

June 2024

ESG Report 2023



Background

NAC's strategy is to stay a global leader in regional aircraft leasing and expand into larger narrowbody aircraft leveraging our world class asset management platform.

During 2023, substantial progress was made in reshaping our fleet. We are investing in best-in-class regional aircraft such as the ATR72-600 and A220, while phasing out less efficient Q400 and E-Jet E1 types. Our narrowbody investments in the A320/737 family have so far been 80% in the new A320neo/737 MAX technology and we also recently established an order position for the best-in-class A321neo. Along with the portfolio activity, we exceeded our financial targets, generating net income of \$72 million and EBITDA of \$338 million with a solid 2.5x net debt to equity ratio.

I am also pleased to report that in 2023, NAC met all its ESG commitments originally set forth in our inaugural 2022 report. Furthermore, we undertook an ESG risk rating review with **Morningstar Sustainalytics**, a leading global ESG ratings, research and data provider. In May 2024, NAC received a rating of 8.9, placing the company in the top tier "0-10 Negligible ESG Risk" level. NAC is the only aircraft leasing company in this top category.

ESG approach

As a mid-tier lessor, our aim for ESG is to implement **Specific Business Practices** where we can have impact and define **Metrics** both to benchmark and improve our business and emissions. We made meaningful progress during 2023 as highlighted below.

Environmental

In 2022, we committed to offset the CO₂ emissions of our aircraft transition flights and employee long-haul travel, entering into arrangements with GE Aerospace and Pratt & Whitney Canada to buy **CORSIA Compliant Carbon Credits**. During 2023, we purchased 664 tonnes of Carbon Credits to offset transition flights, and 144 tonnes of credits to offset employee long-haul business travel. Our Scope 1 and 2 emissions were reduced from 2,213 tonnes in 2022 to 875 tonnes in 2023 due to our transition flights declining as our AOG count lowered, and our employee/facilities footprint was reduced.

Beyond offsetting CO₂ emissions, in 2023 NAC committed that each aircraft we deliver from an OEM to a customer will have at least 5% **Sustainable Aviation Fuel** on board. The first of such deliveries was made to AirSWIFT, which ferried a brand new ATR72-600 with the latest PW127XT engines from France to the Philippines in November 2023. We worked with our airline customer plus ATR and TotalEnergies on this project.

2022's ESG report highlighted our **Regional Aircraft Rollover** with the objective of reducing our exposure to older, less efficient, out of production aircraft such as the Q400 and E-Jet E1s. We have sold or committed to sell over 180 aircraft in the last 30 months to 40 parties including airlines, other lessors, part out firms and MROs. Sales will amount to **nearly \$1 billion**, well in excess of our original goal of 100 aircraft for \$400 million. NAC had at its peak in the past, about 90 Q400s and 180 E-Jet E1s. After the sales are concluded, we expect to have 12 Q400s and 46 E-Jet E1s remaining.

NAC's expansion into narrowbody aircraft has been guided by our **New Tech/Used Narrowbody Mix** investment target of 60-70% by value in the A320neo/737 MAX new technology families and 30-40% in used A320ceo/737NG aircraft. To date, we have committed **over \$900 million** via purchase/lease backs and new order placements. 85% of the commitments are new technology aircraft (A320neo/737 MAX/A220/ATR72-600), with 80% of the A320/737 narrowbodies being new technology neos/MAXs.

We continued to work with Estuaire, an emissions advisory group, to better understand the NAC **Fleet Emissions Baseline**. Their emissions model was run on over 340,700 flights undertaken by NAC's leased fleet in 2023. In total, our leased fleet's Scope 3 emissions stand at 1,757 kilo-tonnes of CO₂ from direct fuel burn, and 2,902 kilo-tonnes of CO₂ equivalents when we add in greenhouse gases, persistent contrails, fuel supply, aircraft manufacturing and airport utilization. This is an increase over 2022, where our emissions were 897 kilo-tonnes of direct CO₂, and 1,934 kilo-tonnes of CO₂ equivalents. This was a result of numerous AOGs taking to the air and increasing the total fleet utilization in line with traffic recovery. However, Estuaire's analysis validates our strategy of removing E-Jet E1s and Q400s. On average, the narrowbody types operated by NAC's customers generated 30% less CO₂ equivalent emissions per ASK than the E-Jet E1s, whereas the ATRs produced 10% less emissions per ASK than the Q400s.

We continue to monitor the **Technology Curve/Regulatory Developments** of the aviation industry. On the fuel side, the emphasis has been on understanding the potential and limitations of SAF. On the propulsion/airframe side, this means following developments in hybrid-electric, open rotor and water enhanced turbines, as well as truss braced wing design. Admittedly, the OEMs are currently preoccupied in the near term with numerous production and supply chain concerns, plus technology options need to mature in a disciplined process, requiring regulatory approval and certification, which will take time. At the smaller scale and in contrast, certain eVTOL OEMs are making solid progress. In June 2023, following a review of potential investments in the eVTOL market, NAC signed a letter of intent with Eve Air Mobility for the purchase of 15 eVTOLs with options to purchase a further 15. Eve, a subsidiary of Embraer, benefits from its parent's more than 50-year history of commercial aerospace engineering, production and product support.

Finally, NAC is a member of Aircraft Leasing Ireland and signatory of their Sustainability Charter; and is also a member of the ESG subcommittee of the Aviation Working Group, comprised of major aviation OEMs, aircraft lessors and lenders.

Social

NAC continues to focus on driving diversity. While overall headcount declined by 20% year on-year to 100 full time employees at the end of 2023, the **Percentage of Women** employed increased from 36% in 2022 to 41% in 2023, driven by 60% of new hires in 2023 being female. Despite the lower employee count, the **Number of Nationalities** has stayed constant at 20 (up from 13 two years ago).

Regrettable turnover has been kept to a minimum while we have reduced headcount. The key to talent retention continues to be a combination of "work-from-home" arrangements, flexible working locations, and offering opportunities for career development/growth in an agile, dynamic, smaller firm environment.

The NAC Women in Aviation Scholarships were established in 2022 at Cranfield University in the UK and Embry Riddle Aeronautical University in Singapore. Scholarships have been awarded to 8 students in 2022/23, out of our initial four-year commitment to 16 scholarships.

Lastly, NAC became a Bronze sponsor of Airlink, a well-recognized, global, aviation disaster relief organization. We also support community charities through volunteering, and fund-raising activities.

Governance

NAC has a highly experienced **Executive Leadership Team** and **Board of Directors**. Individual bios can be found [here](#). Board subcommittees meet regularly and provide strong oversight. Codes of conduct, annual compliance training programs, IT security guidelines, etc. all continue to be strictly observed. 15 board and subcommittee sessions were held in 2023, with a 100% attendance rate for the full board sessions.

Closing

NAC has taken a pragmatic, measured approach to ESG and we are quite proud of our industry leading Morningstar Sustainalytics ESG Risk Rating. Nevertheless, we will continue to improve our processes and measure our future progress. We would of course welcome any comments or suggestions on this material.

Norman C.T. Liu

President & CEO

June 2024

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1.0 Introduction

1.1 NAC at a glance

 270 aircraft in the fleet	 60 customers across 40 countries
 128 ATRs, largest lessor and owner in the world	 31 fuel-efficient aircraft on order (16 ATR72-600 + 8 A220-300 + 7 A321neo)
 16 narrowbodies as of Spring 2024, 13 of them added in FY 2023	 3 main locations - Ireland, Singapore and Denmark

1.2 Our history

Nordic Aviation Capital (NAC) was founded in 1990 in Denmark. For the first 25 years, the business was focused on turboprops. From 2015 to 2020 the company’s fleet doubled, principally by expanding into regional jets. In early 2020, NAC’s fleet value peaked at about \$7 billion, with over 500 aircraft owned, managed and committed. At this point, NAC was by far the world’s largest regional aircraft lessor. Due to the COVID Pandemic, a significant number of Aircraft On Ground (AOG) and various portfolio concentration issues, NAC underwent a major financial restructuring culminating in a Chapter 11 filing in December 2021, and named Norman C.T. Liu, a 30-year veteran of GE and former CEO of the leading aircraft lessor GECAS, as the new President and CEO. A new ownership group was established, and a new Board of Directors and Executive Leadership Team was subsequently appointed, with the company successfully emerging from Chapter 11 in June 2022.

1.3 Business model

Under the new team, the Company has remained a global leader in regional aircraft leasing, whilst expanding into larger narrowbody aircraft, and focusing on the whole life cycle of its assets.

A key policy at NAC has been to reduce exposure to out of production aircraft in our portfolio such as the De Havilland Canada Q400 and Embraer E-Jet E1s, and instead focus on best-in-class, more fuel-efficient regional aircraft like the ATR72-600 and Airbus A220 family.

NAC is currently the only lessor with orders for both ATR72-600s and A220s, and is by far the world's largest ATR lessor and owner.

NAC has also expanded into the much larger adjacent narrowbody market of Boeing 737 and Airbus A320 families. Being present in both the regional and narrowbody market space has opened cross-sell business opportunities for NAC with airlines which operate both larger narrowbody jets and regional aircraft.

Despite the average age of the NAC fleet reducing from 2022 to 2023, we have enhanced the full life cycle approach to managing our fleet. In addition to being very active on the trading front, we have achieved this through two further means:

- Establishing a standalone NAC Materials business unit - The primary focus of the new operation is the sourcing, recycling, leasing and trading of larger ticket airframe and engine components for ATR aircraft, such as propellers, avionics and landing gear. In addition, NAC Materials will manage and optimize NAC's remaining CF34 engine inventory as the firm phases out its Embraer E-Jet E1 fleet.
- Expanding into freighter conversions - NAC has freighter conversion kits/slots for the ATR72-600 and Embraer E-Jet E1. In addition to this, NAC placed an order for one 737-800 Boeing Converted Freighter (BCF) slot at the Paris Air Show, enabling the Company to offer its customers turboprop, regional jet and narrowbody freighter products.

1.4 Employees and locations

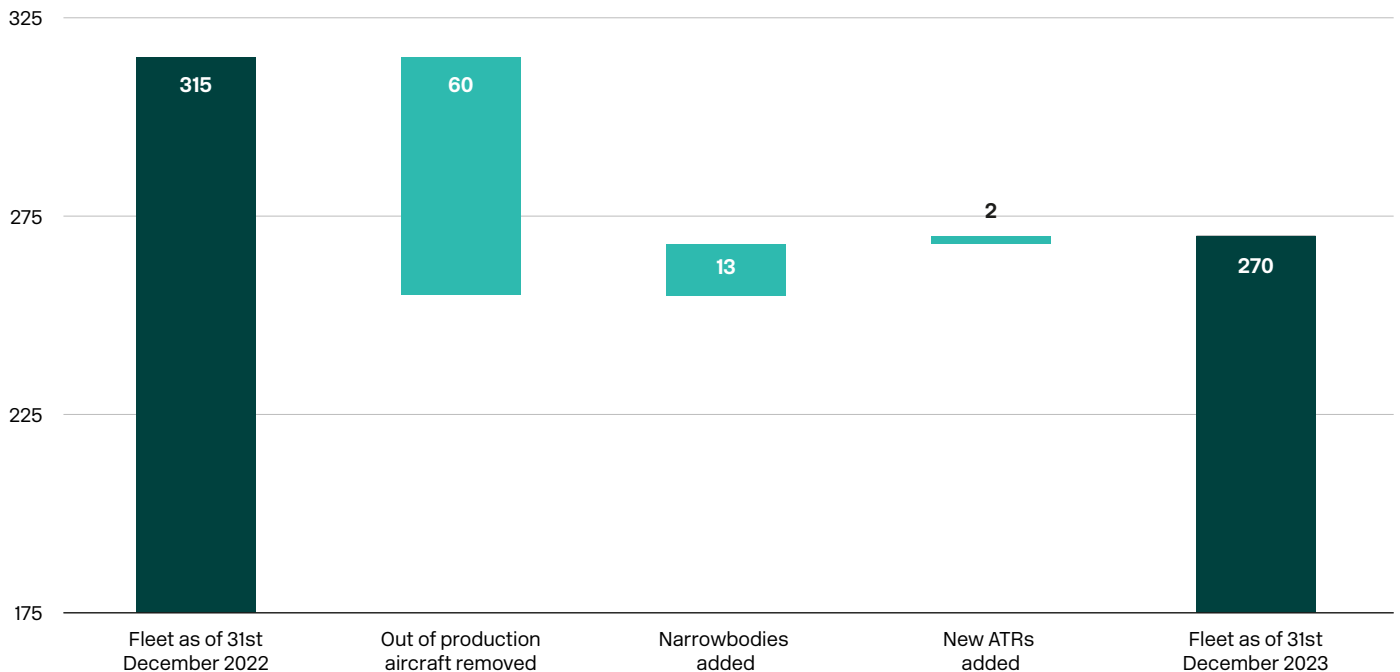
NAC had an average of 111 Full Time Employees (FTEs) during 2023 and ended the year with 100 FTEs. The majority of our team members are spread out across NAC's headquarters in Ireland and two hub offices in Singapore and Denmark. NAC also has a presence in eight further locations, including Dubai and Toronto. This global footprint allows NAC to be close to its customers and suppliers and better understand regional market developments. Commercial activities are organized into two regions to mirror the ebbs and flows of the global economy: the Developed Markets (North America, Europe and CIS) are led out of Ireland and the Emerging Markets (Latin America, Middle East, Africa and Asia-Pacific) are managed from Singapore.

1.5 Aircraft fleet

As of December 31st, 2023, NAC’s portfolio encompassed 270 aircraft and 2 engines, with total aircraft, engines, related components and finance leases worth \$2.943 billion.

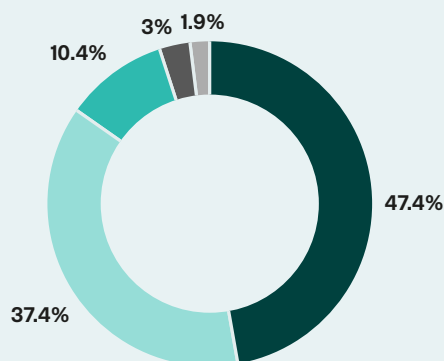
NAC has significantly expanded its narrowbody portfolio, which now stands at 16 aircraft. In 2023, NAC added 13 of these narrowbodies, composed of 6 A320/A321neos, 2 A320ceos, 1 737-8 MAX and 4 737-800s. These aircraft came from Purchase-and Leaseback (PLB) transactions with customers as well as secondary market transactions with other lessors. Through these transactions NAC was pleased to welcome new customers including IndiGo, Pegasus Airlines, easyJet, Transavia and American Airlines, further strengthening and diversifying the portfolio. During the first quarter of 2024, 3 more A320neo aircraft joined the NAC fleet. At the same time as the expansion into narrowbodies, NAC disposed of 60 out of production and less efficient aircraft, such as the De Havilland Canada Q400s and Embraer E-Jet E1s. Finally, in terms of 2023’s portfolio movements, NAC delivered one ATR72-600 from their Original Equipment Manufacturer (OEM) order backlog to AirSWIFT and undertook a PLB of an IndiGo ATR72-600 as part of a larger deal for two A321neos. A summary of the total portfolio movements is given below.

