



**ENVIRONMENTAL, SOCIAL, AND
GOVERNANCE (“ESG”) POLICY**
EFFECTIVE AS OF FEBRUARY, 2022



Dubai Aerospace Enterprise

INTRODUCTION

About DAE

Dubai Aerospace Enterprise (DAE) Ltd (“**DAE**”, “**we**”, or the “**Company**”) is a globally recognized aviation services corporation with two divisions: Aircraft Leasing and Engineering. Headquartered in Dubai, DAE serves over 170 airline customers in over 65 countries from its seven office locations in Dubai, Dublin, Amman, Singapore, Miami, New York, and Seattle.

DAE’s award-winning Aircraft Leasing division has an owned, managed, committed, and mandated to manage fleet of approximately 425 Airbus, ATR and Boeing aircraft with a fleet value exceeding US\$16 billion, as of January 2022. DAE’s Engineering division serves customers in Europe, Middle East, Africa, and South Asia from its state-of-the-art facility accommodating up to 17 wide and narrow body aircraft. It is authorized to work on 13 aircraft types and has regulatory approval from over 25 regulators globally. More information can be found on the Company’s web site at www.dubaiaerospace.com.

Policy Purpose

This ESG Policy (the “**Policy**”) details DAE’s commitment to responsible business practices, specifically in the areas of:

- Environmental Stewardship;
- Social Responsibility; and
- Governance, Ethics, and Compliance.

The Policy seeks to formalize our commitments to integrate ESG factors into our business as we strive to build a sustainable, equitable, and ethical business through our ESG commitments.

Principles and Strategy

By embedding ESG into our operations, we create value for our business by expanding our value proposition, deepening our stakeholder relationships, attracting and retaining talent, and reducing our capital costs through sustainable financing.

ESG will be a defining theme for corporates over the coming decade, and DAE is committed to becoming a more sustainable company. As a global aviation services company, we recognize the role we play in reducing our industry’s global greenhouse emissions to ensure that the aviation industry reaches net zero by 2050, in line with IATA targets.

Our Core ESG Strategy centres around three key themes:

- **TRANSPARENCY**
- **INNOVATION AND BUSINESS INTEGRATION**
- **IMPLEMENTATION AND ACCOUNTABILITY**

Oversight and Implementation

DAE’s ESG Working Group has direct oversight over DAE’s ESG program. The ESG Working Group reports directly to the Chief Executive Officer. The ESG Working Group supports DAE’s business strategy by setting goals that are informed by our stakeholder community and are supported by our senior leadership team. The ESG Working Group tracks our ESG performance and reports annually to our stakeholder group.

ENVIRONMENTAL STEWARDSHIP

Our Policy aim is to effectively manage our greenhouse gas (GHG) emissions across the business.

The depletion of natural resources and the threat of climate change have raised legitimate concerns about the environment, and the potential financial impacts on our business. We will take the following steps to manage our GHG emissions:

- DAE will deploy its capital to acquire modern, efficient assets that meet our customers' needs and lower the carbon intensity of our fleet
- DAE will seek and deploy innovative technologies to enhance the resilience of our buildings and maximise their environmental efficiency
- DAE will engage with its industry peers, customers, and suppliers, as well as other internal and external stakeholders to drive sustainable innovation and systemic change

SOCIAL RESPONSIBILITY

Our Policy aim is to maintain an inclusive, equitable, and diverse workplace that attracts and retains top talent and fosters an outstanding work culture.

DAE is proud to be a diverse and inclusive employer. We truly understand the competitive advantage and commercial benefits of having a diverse work culture, just as we also understand the positive impact this has on employees, communities, and society. We will take the following steps to maintain a socially responsible workplace:

- DAE will pay competitively within each market that we operate, as well as providing what we consider to be a strong benefit package to our employees
- DAE will seek to maintain a positive workplace environment, free from discrimination, harassment, and promoting fairness and equality, in accordance with our [Code of Conduct](#)
- DAE will engage with employees, contractors, and suppliers around safety, health, and wellness

GOVERNANCE, ETHICS, AND COMPLIANCE

Our Policy aim is to maintain strong oversight, transparency, and risk management in compliance with the letter and the spirit of all applicable laws and regulations in the jurisdictions in which we operate.

DAE is committed to good corporate governance, which helps us compete more effectively, sustain success and build long-term shareholder value. We will take the following steps to continually focus on fostering good corporate governance:

- DAE will maintain strong corporate governance policies, procedures, and practices fostering board stewardship, management accountability, and proactive risk management
- DAE will maintain high ethical standards for all our directors, employees, and contractors, all of whom are expected to conduct themselves in accordance with the highest ethical and moral standards, as informed by our [Code of Conduct](#)
- DAE will foster strong stakeholder relationships through transparency, open communication, and active engagement with stakeholder inputs, in accordance with our [Stakeholder Engagement Policy](#)

MONITORING AND REPORTING

Our Policy aim is to provide effective, transparent, and impactful ESG reporting to DAE's stakeholders.

