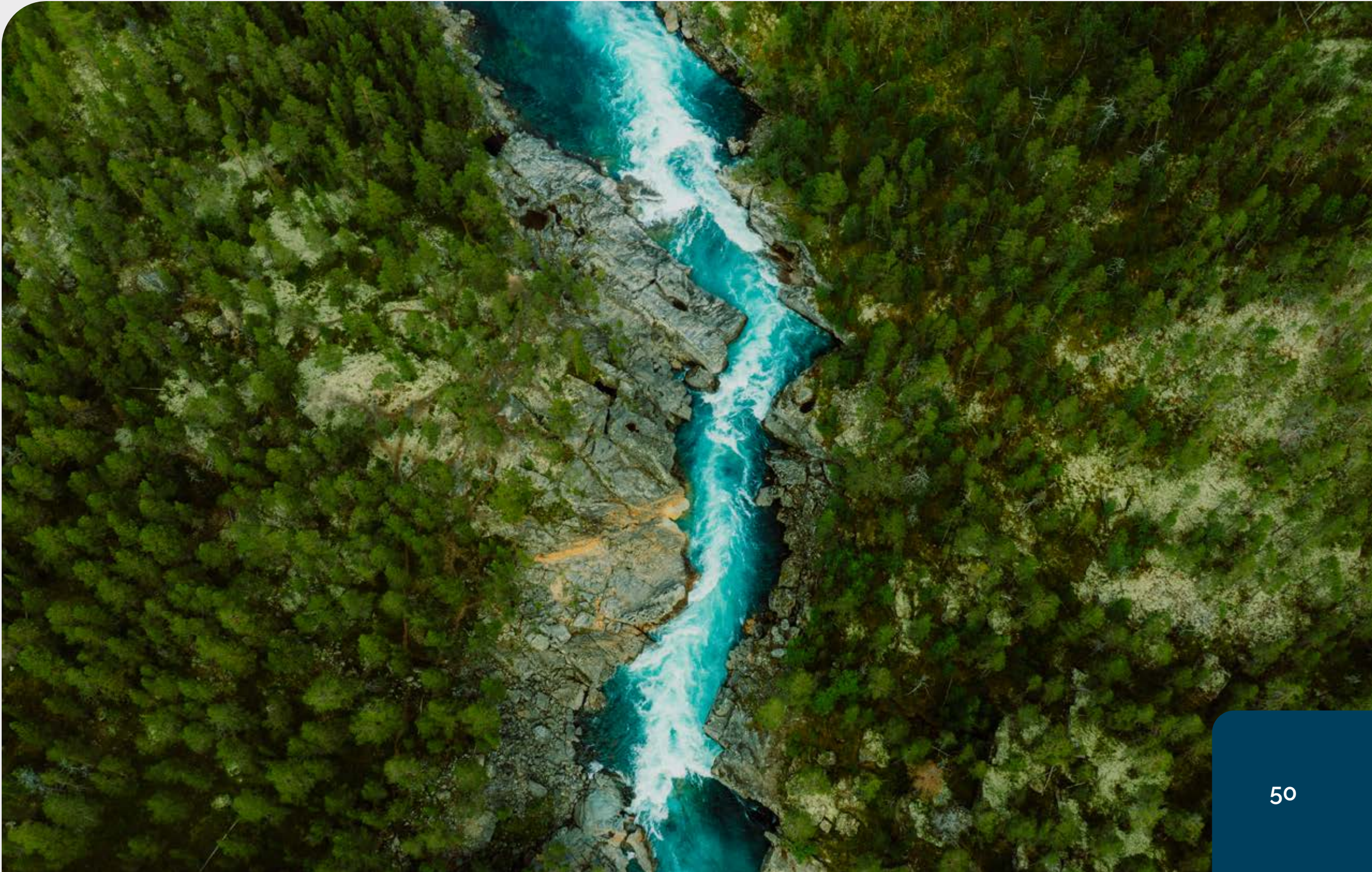
- Finalise baseline review of current suppliers to assess their sustainability performance
- Implement new Supplier Code of Conduct and Supplier Sustainability Questionnaire