2023 NAC fleet evolution



With a focus on adopting new technology aircraft, NAC has outstanding OEM orders for 16 ATR72-600s (equipped with the latest PW127XT engine), 8 A220s and 7 A321neos.

NAC fleet split by units



Type	Fleet
ATR42/72s	128
Embraer E-Jets E1	101
De Havilland Canada Q400s	28
Airbus A320ceo/neo Families	8
Boeing 737NG/MAX Families	5
Total	270

Type	Orders	Delivered in 2024
ATR72-600	16	7
Airbus A220-300	8	-
A321neo	7	-
Total	31	7

Total aircraft	301
Owned	270
On order	31
Average fleet age	8.1
Average remaining lease term	3.9
AOGs	1
Narrowbodies already added to fleet in 2024	3

The main differences of note between the 2022 and 2023 NAC fleets are:

- 13 narrowbodies added to fleet
- ATR share of fleet increased from 42% to 47% by unit count
- Average remaining lease term increased from 3.4 to 3.9 years*
- Average aircraft age reduced from 8.9 to 8.1 years*
- Reduction in out of production types (like Q400/ E-Jet E1)

Forecast Q400 / E-Jet E1 fleet in December 2024

NAC portfolio projected to have just 12 Q400 and 46 E-Jet E1s

*) The remaining lease term and average age are weighted by rental / NBV, and includes two engines owned by NAC (not shown towards total count of units).

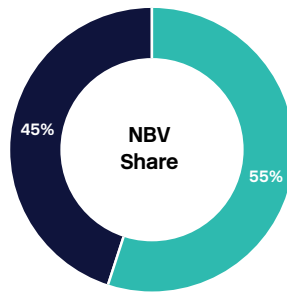
1.6 Customer overview

As of 31st December 2023, NAC had 60 customers in 40 countries. By Net Book Value (NBV), the aircraft fleet is split between NAC's two operating regions, 45% in the Developed Markets and 55% in the Emerging Markets. By unit count the split is an even 50:50 share between both regions.

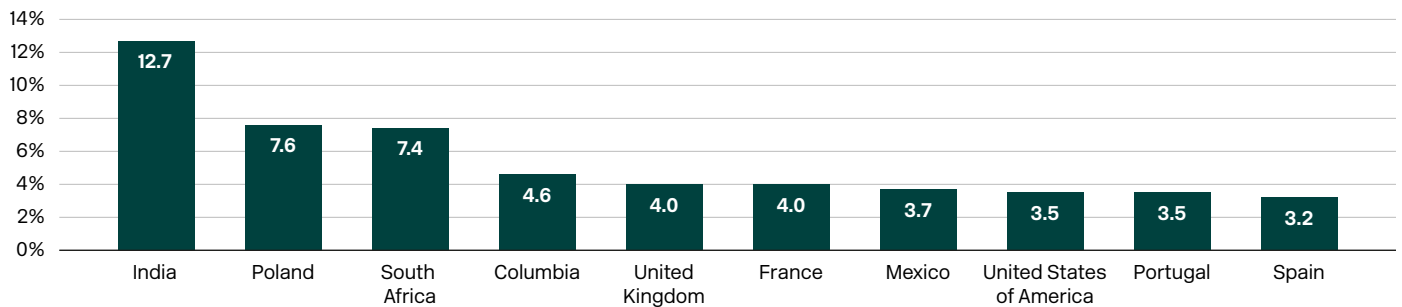
Developed Markets



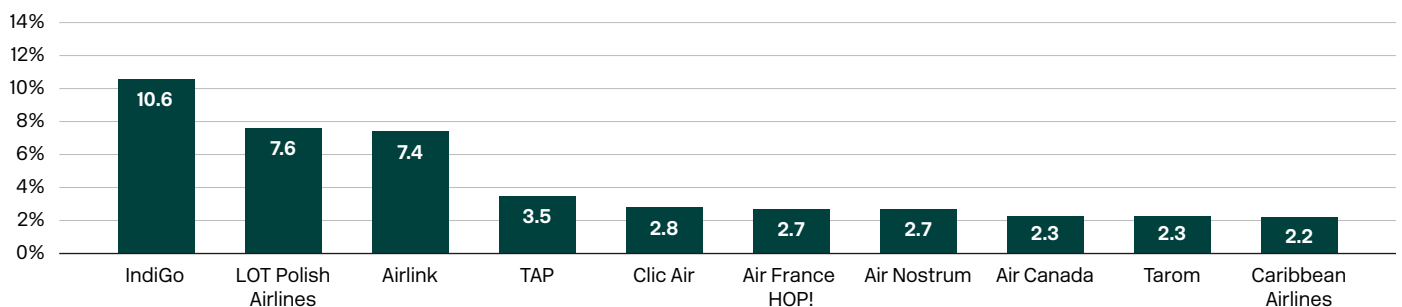
Emerging Markets



Top 10 countries (% of NBV)



Top 10 customers (% of NBV)



1.7 Key sustainability differentiator

NAC is the largest lessor and owner of ATRs. In total NAC has 128 ATRs, accounting for around 10% of the global commercial ATR fleet. This aircraft type is unique, in that not only does it address environmental concerns, but it also serves an important societal role. For these reasons the ATR remains at the core of NAC's aircraft portfolio.

Environmental - lowest emissions

There are four main drivers behind why the ATR fuel burn and hence emissions are favourable:

- For the same engine thrust, it is more efficient to accelerate a large mass of air slowly, instead of accelerating a small mass of air by a great amount, resulting in the propulsive efficiency of turboprops being much higher than jets (at low speeds)
- ATRs are smaller and fly slower than larger aircraft types, and hence as a result they are lighter by design and have lower drag too, which decreases their relative fuel burn per hour
- On longer routes, fuel is burnt to carry the extra fuel required to give range. As ATRs typically fly shorter routes than larger aircraft types, they are less affected by this requirement
- Due to their shorter route networks, ATRs typically have lower utilization per annum than jet aircraft, meaning that they not only burn less fuel per hour, but they also operate less hours per year

The separate components detailed above are illustrated in the table below for a set of common aircraft types. Taking the ATR as the reference, the higher fuel burn per hour of the larger narrowbody and widebody aircraft, coupled to their greater annual utilization culminates in them burning between 5.5 and 21.4 times more fuel per annum respectively. Hence, as a leasing company that has historically focused on regional turboprops, NAC has a comparatively low level of emissions versus our peers who predominantly have larger gauge aircraft in their fleet.

Aircraft type	Example aircraft	Average route (nm)	Fuel burn/hour (Kg)	Utilization/year (FH)	Fuel burn/year (Kt)	CO ₂ /year (Kt)
Turboprops	ATR72-600	200	730	1,550	1.1	3.6 (Ref.)
Regional jets	E190	500	1,935	2,450	4.7	15.0 (x4.2)
Used narrowbody	737-800	800	2,410	3,000	7.2	22.8 (x6.4)
New tech narrowbody	737-8 MAX	800	2,060	3,000	6.2	19.5 (x5.5)
New tech widebody	A350-900	3,500	5,000	4,850	24.3	76.6 (x21.4)

Social – essential connections

There are 3,800+ commercial airports around the world today. As it stands, around 1,370 (36%) of these airports rely exclusively on turboprop aircraft, and ATRs serve close to 98% of them (1,340 airports). This means that ATR aircraft are providing regional connectivity and services that larger narrowbody and even regional jets cannot. These connections are essential to bring communities closer together and foster social cohesion & economic development, especially where there are poor or non-existent transport links and infrastructure.

The ATR's ability to serve such routes is due to its smaller scale, rugged/versatile design, and cutting-edge turboprop engine technology. The performance granted by these attributes allows the aircraft to fly into and out of challenging, short/narrow/steep and even unpaved runways in wild/remote terrain with the potential for severe weather and cross winds. These characteristics in turn also allow the ATR to deliver disaster relief where many other aircraft types cannot.

NAC has firsthand experience of these unique capabilities from the operation of its ATR fleet with:

- Silk Avia opening up new thin routes with limited existing infrastructure in Uzbekistan
- SATENA connecting challenging airports in hot and high remote areas of Colombia
- Aerlink (Hevilift) operating into and out of unpaved runways in Australia
- AirSWIFT serving remote island airports in the Philippines

1.8 About this report

Significance and scope - This is NAC's second ESG report and covers all of NAC's wholly-owned subsidiaries

Purpose and audience - This report is designed to update NAC's stakeholders on our performance related to ESG issues and ESG strategies for the future

Timeframe - Unless indicated otherwise, the contents of this ESG report cover the period from 1st of January 2023 to 31st of December 2023, and all data is of 31st December 2023

Preceding report - NAC's inaugural ESG report was published in March 2023, covering the 2022 fiscal year

Frequency - NAC will update this report on an annual basis

Format - For sustainability reasons, the NAC ESG Report will only be available electronically

Reporting standards - This report references the 2016 ESG reporting standards set out by the Global Reporting Index (GRI). On pages 63-67, readers may find the itemized GRI standards with references to where applicable disclosures may be found, either in this report or in other sources that NAC has made publicly available

Emissions disclosure - Supplied by Estuaire, a third-party emissions advisory firm, who are certified by the Rocky Mountain Institute (RMI)'s Pegasus Principles, the climate-aligned finance framework for aviation

Currency - 2023 United States Dollars (USD)

Glossary - Is given in the appendix to remove ambiguities and assist understanding

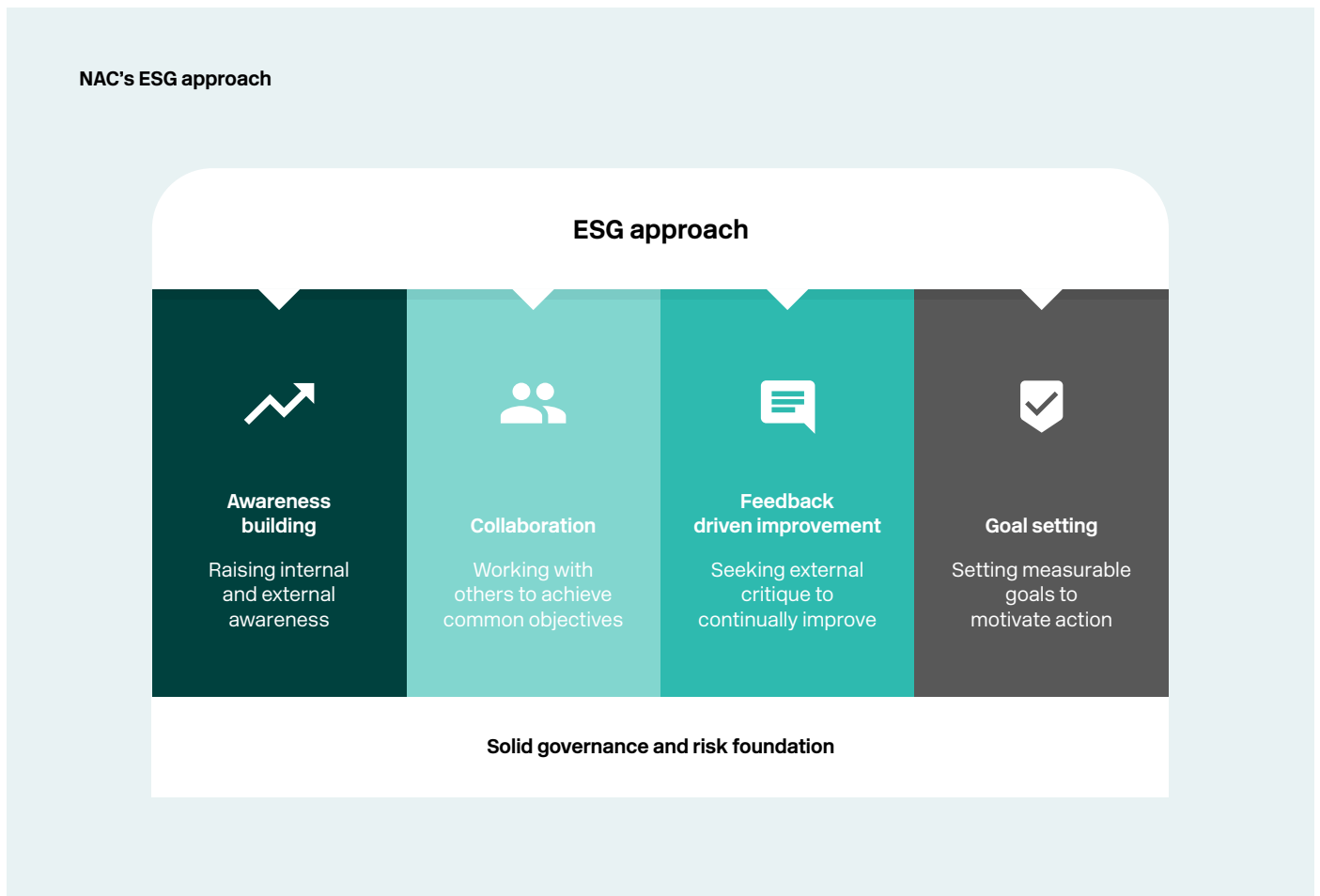
Feedback - NAC welcomes feedback on this report and our current/future approach to ESG

Contact - Further details can be gained by contacting Eva Ferguson at efe@nac.dk

2.0 ESG strategy

2.1 Our approach

Our high level ESG ethos is to act where we can, positively influence where we cannot, gather information/intelligence to have a data-driven perspective, and prepare diligently for all foreseen outcomes ahead. NAC's ESG approach to adhering to this tenet is summarized in the below diagram, with further details outlined in the following sections.