DAE firmly believes that transparent and balanced reporting is vital to ensuring that DAE is accountable to its stakeholders for its actions, and we will take the following steps to achieve this Policy's aim:

- DAE will report to stakeholders on an annual basis, in the first quarter after the end of a financial year on material ESG matters
- DAE will continue to engage with its stakeholders, in accordance with its [Stakeholder Engagement Policy](#), to ensure that the ESG Working Group's assessment of materiality in the context of ESG matters is aligned with that of the consumers of our ESG reporting
- DAE will standardise its reporting to global best practices, with due regard for regulatory standards as they apply to DAE's operations

ASSESSMENT OF KEY TRANSITIONAL RISKS

Risk Type	Risk Description	Potential Financial Impact	Potential Risk Management
Policy	Increasing regulation and government policy designed to combat climate change has the potential to materially impact aviation and travel industries	Increasing cost and complexity of regulatory compliance for airline customers across various markets may impact airline customers' ability to make lease payments, causing an increase in lease defaults	DAE continues to invest in fuel efficient, new technology aircraft and progressively decommission older aircraft to support our airline customers to manage their requirements to meet regulatory changes
Policy	Pricing GHG Emissions and increases in carbon taxes	Increasing cost of doing business which may materially impact margins for DAE's business (notably DAE Engineering), and increasing the cost for our airline customers which may impact airline customers' ability to make lease payments, causing an increase in lease defaults	DAE continues to invest in fuel efficient, new technology aircraft and progressively decommission older aircraft to support our airline customers to manage their requirements to meet regulatory changes. DAE is also working proactively with its stakeholders and business lines to reduce the carbon intensity of our operations
Policy	Ban on short haul flights	DAE's fleet consists of a number of smaller narrowbody aircraft and turboprops, which many airlines (particularly in larger domestic markets) use on domestic/short haul flights. Such a ban could materially reduce demand for these aircraft, which would in turn impact DAE's ability to profitably lease aircraft to airline customers	The aircraft in DAE's fleet that fall into this category are predominantly ATR72-600 aircraft which are highly fuel efficient relative to their regional jet peers
Policy	Increased ESG Reporting Requirements	Increased business costs if the complexity of complying with regulatory ESG reporting requirements materially changes	DAE currently reports in line with GRI which is the most widely used ESG reporting framework, and is developing internal expertise on ESG reporting to manage this risk
Technology	Risk that technology advancement in the aviation sector does not advance quickly enough to keep up with global aviation GHG reduction targets	Airline customers are not able to meet their emissions reduction targets through fleet renewal and sustainable aviation fuel implementation, which may impact their operating cost line and may impact airline customers' ability to make lease payments, causing an increase in lease defaults	Over 25% of DAE's annual revenue is now derived from new technology assets, and this is set to continue to increase, DAE is expecting to continue to increase the proportion of its fleet that is new technology aircraft
Technology	Risk of increased retirements of older, less fuel-efficient aircraft	DAE Engineering has broad maintenance capabilities on older aircraft types, and increased retirements may have a material impact on the business' revenue	DAE Engineering has 13 aircraft type approvals, including a number of new technology aircraft, and it is forecast that a reduction in older technology aircraft being inducted into Maintenance, Repair, and Overhaul (MRO) will be replaced by an increased number of new technology aircraft in global fleets
Reputational	Risk that public concerns around climate change may affect DAE's brand image and reputation	Investor pressure to increase DAE's sustainability may increase the cost of DAE's funding or otherwise impact DAE's ability to access capital Poor sustainability performance may impact DAE's ability to attract and retain talent, and may impact the business relationships DAE has with airline customers	DAE is developing a comprehensive sustainability strategy to more formally embed sustainability into the business, and is exploring all options to manage and reduce the Company's carbon emissions
Resource Efficiency	Lack of short-term decarbonization options for aviation, which increases reliance on carbon offsets to reduce carbon emissions	Carbon offsets impose a financial burden on companies and do not always represent the most efficient way of delivering co-benefits to the communities in which we operate	DAE does not currently purchase carbon offsets and is exploring alternative partnerships in local communities and with businesses to source similar or better carbon reductions while also delivering the co-benefits that carbon offsets lack

APPENDIX 1: POLICY STATEMENT ON SUSTAINABLE ELECTRICITY USE

DAE operates in seven locations in five countries, comprising of six Grade A office spaces, and one maintenance, repair, and overhaul (MRO) facility. DAE is committed to reducing the carbon intensity of its operations, particularly through the use of sustainable energy consumption.

DAE's stated goal is for its DAE Capital division to operate with 100% sustainable electricity by 2025.

To achieve this, DAE Capital will engage with each of its energy providers locally with a view to negotiate and execute a sustainable energy supply contract as soon as practical.

In certain circumstances, this may not be feasible, where for example, the energy supply of an office is provided directly through the building's supply. When this is the case, DAE Capital will instead engage with its landlord(s) with a view to achieve a net-zero outcome, or alternatively seek to procure a carbon offsetting contract to offset the impact of the emissions of that office.

This Policy's goal is to have all contracts in place by 2025.