**We recognise that
our supply chain is a
significant contributor
to our environmental
impact.**

CDB Aviation operates in a complex industry and deals with a wide range of organisations across its supplier base. This varies from financial institutions and professional services firms, to IT system providers, utility companies, office catering, and stationery suppliers. On the aviation side, the principal supply relationships are with the leading OEMs including Airbus, Boeing, CFM, Pratt & Whitney and Rolls Royce. We also contract with a considerable number of suppliers in relation to aircraft fitout.

We recognise that our supply chain is a significant contributor to our environmental impact and that it is our responsibility to reduce those impacts by setting certain standards for our suppliers, encouraging or incentivising them to reach or surpass those standards, and partnering with them to drive improvements. When it comes to social impacts, we have a similar responsibility to ensure that all people within our supply chain are treated well and that high standards of human and labour rights are upheld.



New Supplier Code of Conduct

In 2023, CDB Aviation prepared and finalised its inaugural Supplier Code of Conduct. This was developed on a cross-functional basis with significant input from our OEM, Procurement and Legal and Compliance teams. The Supplier Code of Conduct outlines the standards to which CDB Aviation requires all suppliers to adhere in terms of business ethics, environmental sustainability, employment practices, human and labour rights, and information protection.

Alongside this, CDB Aviation has begun its baseline review of key suppliers to assess their sustainability performance. This involved the preparation of a Supplier Sustainability Questionnaire initially targeted at key suppliers, particularly those on the aviation side.

Approach to Procurement

Having developed our Supplier Code of Conduct and begun its rollout, we are committed in 2024 to further reviewing our relationships with our key suppliers to ensure that we minimise any ESG-related risks. We truly believe we can use our not insignificant purchasing power to influence positive behavioural change towards achieving greater levels of sustainability across our supply chain.

To date, our procurement policy required all new suppliers to be risk assessed according to various criteria, such as sector, country, and impact risk, in order to determine whether further due diligence was required. In 2024, we plan to further expand these criteria to incorporate sustainability criteria into supplier selection decisions.

Due diligence process for asset transactions:

- **Know Your Customer (KYC)**

CDB Aviation conducts KYC checks on both our customers and business partners. The KYC process involves three steps: Customer Identification, Customer Due Diligence and Ongoing Monitoring. It is overseen by our Compliance Team with the assistance of the deal team involved in a particular transaction. The KYC process must be completed before we enter into any dealings with new clients. For existing clients, we review KYC periodically with the frequency of review dependent on the risk rating assigned to the particular client.

- **Certifications and standards**

We seek suppliers who meet and maintain high industry standards. Any suppliers we engage with to purchase parts or materials for an aircraft must have their products approved by EASA (European Union Aviation Safety Agency), FAA (Federal Aviation Administration) or JAA (Joint Aviation Authorities).



ESG GOVERNANCE INTEGRATION

Why it matters?

The successful management of ESG risks and opportunities is critical to CDB Aviation's long-term commercial success. It is essential that ESG considerations are properly integrated into our governance framework and become mainstreamed as part of Business as Usual (BAU).

Key targets:

- Maintain a strong ESG risk rating from a recognised ESG rating provider

Key Actions for 2024:

- Publish our second sustainability report
- Continue to enhance our understanding of our business's exposure to climate risk and improve our TCFD-aligned climate risk disclosures
- Prepare for the introduction of CSRD reporting requirements



In 2023, we were delighted to receive our first ESG Risk Rating from Morningstar Sustainalytics.

In order to fulfil our ESG ambitions, we rely upon a strong established governance framework that is in place as part of operating in a highly regulated and scrutinised industry. Following the development of our inaugural sustainability strategy in 2022, as part of our plans to build and scale sustainability in our organisation and to influence our stakeholders, it is imperative we continue to embed and incorporate ESG considerations into the workings of this framework.