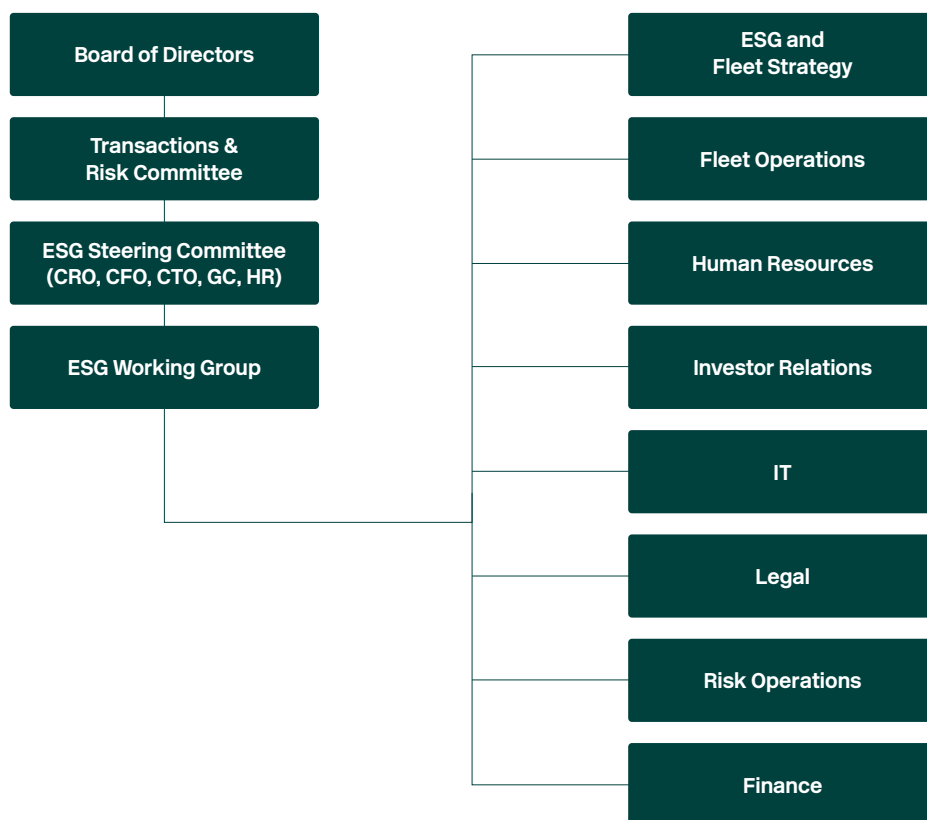
2.2 ESG governance

NAC has a four-level governance structure responsible for the planning, construction, implementation, and review of all ESG matters. The four-level structure consists of the Board of Directors (Board), the Transactions & Risk Committee (TRC), the Steering Committee (Steering Co.), and the Working Group (WG) and follows the plan-do-check-act cycle of the NAC Environmental Management System (EMS).

- The Board sets strategic guidance and supervises all ESG-related matters
- The Terms of Reference of the TRC, a subcommittee of the Board, include reviews of all enterprise risk factors, which includes environmental risk, physical climate risk and human capital risk

- The Steering Co. oversees the implementation of the EMS and supports the Board in strategic planning through periodic reviews. The Steering Co. also ensures communication channels are open and clear
- The WG is appointed by the Steering Co., and comprises representatives of the departments indicated on the chart below. The WG is responsible for identifying priorities, implementing action items, data collection and reporting, as well as providing feedback and suggestions to the Steering Co.

Governance Structure

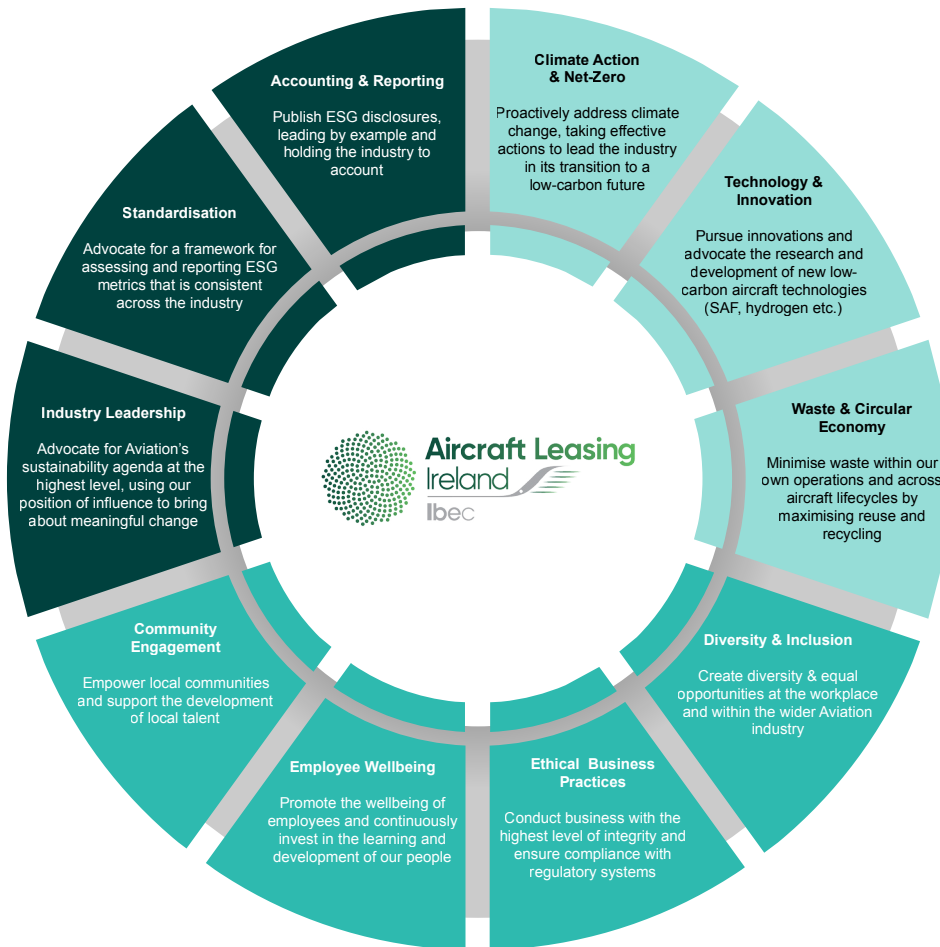


2.3 Working with others

Many of the sustainability and ESG challenges facing the aviation industry today, such as how to achieve net zero by 2050, are insurmountable if dealt with individually. NAC is a strong advocate for collaboration on such issues, and thus partakes in industry wide discussions and partnerships.

One example of this is the Aircraft Leasing Ireland (ALI) Sustainability Charter, of which NAC is a signatory. The ALI charter sets out 10 key industry initiatives on climate change and ESG, as illustrated below. The overall

objective of this charter is to establish a framework for assessing, aligning and disclosing the ESG initiatives of aircraft lessors and the wider aviation industry, along with providing actionable guidance on how to achieve real reductions in environmental impact.



NAC is also a member of the Aviation Working Group (AWG), a not-for-profit entity comprised of major aviation manufacturers, leasing companies and financial institutions which contributes to the development of policies, laws and regulations that facilitate advanced international aviation financing and leasing. As part of its ongoing participation in this industry group, NAC is an active member of AWG's ESG subcommittee, regularly discussing and proposing initiatives on how to address key concerns, such as the rules and implementation of the EU Taxonomy for sustainable financing in the aviation industry.

2.4 Raising ESG awareness

To raise awareness of ESG within NAC, we have acquired ALI's new sustainability e-learning platform, called "inniu". This training platform was developed in collaboration with Aviation Skillnet and over 30

aviation industry contributors. The training program consists of 10 modules that are centred around the ALI Sustainability Charter. Its primary goal is to enhance understanding of the sustainability challenges and opportunities within the aviation industry.

To act as a consolidated and transparent source of all NAC's ESG related information for its employees and external stakeholders, NAC is committed to publish an annual ESG Report, inclusive of key ESG metrics to enable the company's progress to be measured. These include, but are not limited to:

- Environmental – Scope 1, 2 and 3 emissions
- Social – Annual training days, diversity of employees, community development
- Governance – Number and type of whistleblowing complaints, and actions taken

2.5 Seeking external critique

Part of NAC's ESG approach is to seek external feedback in order to improve, enhance and add to our existing ESG initiatives. We recently undertook an ESG risk rating exercise with Morningstar Sustainalytics, a leading global ESG ratings, research, and data provider. Sustainalytics uses a scale of 0-100 from lowest to highest risk and evaluates a broad range of ESG metrics. NAC was awarded a rating of 8.9, placing the company in the top tier "0-10 Negligible ESG Risk" category. NAC is the only aircraft leasing company to have attained this top ranking, and so currently has the best rating in the industry.

NAC's strong result reflects the Company's commitment to sustainability, diversity, strong governance / risk management and operating responsibly for all stakeholders. However, as our approach to ESG is a continual process of enhancement, we are already reviewing and implementing suggestions for improvement made by Sustainalytics during the course of the ratings process.

2.6 High level ESG goals

NAC has specific and detailed ESG targets that are addressed in each of the Environmental, Social and Governance sections of this report. However, NAC also has a set of three high level ESG goals to give directional guidance to employees as they undertake their day-to-day work of running the company. These are:

High level ESG goals

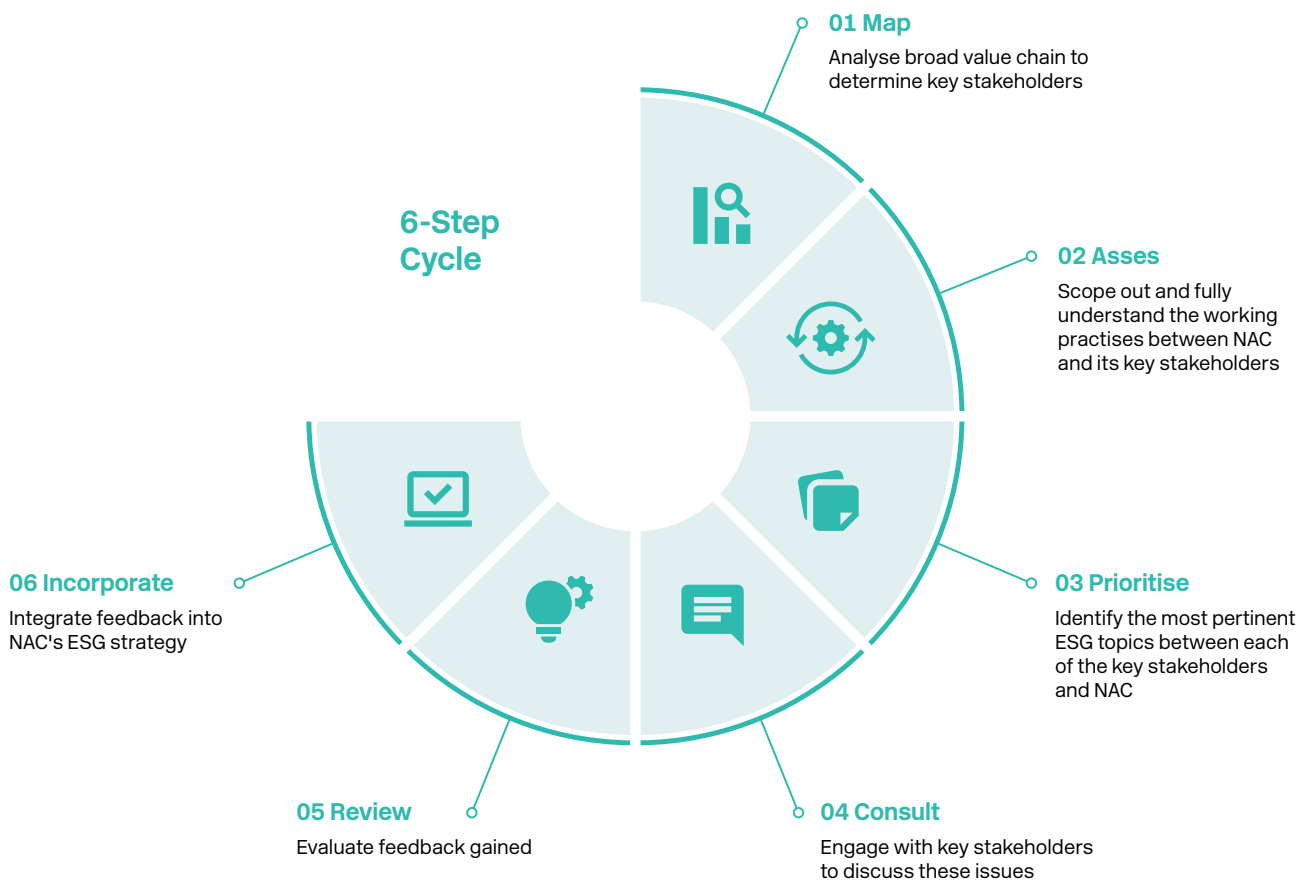


3.0 Materiality

3.1 Materiality process

NAC’s materiality process starts by analysing our broad value chain to determine our key stakeholders. The next step is to scope out and fully understand the working practises between NAC and each of these key stakeholders. Once this is undertaken, NAC then identifies the most pertinent ESG topics between each of the key stakeholders and the Company. We then engage with our key stakeholders to discuss these issues, before evaluating the feedback gained and finally, integrating it into NAC’s ESG strategy.

Materiality process



3.2 Stakeholder engagement

Through our materiality process we have identified eight key stakeholders. Engaging with these key stakeholders is an ongoing and day to day process at NAC, undertaken at different levels of each organisation and via multiple channels. This year, we have reaffirmed our commitments to these key stakeholders and continue to drive our collective ESG efforts with them, as detailed below.

Stakeholder	Focus	Milestones in 2023
Financiers	<ul style="list-style-type: none"> - Repayment of debt - Financial stability of the company 	<ul style="list-style-type: none"> - Held regular investor presentations - Credit ratings of B/B2 reaffirmed - Delivered a robust result in 2023 with \$856 million available liquidity - Owned 270 aircraft and had purchase commitments for 31 new tech aircraft
Shareholders	<ul style="list-style-type: none"> - Growth of the company - Return on investment - Operational and financial health - ESG performance 	<ul style="list-style-type: none"> - Reported \$72 million net income - Upsized warehouse credit facility from \$400 to \$650 million, with new banking partners joining the facility - Initiated a debt buyback program, repurchased \$105.5 million - Sold 60 aircraft (primarily E-Jet E1s and Q400s) - Acquired 13 narrowbody aircraft and 2 spare engines - 150+ transactions - Initiated SAF powered customer delivery flights in partnership with ATR and TotalEnergies - Published inaugural ESG report - Received industry leading ESG Risk Rating of 8.9 from Sustainalytics
Employees	<ul style="list-style-type: none"> - Training and development - Privacy and data security - Wellbeing, healthy, and safety - Inclusive workspace - Diversity and inclusion 	<ul style="list-style-type: none"> - Total 4,200 hours of training - Employee data is protected by GDPR - All employees completed data protection and cyber security trainings - Introduced Skillsoft's Percipio learning platform for employees to develop both work-related and personal interests - Launched Innui platform specifically for ESG related training topics - Continued our work-life balance initiatives and offered an array of healthy living programs - 60% of hires in 2023 were female, which helped to augment percentage of female employees to 41% in total - Continuation of NAC Women in Aviation Scholarship fund for Cranfield University and Embry Riddle Aeronautical University
Regulators and policymakers	<ul style="list-style-type: none"> - Compliance - ESG goals 	<ul style="list-style-type: none"> - Refined governance framework and procedures - Prepared first ISO14001-compatible EMS manual to guide all environmental actions
Credit rating agencies	<ul style="list-style-type: none"> - ESG performance and compliance 	<ul style="list-style-type: none"> - Regular rating engagement with ratings of B/B2 reaffirmed - Submitted for ESG Risk Rating and received satisfactory result
Customers	<ul style="list-style-type: none"> - Product - Cost-effectiveness - Execution - ESG performance and compliance 	<ul style="list-style-type: none"> - Ongoing fleet rationalization where older technology and out of production types are being retired and new technology aircraft are being introduced - Strong and professional team supporting customers round-the-clock - Industry-leading ESG standard and rating
Suppliers	<ul style="list-style-type: none"> - Demand - Marketability of product - ESG standard 	<ul style="list-style-type: none"> - Purchased 13 aircraft and 2 engines - Launched full Green Procurement and Code of Conduct ensuring suppliers subscribe to NAC's high ESG standards
Communities	<ul style="list-style-type: none"> - Impact and influence - Return to the society - Community engagement 	<ul style="list-style-type: none"> - Many volunteering activities and local/global charity donations - Educational programs linked to University and High School interns - Continued our commitment to ALI's Sustainability Charter and AWG's ESG subcommittee

3.3 Materiality matrix

NAC has developed a list of materiality topics that are of the highest interests to both the Company and our combined key stakeholder groups. Our ranking of these topics is determined by a combination of their respective impact to both NAC and its stakeholders. This ranking does not indicate the importance of these topics, but rather it highlights the different impact these topics have upon us and our key stakeholders.

Rank	Materiality topics	Rank	Materiality topics
1	Business ethics	10	Talent acquisition, development, & retention
2	Regulatory and compliance	11	Geo-political challenges
3	Equality in the workspace	12	Business growth
4	Investment in cleaner technologies	13	Engaging with regulators & industry bodies
5	Employee health & safety	14	Customer's environmental performance
6	Corporate governance	15	Privacy and data protection
7	Environmental impact of business	16	Supporting education and research
8	Responsible suppliers/supply chain	17	Community engagement
9	Cyber security	18	Business process innovation









4.0 Environmental

4.1 Environmental commitment

NAC is firmly committed to reducing our direct and indirect environmental impact and working in a collaborative manner with other aviation industry players towards net zero by 2050. We are proud to be first movers in employing certain solutions to reduce emissions, and to have invested prudently in new technology that will act as an essential stepping stone to achieving the industry's long-term goals.

4.2 Environmental highlights

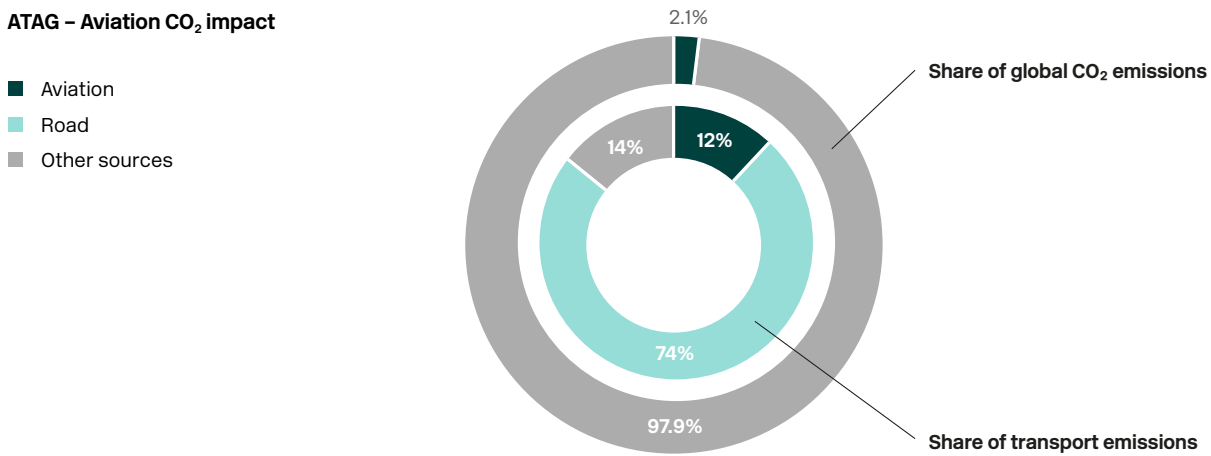
 GE/PWC offsetting CO₂ of transition flights and employee travel	 At least 5% SAF on all delivery flights
 Removed 60 less efficient out of production aircraft from fleet	 80% new tech narrowbodies in fleet
 100% new efficient offices	 MOU for 15 Eve eVTOLs, supporting new technology

4.3 Aviation's environmental impact

The air transport industry has connected the world for 110 years. It is engrained in society and relied upon by passengers to connect them with their friends and family; by businesses to support their supply chains and drive trade; and by governments to promote tourism and stimulate economic growth. To put this into perspective, Aviation Benefits Beyond Borders (ABBB) estimates that the aviation industry accounts for 4.1% of the world's Gross Domestic Product (GDP) and in doing so supports 87.7 million jobs. It is also a growth industry with high resilience to external shocks, illustrated by traffic effectively doubling every 15 years since the 1970s, equivalent to an annualised growth rate of over 4.7%. The high growth rate is forecast to continue, driven by the rise in the middle class from the Emerging Markets, and by the expansion of Low-Cost Carriers (LCCs) enabling the stimulation of passengers in regions of high demand elasticity.

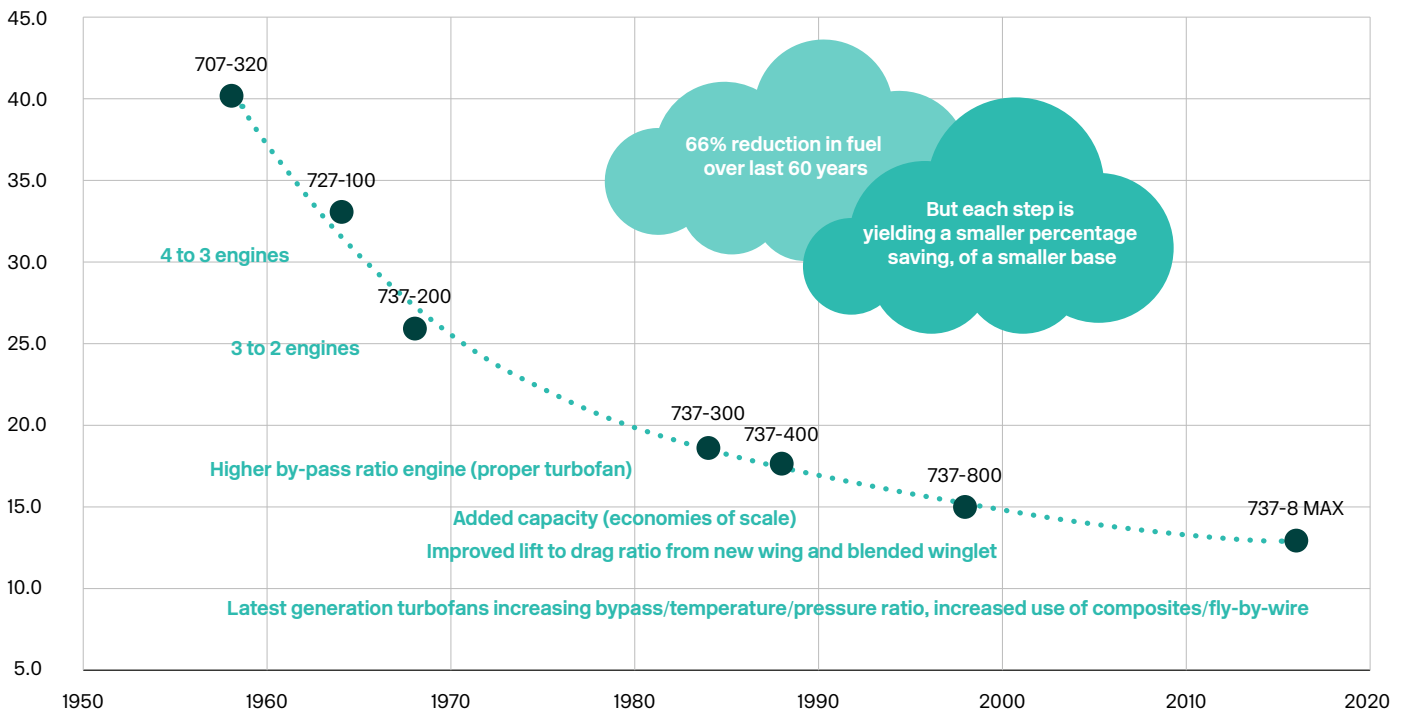
Despite the societal and economic benefits that aviation brings, it is being challenged to improve its environmental footprint. The Air Transport Action Group (ATAG) asses that aviation is currently responsible for around 2.1% of global CO₂ emissions, and represents just 12% of the total transport sector CO₂ emissions. However, given that aviation serves a much smaller number of people relative to other forms of transport, it is clear to see that flying is currently a highly carbon intensive activity, which goes some way to explaining the level of scrutiny it attracts.

ATAG – Aviation CO₂ impact



Aircraft and engine manufacturers have continually enhanced the efficiency of their products to try and gain a competitive upper hand and drive greater sales or higher margins. This has resulted in a close to 70% reduction in fuel burn per Available Seat Kilometre (ASK) over the last 60 years. However, the pace of traffic growth continues to outweigh these efficiency gains. Therefore, without more decarbonisation initiatives, aviation’s absolute emissions and its share of total global emissions will increase further.

NB fuel burn per seat per hour (kg)

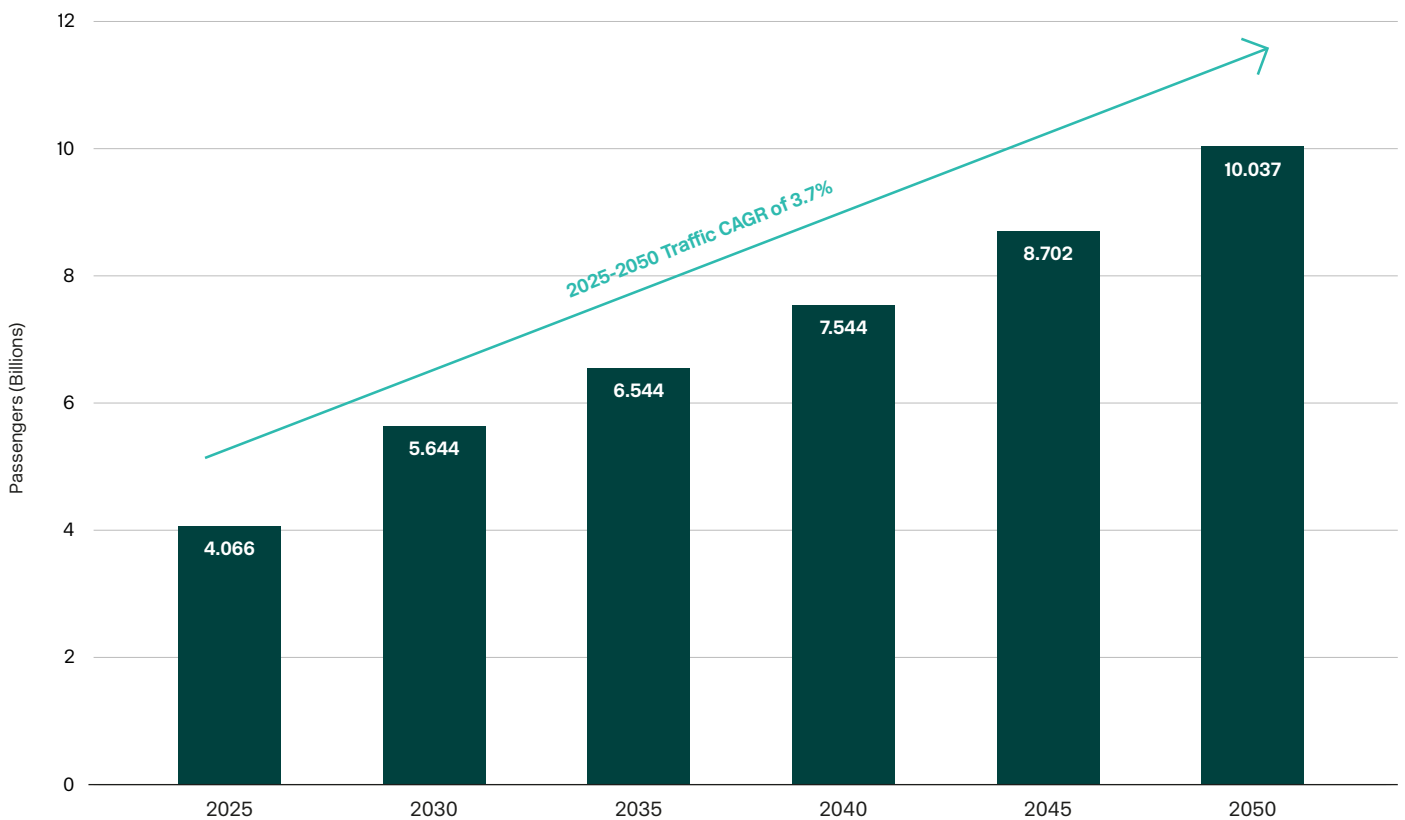


4.4 Industry's efforts to decarbonize

At the 77th International Air Transport Association (IATA) Annual General Meeting in October 2021, a resolution was passed to achieve net-zero carbon emissions by 2050. This resolution was proposed to underpin the Paris Agreement's temperature limiting goal and is aligned with the International Civil Aviation Organization (ICAO)'s Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to stabilize emissions from international aviation at 2019 levels in the short to medium timeframe.