It is also crucial that we have strong policies and processes in place to manage ESG risks. In 2023, we were delighted to receive our first ESG Risk Rating from Morningstar Sustainalytics, achieving a 'Low ESG Risk' rating of 15.6, with one of the top scores among aircraft lessors and placing CDB Aviation in the top 6th percentile of over 200 global organisations across the sub-industry category "Traders and Distributors". This outcome is a testament to the very considerable progress achieved by the company across a diverse range of sustainability initiatives, and one for which our staff can feel very proud.

In January 2024, we were further recognised by Sustainalytics as a 2024 ESG Top-Rated Company and awarded the Sustainalytics 2024 ESG Top-Rated Badge.



ESG Governance Structure

Board Members



Madam Hong Ma
Chairperson & Non-Executive Director



Jie Chen
Chief Executive Officer & Executive Director



Yu Chen
Non-Executive Director



Alan Geraghty
Non-Executive Director



Chris Quinn
Non-Executive Director



Stephen Kavanagh
Non-Executive Director

Leadership



Jie Chen
Chief Executive Officer



Zheng Huang
Chief Investment Officer



Brendan O'Neill
Chief Financial Officer



Fiona Scott
Chief People Officer



Peter Goodman
Chief Marketing Officer

Sustainability Committee

A key action for 2023 was to establish a Sustainability Committee with oversight responsibility for our sustainability strategy and all relevant ESG topics. This committee is made up of senior leaders from across the business and reports directly to the CEO and senior management of the company.

During the year, we formalised the Sustainability Committee's Terms of Reference. The Committee is tasked with further developing the sustainability strategy and implementation plan for the business and driving the ESG agenda throughout the organisation. The Committee also has responsibility for ESG company policies, standards, reporting and disclosures, along with ESG-related auditing and compliance issues.

Transaction Approval Processes

As a leading aviation lessor with 293 aircraft in our fleet, our business model involves the completion of multiple transactions annually as we make investment decisions on an ongoing basis. As such, our governance process is set up to operate at a transactional level. Each deal must follow one of two internal approval and recommendation processes, starting with an Investment Committee (IC) recommendation, then followed by different levels of Board approval depending on the significance of the underlying transaction or project.

Our IC is comprised of C-Suite members, who engage with deal team members to consider the economics, potential exposure, key risks and any other relevant information about the deal. The IC makes a recommendation in relation to the transaction which is then assessed by the Board as required.

Integrating ESG into Credit and Investment Analysis

Our approach to credit and investment analysis includes an extensive due diligence process depending on the type of transaction. In 2023, CDB Aviation introduced new ESG metrics into its asset and credit evaluation process as it makes investment decisions. (See Environment chapter, page 17, for further details.)

This new approach allows us to make holistic decisions – considering both economic and environmental drivers – about the assets we add to the portfolio and those we dispose of, as we focus increasingly on lower emission, newer generation aircraft. The ESG metrics are directly aligned with our publicly stated targets including achieving 60% of our total fleet as new generation aircraft by 2025, as well as meeting the conditions of our new sustainability linked loan signed in December 2023. Where appropriate, the IC will propose mitigation actions to try and maximise alignment with our overarching sustainability targets.

Managing Climate Risk

Climate change presents significant risks for the aviation industry and for CDB Aviation as a business. In understanding and managing our exposure to climate risk, we have been guided by the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). In our 2022 sustainability report, we shared the results of our first, high-level climate risk assessment aligned to TCFD. In 2023, our Strategy Team reviewed and updated this initial assessment, and we provide our updated TCFD disclosures in the Appendices on page 71.



In 2023, CDB Aviation introduced new ESG metrics into its asset and credit evaluation process as it makes investment decisions.



Our TCFD-aligned disclosures on climate risk can be found in the Appendices section of this report.



CDB
AVIATION

DUBLIN 1GQ George's Quay, Dublin 2, Ireland

HONG KONG 20/F, Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong

CDBAviation.aero