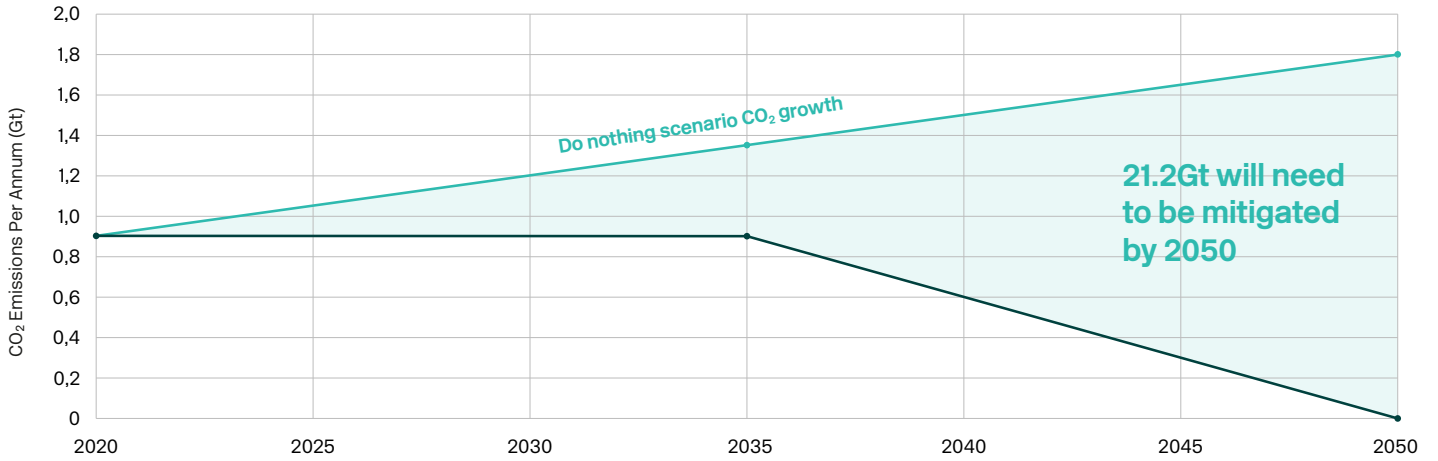
These ambitious industry goals are set against the continued rise in passenger demand. Current IATA forecasts project that there will be over 10 billion passengers flying per annum by 2050.

IATA – Forecasted annual passengers



Under a “do nothing scenario” (whereby there is no change to today’s aircraft/engine technology, aircraft operations, CO₂ offsets and fuel types) the flights required to serve 10 billion passengers per year will result in annual CO₂ emissions increasing to circa 1.8 giga-tonnes per annum.

IATA – Carbon emissions to be mitigated

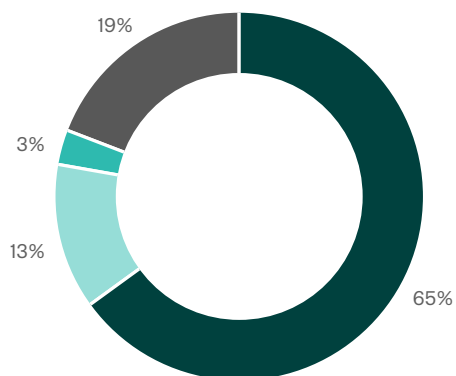


Abating 1.8 giga-tonnes of CO₂ per annum will be an enormous challenge, with no easy solution and it will take industry wide collaboration between lessors, airlines, airports, air navigation providers, aircraft/engine manufacturers, fuel suppliers and governments to achieve. The key elements required to achieve this goal, in order of their projected weightings, are as follows:

- The expanded production and adoption of Sustainable Aviation Fuel (SAF)
- An increased amount of carbon offsets and carbon capture/storage
- Investment in new aircraft technologies to further reduce drag and weight
- All new engine architectures and fuel types (hybrid electric or hydrogen)
- Continued efficiency improvements in infrastructure and operations (specifically air traffic control)

IATA – Net zero 2050 contributors

- Sustainable Aviation Fuel
- New technologies
- Infrastructure/operations
- Offsetting/carbon capture



4.5 Aircraft lessor's role

Aircraft lessors, albeit not directly involved in aircraft manufacturing and operations, are an important part of the aviation eco-system. At the end of 2023, around 50% of the world's aircraft fleet, and close to 56% of all narrowbodies (both by unit count) were owned by lessors. Leasing companies are situated between operators and financiers. As a result, the environmental performance of aircraft asset types in leasing companies' portfolios are scrutinized by the airlines from an operational perspective, and by the financial sector from an ESG investment angle. This means long-term sustainability planning is critical to the development of the aircraft leasing industry.

4.6 Emissions categorization

Following the 2001 Greenhouse Gas Protocol, and as now globally accepted, NAC categorises its emissions into three scopes, as illustrated below.

	Scope 1	Scope 2	Scope 3
Description	Direct emissions from owned or managed assets	Indirect emissions generated to enable NAC business operations	All other indirect emissions from up and down NAC's value chain
Main NAC contributors	Repositioning, and transition flights of our aircraft	Purchase of energy to heat, cool, light and power our offices	Airlines operating our leased aircraft, NAC employee business travel and aircraft deliveries
Total NAC global warming impact in CO₂ equivalent terms	664t	< 70t	2,904Kt total 2,902Kt from fleet 1.97Kt from staff travel 57t from delivery flights

Focussing on each individual scope, NAC has developed a strategy and execution plan to reduce our global warming impact.

4.7 Timeframe clarification

When setting sustainability targets, NAC uses a three-tier timeframe as follows:

- Immediate = effective today
- Medium-term = implemented by 2035
- Long-term = implemented by 2050

4.8 Scope 1 emissions

4.8.1 Scope 1 contributors and emissions

Effectively, the sole contributor to NAC's Scope 1 emissions are transition flights of owned and managed assets. In 2023 NAC had a total of 88 transition flights, split as follows between our various aircraft types:

- Embraer E-Jet E1s = 24 flights, 63.7 block hours
- De Havilland Canada Q400 = 47 flights, 109.9 block hours
- ATRs = 17 flights, 23.7 block hours

In total, the 2023 transition flights resulted in 210 tonnes of fuel being consumed, which in turn generated 664 tonnes of CO₂. This is 69% below the 2022 level of 2,134 tonnes of CO₂, principally because the number of transition flights reduced significantly year on year as we had fewer AOGs. A secondary contributing factor to the lower transition flight emissions in 2023 was that E-Jet E1s (which burn more fuel than the ATR/Q400 turboprops) made up a larger proportion of the transition flights in 2022*.

4.8.2 Scope 1 emission targets

NAC's immediate, medium-term and long-term Scope 1 targets are one and the same - to offset all direct CO₂ emissions generated by our transition flights.

4.8.3 Scope 1 strategy and execution

To neutralize 100% of the resulting transition flight CO₂ emissions as they occur, in 2022 NAC teamed up with our engine partners, GE Aerospace and Pratt & Whitney Canada as launch customer for their separate CORSIA compliant CO₂ offset programs. NAC were the first commercial aircraft lessor to utilize these programs, and we have a long-term running contract in place for both. In 2023, NAC offset 57% of our transition flight emissions with Pratt and Whitney Canada, and 43% with GE Aerospace.

4.9 Scope 2 emissions

4.9.1 Scope 2 contributors and emissions

The main contributor to NAC's Scope 2 emissions is the energy (electricity only since January 2023, no gas) consumed to heat, cool and light offices, as well as power electrical devices like computers, printers, refrigerators, and other appliances. In 2023 NAC used a total of 199,729KWh of energy to power its three main offices, split as follows:

- Ireland = 126,122KWh
- Singapore = 15,446KWh
- Denmark = 58,161KWh

When factoring in the separate emission intensity values (CO₂ released per KWh generated) provided by NAC's energy suppliers in each country, NAC's resulting Scope 2 emissions from energy use in its main offices

*) Note, there were no transition flights flown in 2023 by NAC's newly added narrowbody assets, as they were bought already on lease, and hence in operation with their respective airlines.

was just short of 50 tonnes of CO₂ equivalent in 2023. In addition, NAC's combined emissions from water use/flushing, printing paper and municipal waste was estimated to stand at less than 20 tonnes of CO₂ equivalent for 2023. Thus, in total, NAC's 2023 Scope 2 emissions were below 70 tonnes of CO₂ equivalent. This is a 11% reduction relative to the 79 tonnes of CO₂ equivalent in 2022.

4.9.2 Scope 2 emission targets

NAC has two immediate Scope 2 targets. The first is to ensure that all our main offices have the highest sustainability standards possible, so as to indirectly arrive at lower energy consumption, and thus reduce emissions. The second is to have at least 50% of the energy consumed in our offices come from renewable sources.

In the medium-term, NAC's target is to have either 75% of the energy consumed in its offices supplied from renewable sources, or to offset the equivalent emissions generated by finite sources of energy (to arrive at the same global warming impact). In the long-term, NAC aims to ensure that either all energy consumed in its offices is renewable, or that any CO₂ released in the generation of energy used in its offices is offset completely.

4.9.3 Scope 2 strategy and execution

Guided by our principal target, the first environmentally conscious change of offices occurred in January 2020, when NAC moved into our new headquarters in Ireland, which is situated in a Leadership in Energy and Environmental Design (LEED) Gold-certified building, as designated by the U.S. Green Building Council. As part of efficiency measures during 2022, we reduced our tenancy agreement from 5 to 2.5 floors of the headquarters building, which had a positive impact on our headquarters' energy consumption. The subsequent move involved NAC's second largest office, which is situated in Singapore. During November 2022 the Singapore team relocated to Mapletree Anson, one of the first buildings in Singapore to be awarded a Green Mark Platinum certification by the Building and Construction Authority of Singapore, the highest accolade for environmentally sustainable developments. Finally, the NAC Danish office was non-compliant with our target of having facilities with high sustainability standards, but in July 2023 it was relocated from a large aircraft hangar and adjacent facility in Billund to a smaller and more efficient office building in Vejle, completing NAC's move to more environmentally friendly locations.

In addition to the drive for environmentally friendly offices, NAC has launched several smaller ticket water/paper/waste/electricity saving initiatives. Examples from NAC's headquarters in Ireland include installing dual flush toilets (20% water reduction), bathroom taps operated by sensors (50% less water) and eco-friendly dishwashers that save on water and electricity. There have also been cross company "reduce, reuse, recycle" drives, a ban on all single use plastics, and employees are continually encouraged to "think before you print". These actions are an important statement of intent, but relative to other NAC emission reduction initiatives, bring diminishing returns.

In line with our second target, well over 50% of the electricity consumed in our offices during 2023 came from renewable sources. This was propelled by the high proportion of renewable electricity from our Danish and Irish suppliers. In 2023, for example, 93% of the electricity supplied to NAC by Osted in Denmark came from renewable sources, with wind generating over 75% of the electricity they produce.

The majority of NAC's Scope 2 improvement from 2022 to 2023, came from moving to more efficient office spaces, justifying our strategy. The rest of the reduction came from a combination of reduced head count and small efficiency gains being realised through the Company's resource awareness and reduction programs.

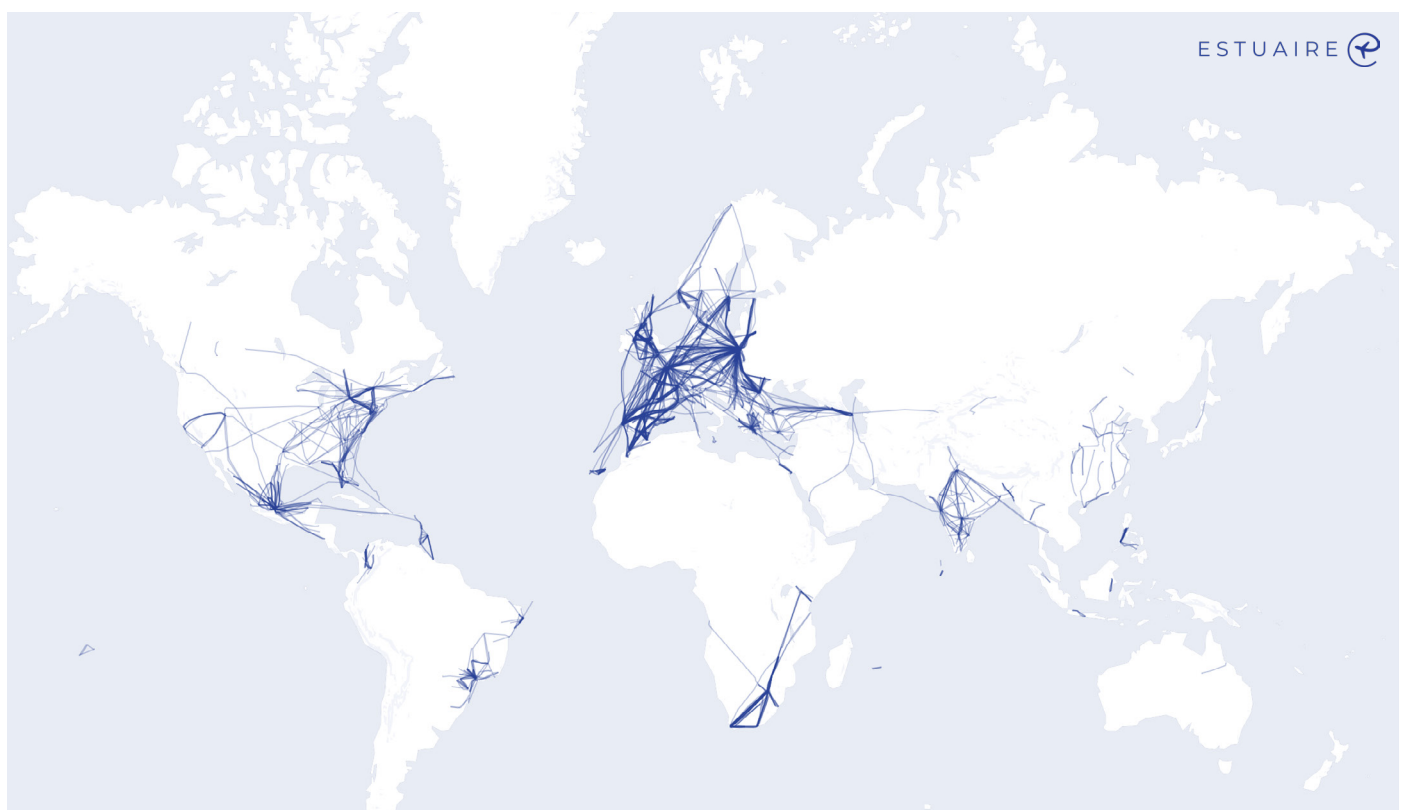
4.10 Scope 3 emissions

4.10.1 Scope 3 contributors and emissions

By the nature of the aircraft leasing business, NAC's Scope 1 and 2 emissions are dwarfed by NAC's Scope 3 emissions. The Scope 3 emissions of NAC, and all other aircraft lessors, are composed of three main parts:

- Aircraft delivery flights from the OEM to customers
- Employee business travel to see customers/suppliers and attend conferences
- Airlines (our customers) operating the leased aircraft

In turn, the emissions from aircraft delivery flights and employee business travel are almost insignificant relative to the emissions from the airline operations of NAC's leased fleet. In total NAC's leased fleet of aircraft flew 340,700 flights during 2023, with the regional split of these flights highlighted in the graphic below. These flights generated 2,902 kilo-tonnes of CO₂ equivalent emissions (2,618Kt from regional turboprops/jets, and 284Kt from the newly added narrowbodies). In comparison, NAC's sole aircraft delivery in 2023, which was an ATR72-600 for the Philippine carrier AirSWIFT, generated 57 tonnes of CO₂ equivalent emissions, and employee business travel for the year contributed 1.97 kilo-tonnes of CO₂ equivalent emissions.



4.10.2 Scope 3 emission targets

NAC's immediate Scope 3 targets are to guarantee that each aircraft we deliver from an OEM to a customer has at least 5% SAF in its fuel tank, and to offset the emissions of our long-haul employee business travel. In the medium-term, NAC aims to augment our SAF target and have at least 10% SAF on all aircraft delivery flights from the OEM to customer, and to offset all emissions from employee business travel. Finally in the long-term, NAC's targets are aligned with IATA's aim of net zero carbon emissions for the aviation industry.

4.10.3 Scope 3 strategy and execution

For ease of explanation and understanding, the following strategy and execution section is divided into the three main NAC Scope 3 emission contributors.

4.10.3.1 Aircraft delivery flights

In 2023 Airbus committed to offer 5%-pure SAF in the fuel tanks of their to be delivered aircraft, free of charge to the customers. The first airline to benefit from this initiative was IndiGo who took delivery of an A320neo on 3rd July 2023. This offer will benefit each delivery of the 8 A220-300s and 7 A321neos that NAC has on order with Airbus.

The Airbus initiative inspired NAC to work closely with ATR to enable a similar program for their ATR deliveries, whereby ATR source the SAF from TotalEnergies in France, fill up the fuel tank of the to be delivered ATR with 6% SAF, and NAC cover the additional costs of doing so. AirSWIFT was the first airline to benefit from this offer, taking delivery of an NAC ATR72-600 which departed from Toulouse to the Philippines on 27th November 2023. AirSWIFT will use this aircraft to service its hub in El Nido on the island of Palawan. This ATR was the sole aircraft delivered from NAC's OEM (ATR and Airbus) order backlog during 2023.

These SAF programs will help to save over 800kg, 2,350kg, and 2,600kg in CO₂ for each of NAC's ATR72-600, A220 and A321neo deliveries respectively.

4.10.3.2 Long-haul employee business travel

In addition to offsetting our Scope 1 emissions from transition and re-positioning flights, NAC leverages its agreement with GE Aerospace and Pratt & Whitney Canada to offset the CO₂ emission of employee business flights which are longer than 6,000nm. In 2023, this helped to offset 144 tonnes of CO₂.

4.10.3.3 Airline operations

The most prominent of NAC's Scope 3 emissions comes from the flights operated by the aircraft leased to airline customers. While NAC does not have control over these flights, the Company's fleet planning and subsequent investments affect the global warming impact of this in-service fleet. Therefore, NAC has created a long-term holistic approach based on 5 pillars to continually assess and reduce the emissions of its fleet.

Pillar	Title	Aim
1	Fleet emissions baseline	Understand our total global warming impact and adjust our fleet strategy accordingly to improve it over time
2	Regional fleet rollover	Adjust our regional fleet composition to reduce emissions based on current and future aircraft type availability
3	New tech/used narrowbody mix	Meet or exceed industry composition of new tech/used aircraft
4	Circular economy	Invest into freighter conversions to extend economic life of our assets, and better use materials/spare parts
5	Technology curve/regulatory developments	Monitor future developments (and their timescale) that will lead to new aircraft types/portfolio impact

Pillar 1 – Fleet emissions baseline

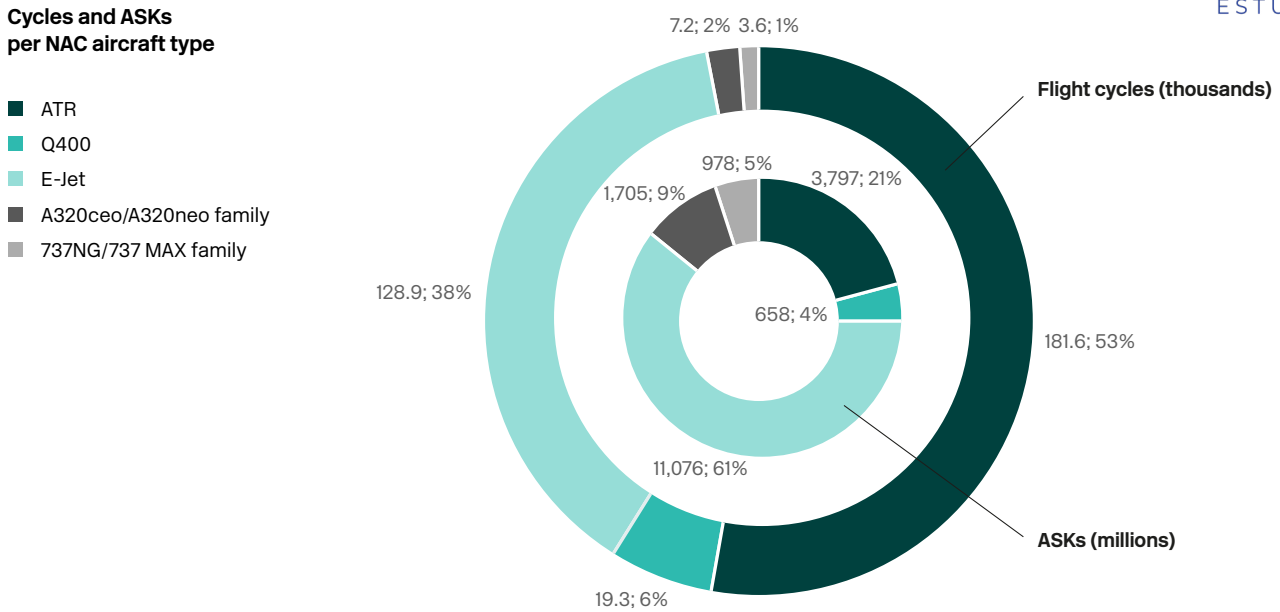
To determine the total global warming impact of NAC’s fleet for the Company’s inaugural ESG Report, NAC engaged with Estuaire, an emissions advisory group. The ultimate goal of this work was to allow NAC to gain a high fidelity understanding of the real environmental impact of its fleet in operation, which in turn would help the Company continually shape its fleet strategy to reduce emissions year on year. Due to the success of this partnership, NAC and Estuaire have signed a long-term rolling contract to continue their collaboration.

The Estuaire model determines the exact climate impact of NAC’s aircraft by taking into account their total greenhouse gas emissions (not just the CO₂ emissions related to direct fuel burn) plus other “CO₂ equivalents”. The model works by retrieving flight profiles for each aircraft in the NAC fleet over the previous year. Those flight tracks are then post-processed and enriched with historical weather data. A flight physics and thermodynamic model is then applied to calculate greenhouse gas emissions plus consistent contrail formations and their associated radiative forcing. Finally, Estuaire’s lifecycle assessment approach then considers non-operational impacts related to the fuel supply chain, aircraft manufacturing and airport utilization.

In 2023, Estuaire’s model was independently verified against airline data by the RMI. Estuaire has subsequently become an approved data provider for the Pegasus Principles, a leading aviation standard for Climate Aligned Finance, which provides detailed methodological guidance for financial institutions to use in calculating the climate alignment of their asset portfolios.

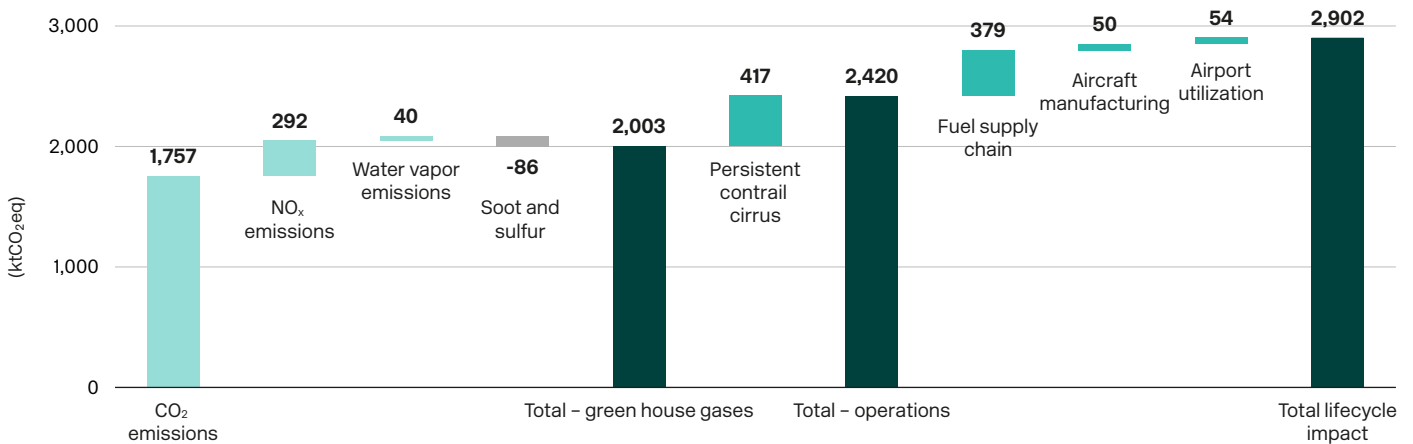
For NAC’s 2023 ESG report, Estuaire’s model was run on over 340,700 flights undertaken by NAC’s leased fleet of aircraft, with the split of these flights shown below. These 340,700 flights racked up 18.2 billion ASKs. As can be seen from the graphs, the ATR which accounts for 47% of the NAC fleet by unit count dominates the share of cycles with 53%, but only has 21% of the ASKs. This is simply a result of the ATRs having less seats and flying shorter missions than the other aircraft types, hence the ATRs have more cycles per day but generate less ASKs. Finally, the narrowbodies are seen to have a small number of cycles. This is due to them being introduced into the NAC fleet throughout 2023, yet the impact of their larger seat count gauge and longer-range capability can be clearly seen in their bigger share of the ASKs.

Cycles and ASKs per NAC aircraft type



The detailed emissions output from the Estuaire model is displayed in the below chart, highlighting the split of major contributors to global warming in 2023 from NAC’s leased fleet. From this it is evident that direct CO₂ emissions from aircraft fuel burn (1,757 kilo-tonnes) accounts for just 60% of the total lifecycle impact of the fleet, thus any aircraft lessor (or airline for that matter) that only models their emissions on the fuel burn of their aircraft will be underestimating their actual global warming impact. It is for this reason that NAC believes strongly in the work undertaken by Estuaire, which paints a much more comprehensive picture.

NAC global warming impact



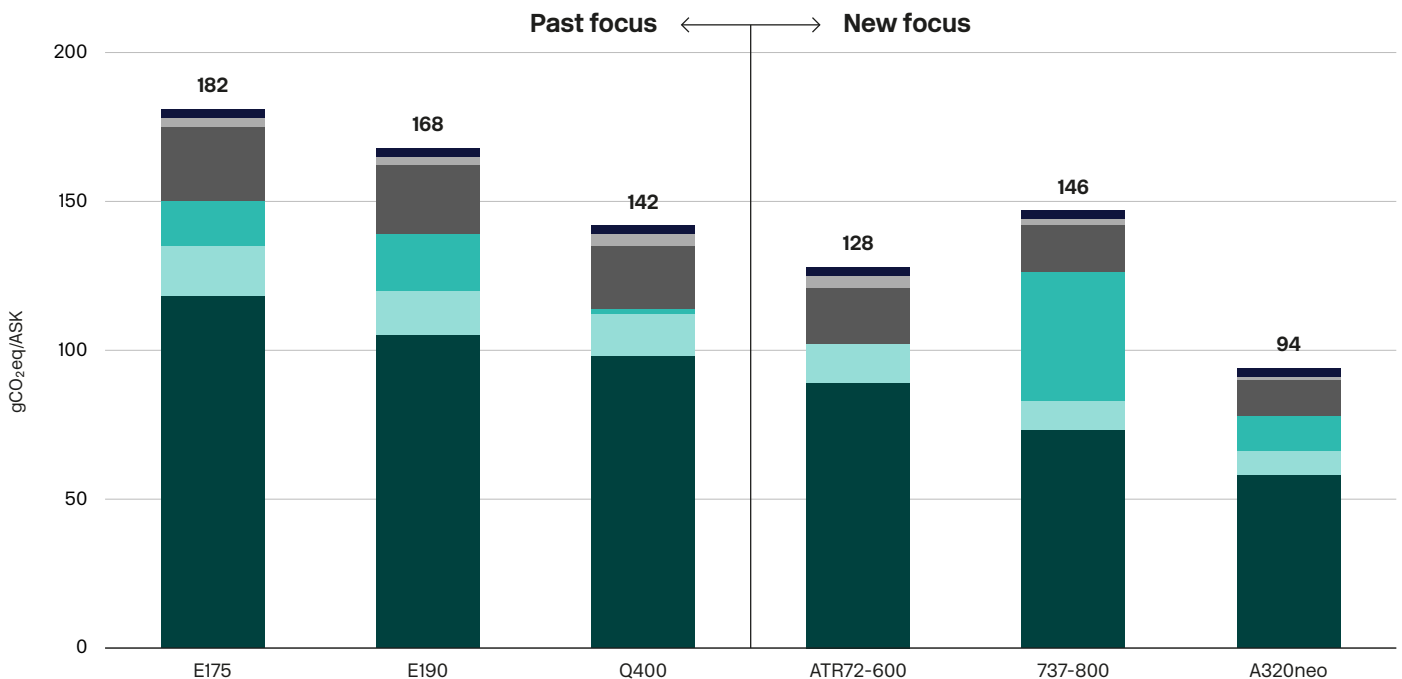
From this same analysis, it can be established that consistent contrails contributed to just 14% of the overall global warming impact of NAC’s fleet, which is substantially below the industry-wide estimate of a 40% contribution from the global aircraft fleet. This NAC advantage can again be traced to the large percentage of turboprop aircraft in our fleet. These aircraft seldom if ever generate consistent contrails due to their operating altitude staying below 20,000ft and hence out of higher altitudes where supersaturated ice crystals normally form, and lead to the creation of consistent contrails.

As shown below, a deep dive of the Estuaire analysis of NAC’s 2023 leased fleet operations can also be used to validate how NAC’s strategy of removing older E-Jet E1s and Q400s, whilst investing in larger narrowbody aircraft is helping to reduce the Company’s global warming impact, given in grams of CO₂ equivalent emitted per ASK flown. On average the narrowbody types operated by NAC’s customers generated 30% less CO₂ equivalent emissions per ASK than the out of production E-Jet E1s, whereas the ATR72-600s were seen to produce 10% less than the out of production Q400s.

Global warming impact



- CO₂ emissions
- NO_x/H₂O/Soot/Sulphur emissions
- Persistent contrail cirrus
- Fuel supply chain
- Aircraft manufacturing
- Airport utilization



NAC will continue to engage with Estuaire in the years ahead to gain similar valuable insight and help us to consistently reduce the global warming impact of our leased aircraft fleet.

Pillar 2 – Regional fleet rollover

NAC plans to continue realizing efficiency gains across its regional aircraft fleet by transitioning out of our older, less efficient types and replacing them with best-in-class models as follows:

- Turboprops - Phase-out ageing Q400 aircraft and replace with newer and more energy-efficient ATR72-600 which have 15-20% lower fuel burn per trip. NAC has 16 ATR72-600s on order, all of which have the new PW127XT engine, bringing an additional 3-5% fuel burn saving versus today's already highly efficient in-service ATR72-600s. During 2023, NAC removed 40 Q400s from our fleet, and we currently have contracts in place that will reduce our fleet of Q400s to 12 units.
- Regional jets - Reduce the number of older Embraer E-Jet E1s in our fleet and replace them with best-in-class Airbus A220s. Compared to the E190/E195, the A220 has 20-30% lower fuel burn per seat. During 2023, we removed 15 E-Jet E1s from our portfolio, and currently have awarded additional E-Jet E1 sales that will reduce our fleet to 46 units. Some of the residual E-Jet E1s could be converted into freighters to replace less fuel-efficient ageing types such as the BAe146 freighter.

Pillar 3 – New tech/used narrowbody mix

Over the long-term, as we pivot to larger aircraft, NAC is targeting to maintain a fleet mix of 60-70% new generation and 30-40% previous generation narrowbodies. Since NAC is starting as a relative new entrant in this market segment, we have an inherent advantage, and, as of 31st December 2023, our narrowbody fleet was composed of 80% new generation A320neo and 737 MAX family aircraft. This compares favourably versus our peer aircraft lessors, with the most proactive of them targeting 75% new generation aircraft by 2024, and the middle of the pack aiming for just 50-60% new generation aircraft by 2024/25.

The previous generation of narrowbody aircraft in the NAC fleet are all 737-800 and A320ceo (CFM powered) aircraft. These are the most common variants of each family, and both of these specific types have cargo conversion programs, which plays into our circular economy strategy.

Pillar 4 – Circular economy

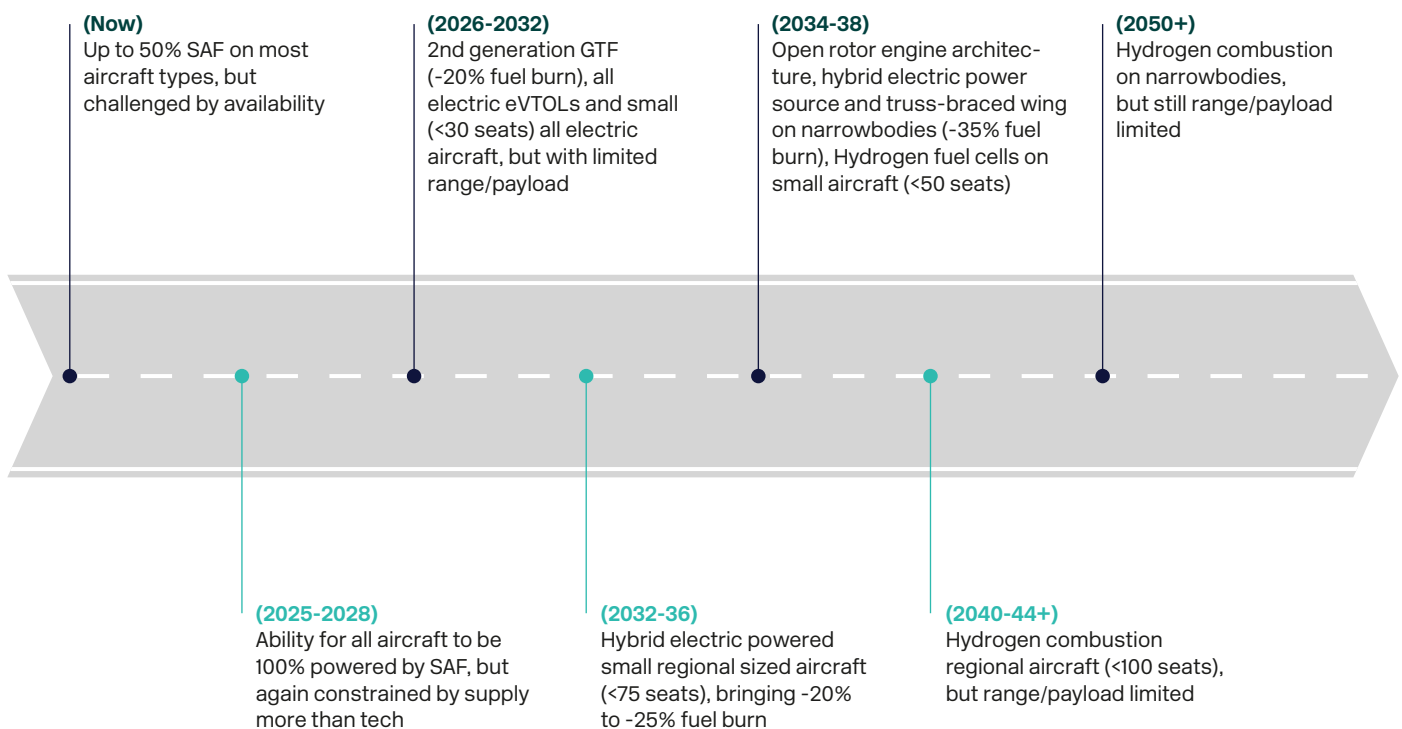
NAC plans to be involved with our assets throughout their lifecycle, taking delivery of aircraft from the OEMs, managing their passenger leases and transitions between airlines, converting some of them into freighters, whilst parting out others to be used for spare parts. Despite the average age of the NAC fleet reducing from 2022 to 2023, we have increased our focus on the circular economy through two means:

- Cargo aircraft - With 600+ ageing 737 Classic, MD80 and 757 freighters in service today, NAC's strategy is to buy used narrowbodies like the A320/A321ceo and 737-800, which can be converted to cargo aircraft and provide a 15-35% improvement in fuel efficiency per tonne over the incumbent freighters being operated today, as well as bringing higher levels of reliability and lower maintenance costs to the operators. To facilitate this strategy, NAC ordered one 737-800 BCF slot from Boeing at the 2023 Paris Air Show. Furthermore, NAC has freighter conversion kits/slots for the ATR72-600 and Embraer E-Jet E1, enabling the Company to offer its customers turboprop, regional jet and narrowbody freighter products.

- Dismantling/spare parts – We have established a standalone NAC Materials business unit, with the primary goal of sourcing, recycling, leasing and trading of larger ticket airframe and engine components for ATR aircraft, such as propellers, avionics and landing gear. In addition, NAC Materials will manage and optimize NAC’s remaining CF34 engine inventory as the firm phases out its Embraer E-Jet E1 fleet.

Pillar 5 – Technology curve/regulatory developments

To enable NAC to understand what is coming next in terms of aircraft development and new product launches, we are working with external experts, plus engaging the aircraft OEMs and engine manufacturers to create a technology roadmap and keep it refreshed and up to date. This is being used to help NAC anticipate when large step changes in fuel efficiency or the fuel being used will arrive on the market, and in what form. In turn, this will enable NAC to better plan what aircraft it will buy and sell, so as to continually optimize our fleet efficiency.



Through undertaking this technology and fuel roadmap project, NAC's main conclusion to date is that game-changing technology and fuels will arrive later than initially envisioned. Aircraft being produced today are at the cutting edge of efficiency, and to step beyond that will take disruptive technology. Owing to the industry's rigorous regulatory approval processes, the certification of any all-new technology or fuel type will take decades to approve and put into commercial service on larger gauge aircraft. Our full takeaways are:







- When they enter service in the second half of this decade, Electric Vertical Take Off and Landing (eVTOLs) will provide a good low risk stepping stone to validate greater use of batteries in the industry. On this front, NAC signed a Memorandum Of Understanding (MOU) with Eve Air Mobility (a subsidiary of Embraer) for 15 eVTOLs plus 15 options at the 2023 Paris Air Show. These four-seat, zero-emissions aircraft will act as a stepping stone towards battery and hybrid-electric propulsion systems being integrated onto larger regional aircraft and finally narrowbody aircraft too. NAC ran a detailed Request For Information (RFI) and an ensuing detailed evaluation of various eVTOL types, selecting Eve in the end, due to our existing relationship with Embraer, plus Eve's:
 - Lift + cruise propulsion configuration being simpler to certify than other eVTOLs
 - Access to design, certification, and support engineers through its parent
 - Expertise in Urban Air Transport Management (UATM) via Atech, another Embraer subsidiary
 - Robust liquidity, with a higher cash to cash burn ratio than its peers and support from BNDES
 - Strong order backlog, plus the high quality of the existing customers
- Following eVTOLs, the next logical technology step in aviation is likely to come in the shape of a hybrid-electric powered regional aircraft. This would be akin to ATR's EVO project study, with an EIS of 2032+. This view is backed by the fact both Pratt and Whitney Canada (partnered with Collins) and GE Aerospace (partnered with Boeing and NASA) have launched flight demonstrators of this engine technology, which will both be airborne within the next two years.
- On the narrowbody front, both Boeing and Airbus have begun to study potential new aircraft for the 2035+ timeframe which should make more use of electric propulsion than their MAX/neo predecessors. These aircraft will take time to study and develop as the OEMs must view them holistically (industrial/production, supply chain, technology, resources, regulatory factors, business model with the engine manufacturers) and they must make sure that their new product cannot be superseded in short succession.
- As for the engine manufacturers, there appears to be two different lines of thought when it comes to the engine for the next narrowbody. CFM has embarked down the road of Open Rotors with their RISE project, whilst Pratt & Whitney and Rolls Royce remain focused on more traditional high by-pass ratio, ducted geared turbofans.
- Like the majority of the aviation industry, NAC realizes that hydrogen has real potential for 2045+, but it is more challenged in the short to medium term, even at the regional gauge, owing to its high infrastructure requirements, certification challenges and the ability to source green hydrogen.
- Finally, NAC is a firm believer in SAF, but acknowledge that feedstock availability, refinery capacity, renewable energy sourcing, and comparative economic costs are limiting factors that will inhibit the aviation industry's full transition to such a fuel before 2050+.

5.0 Social

5.1 Social commitment

NAC is committed to creating an environment promoting equality and dignity at work. We drive diversity and inclusion, embrace flexibility, pay competitively, and emphasise career development/growth paths to empower and retain the best talent in a lean and agile work environment. NAC is committed to contributing and giving back to our local and global communities with a key focus on women in aviation.

5.2 Social highlights

 100 FTEs as of 31st December 2023	 25% of CEO direct reports are female
 60% of new hires in 2023 were female	 20 nationalities based in 11 countries
 Over 5 days training per person on average	 23 internal promotions during 2023

5.3 NAC values

Throughout 2023, NAC engaged with its employees to define the corporate values which best embody the way we collectively want to work with each other and interact with all stakeholders.



5.4 Labour standards

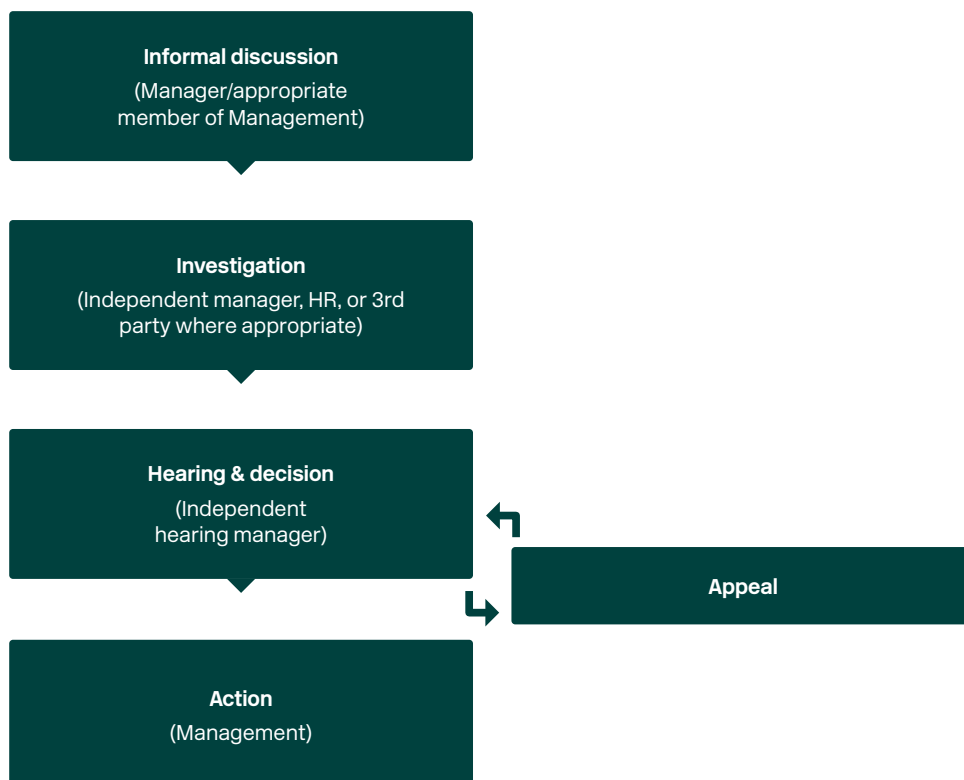
NAC has employees in 11 different countries, and in each country, the Company strictly adheres to all applicable laws and regulations. NAC is fully aligned with the International Labour Organization’s (ILO) Declaration on Fundamental Rights and Principles at Work, as outlined in Convention 111 – Discrimination (Employment and Occupation), with all forms of workplace discrimination not being tolerated.

Over 95% of NAC’s employees and contractors are based in countries where rights to freedom of association are guaranteed by law. We also have employees working in countries where collective bargaining agreements are mandated. In both circumstances, these rights are supported by the Company.

All employees and contractors have intranet access to the Company’s Employee & Contractor Handbook, where NAC’s internal policies and procedures are defined and explained.

5.5 Grievance management

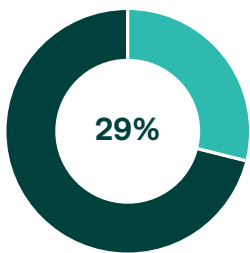
As well as treating people with dignity and respect, NAC aims to ensure that there is an effective procedure for employees to discuss any problems or concerns they may have about their employment. NAC has established a policy to approach this fairly and settle any grievance or complaint, which follows the below procedure. Note for more serious matters, NAC has a whistleblowing program which is covered in more detail in Section 6.9.



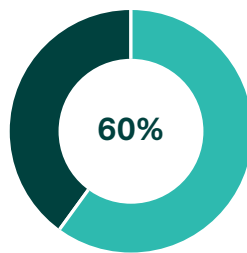
5.6 Driving diversity

The NAC Board, with the support of the General Counsel have overall responsibility for ensuring compliance with the NAC Diversity and Inclusion Code of Conduct and Policy and encourage the Company to continually focus on diversity. All employees go through mandatory annual e-training on the NAC Codes of Conduct which includes diversity and inclusion. All employees must also undertake a separate annual training course on unconscious bias to round out our comprehensive diversity and inclusion training.

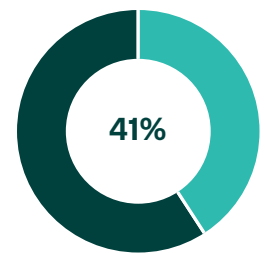
NAC purposefully monitors the diversity of our employees. The two key diversity metrics that we record are employee's sex and nationality. As of 31st December 2023, the NAC team consisted of 100 employees from a wide base of 20 nationalities (up from 13 nationalities just two years ago), living and working in 11 different locations around the world. In 2023, 60% of the new team hires were female, which augmented the percentage of our female employees in the total workforce to 41%, a twelve-percentage point increase in two years (and five percentage points higher than in 2022).



Female diversity
December 2021



Female diversity
new 2023 hires



Female diversity
December 2023



Nationalities
December 2021

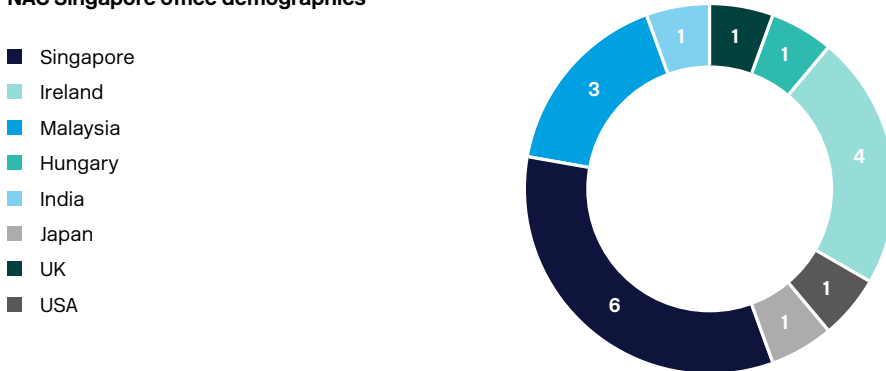


Nationalities
December 2023

5.7 Diversity in action

NAC’s Singapore office is case in point of the Company’s affirmative action to drive diversity. At the end of 2023 it hosted 18 NAC employees and contractors, with eight different nationalities in total. What is more, of these 18 employees, ~45% were female. This percentage has been increased further in 2024, with female employees now representing over 50% of the Singapore office. The office also has one male and one female direct report of the NAC CEO.

NAC Singapore office demographics



5.8 Supporting women in aviation

In 2022, NAC partnered with two leading forces in aviation academia and research, Cranfield University and Embry Riddle Aeronautical University, to offer the NAC Women in Aviation Scholarships, which aims to foster diversity and nurture the next generation of aviation leaders and role models. Each year two female candidates are selected and awarded a scholarship at Cranfield University, one from the MSc in Air Transport Management and one from the MSc in Aerospace Vehicle Design. Likewise, at Embry-Riddle Aeronautical University, two scholarships are awarded annually to female students enrolled at Embry-Riddle’s Singapore campus, one from the BSc in Aeronautics and a second from the BSc in Aviation Business Administration. The commitment to both institutions is for an initial four years, with 2023 being the second year of this program.

In 2023, the two scholars from Cranfield University were Charlene Umbyeyi, who was born and raised in Rwanda and is currently enrolled in the MSc in Air Transport Management, and Samhitha Varsha, who originates from Bangalore, India and is studying for an MSc in Aerospace Vehicle Design. From Embry-Riddle's Singapore Campus, the two student award winners were Priyangaa Rajendran and Ong Wee Ping, both Singaporean and currently undertaking a BSc in Aviation Business Administration and a BSc in Aeronautics respectively.

NAC is a supporter of the International Aviation Women's Association (IAWA). In addition to our corporate sponsorship, NAC promotes the professional development of our employees by funding their private membership of IAWA, and sponsors two employees to attend the IAWA Annual General Meeting (AGM). Furthermore, NAC encourages our employees to become members of PropelHer, a network of leading aviation professionals dedicated to promoting gender diversity and inclusion in aircraft finance and leadership roles. Through participation in PropelHer, employees have access to educational events, networking opportunities, and mentorship programs, further enhancing their growth and advancement within the industry.

5.9 Human capital development and promotions

NAC supports its employees' development through internal training, external seminars, further academic education and various forums covering job-related technical competences, compliance, industry knowledge, leadership skills, laws and regulations and environmental sustainability. To facilitate internal trainings, NAC has signed up with Skillsoft for their Percipio online training library, which prompts personalised training materials based on each employee's interests or needs.

In NAC's annual performance review process, employees and managers discuss areas of focus for employee development in the forthcoming year, and our Training and Development Guidelines directs employees who wish to apply for additional training courses. In 2023, NAC employees undertook some 4,200 hours of training, equivalent to a full five days per person.

The annual performance review process is also central to determining job rotations, transitions and employee promotions. In total there were 23 internal promotions during 2023, with 11 of the promoted employees being women.

5.10 Promoting industry recognition

NAC aims to recognise and award rising talents as part of our retention policy. Each year the Company nominates an inspiring, up and coming employee for Airline Economics' 40 under 40 Award. In 2023 Martina O'Neil, our Group Vice President of Investor Relations and Serviced Assets, was nominated and selected for this prestigious aviation industry decoration.

5.11 NAC graduate program

NAC seeks out the best and brightest graduates to join the Company's graduate training scheme. It is structured as a two-year rotation program, where graduates are embedded into different functions, giving them a broad perspective of aircraft leasing and the aviation industry. Each rotation placement lasts for three to six months, with a dedicated supervisor in each function. There are three graduates in the current scheme, two in our Irish headquarters and one in our Singapore office.



Liew Zhi Shan
Global Marketing
Graduate
Singapore

"The NAC Graduate Program has not only equipped me with comprehensive knowledge of the aviation industry but also provided me with hands-on exposure to various aspects of aircraft leasing. Working within the global marketing team, I've had the chance to explore a diverse spectrum of stimulating areas, ranging from participating in deal team discussions to conducting in-depth analysis of aircraft performance metrics. The opportunity to work alongside industry experts in NAC has allowed me to gain practical insights and hone my skills."



Liam Geraghty
Finance Graduate,
Transaction Support
and Group Tax
Ireland

"My time at NAC has been in conjunction with the Company navigating its way through the latter stages of Covid-19 and the inevitable challenges that accompanied it. I believe this has only enhanced my experience as part of the Graduate Program here. In addition to learning the fundamentals of aircraft leasing and aircraft financing, I have had the pleasure of working alongside a global team of amazing people who have gone above and beyond to help support each other and the company. I have been lucky enough to have spent time between both the Irish and Danish cohorts, and this close-knit working environment has truly been my favourite aspect of working as part of NAC, and has made the demanding experience much more enjoyable."



Nicole Spain
Fleet Operations
Graduate
Technical Operations
Ireland

"The NAC graduate program has brought me an immense amount of valuable and hands on experience in the leasing world. Everyday feels new, with the NAC Graduate Program encouraging continuous learning and new experiences. The supportive environment fostered by the individuals at NAC has enabled me to consistently learn from my colleagues. Through the Graduate Program, I have gained hands-on experience across various departments, highlighting the importance of teamwork and collaboration. I have acquired numerous skills during my time at NAC, which I will undoubtedly carry with me throughout my career, enriching every step along the way."

5.12 Coaching and mentoring

NAC has a scheme whereby several NAC senior managers act as mentors for high potential employees, guiding their development journey. Where there are particular internal coaching gaps, these employees have the opportunity to access professional external coaches to help them fully unleash their potential. Several NAC executives have also devoted time to mentor external aviation / legal professionals through participation with the AWG and Women in Aviation International (WAI) Singapore Chapter.

5.13 Competitive compensation and benefits

NAC recognizes and rewards our employees competitively through comprehensive benchmarking in each separate region. NAC has a rigorous annual compensation review process, which is linked with the Company's performance review process. This process helps to reward employees who have gone above and beyond in terms of their targets, and/or have acted as true ambassadors for NAC.

In addition to remuneration, NAC also provides health care, life insurance, income protection and a comprehensive travel insurance coverage. NAC has a generous leave policy, which goes far beyond statutory requirements.

5.14 Hybrid and flexible working arrangement

NAC's Hybrid Working Policy creates a practical, flexible working model that incorporates the company's values to deliver the best outcome for the business and employee. We have adopted a working arrangement of three days in the office and two days working remotely. This practice offers more flexibility and improves the work-life balance of employees.

To facilitate our hybrid working arrangement, NAC employees have access to a "Working from Home Kit" which includes additional IT and office equipment. This kit enables the team to work seamlessly in and out of the office.

5.15 Employee wellbeing

In addition to promoting a healthy work-life balance through hybrid and flexible working conditions, NAC offers a variety of additional programs to support employees' wellbeing including:

- Private health insurance and access to an Employee Assistance Program (EAP)
- Healthy subsidized lunches at our Irish headquarters and Denmark office
- Gym membership at our Singapore office
- Employee get-together events
- Fresh fruit in all offices

5.16 Health and safety

NAC's Health and safety at work policy is available to employees and contractors alike, and governs all workplace health and safety practises, including:

- The responsibilities of NAC, and of the employees and contractors
- Procedures on how to identify and quantify risks
- Steps to report accidents and incidents
- Emergency responses
- Training

To ensure safety when traveling on behalf of NAC, all travellers are provided with emergency assistance and travel insurance. In 2023, NAC also took preventative health measures to protect its employees, for example, subsidizing vaccinations for all employees against influenza.

There were no fatalities and zero workplace injuries at NAC during 2023. Our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR) both stand at zero.

5.17 Talent recruitment and retention

The above sections act as a good summation of NAC’s multifaceted approach to talent recruitment and retention. For ease of understanding, this can be compartmentalised as follows:



5.18 Community development

NAC has a Social Committee, chaired by a Senior Vice President of Global Marketing which focuses on community support, charity work, talent development, employee engagement, diversity, and cultural awareness events. As part of the Social Committee work, the main NAC offices engage in volunteering initiatives. These are predominantly aimed at giving back to society, but the Company also sees a direct benefit from the forging of stronger shared values and bonds within the participating NAC team. Examples of such volunteering from our Singapore office include food preparation work at Willing Hearts, a non-profit organization dedicated to serving the needy in the community and litter pickups through Habitat for Humanity.

5.19 Educational programs

NAC believes strongly in investing in the next generation of talent and providing valuable opportunities for students to gain hands on experience of the aviation industry. We currently have internship programs set up with the University of Limerick for our Irish headquarters and Embry Riddle Aeronautical University for our Singapore office. These internships cater to all degree program needs, with experiences ranging from summer holiday placements to over six-month rotations. As well as giving back to our communities, these internships serve to aid NAC create a talent pipeline. In 2023, our Irish headquarters welcomed a total of 9 interns from different fields of study ranging from Aeronautical Engineering to Information Technology.

NAC also has an ongoing partnership with Compassvale Secondary School in Singapore to offer a week-long work experience for two students each year. This placement aligns with the school's Applied Learning Program in Aeronautics, which was established in 2018. It provides students with a unique opportunity to bridge academic knowledge and skills with real-world industry experience, fostering a deeper understanding of the aviation sector and its practical applications.

5.20 Charities

NAC supports employees' passion for their communities by matching the amount they donate to local charities. As examples, in the past year, NAC's employees have supported Limerick Suicide Watch in Ireland, and Willing Hearts soup kitchen in Singapore.

NAC also partakes in supporting global societal issues. We are a sponsor of Airlink, a rapid response, non-profit organization which coordinates airlines and non-governmental organizations to provide free and subsidized airlift to a network of over 130 charities focused on humanitarian relief. Finally, through our annual "Christmas Jumper Day" we also raise funds for the important work undertaken by the United Nations International Children's Emergency Fund (UNICEF).

6.0 Governance

6.1 Governance commitment

At NAC, our ability to build and sustain relationships with our customers and other stakeholders is based on our core value of integrity. The Company’s employees, officers and directors are committed to conducting our business affairs to the highest standards of ethics and professionalism.

6.2 Governance and compliance highlights



10 detailed codes of conduct published on NAC website



100% employee completion of compliance training



Compliance e-learning portal provided by GAN Integrity



NINJIO IT security training launched



3 subcommittees of the Board for greater oversight



Four-level governance structure responsible for the planning, construction, implementation, and review of all ESG matters



NAVEX provides independent whistleblowing service

6.3 Corporate governance framework

Shareholders

Shareholders have delegated management of the Company to the Board, subject to matters reserved by law to the shareholders (for example, changes to the constitution and share capital matters) and to matters that are reserved to the shareholders under the Shareholders' Agreement.

Board

The principal leadership role for the Company is held by the Board. The Board has management authority under the Constitution subject to limitations imposed by the Companies Act and by the Shareholders' Agreement (reserved matters). The Board has delegated certain of its powers and authorities to board committees and the Executive Committee but the Shareholders' Agreement reserves approval of certain matters to the Board.

Board committees

The Board has delegated certain oversight powers to a series of committees in accordance with the Shareholders' Agreement: the Audit Committee, the Nominations & Compensation Committee and the Transactions & Risk Committee.

Executive Committee

The Board has delegated authority to an Executive Committee. The Executive Committee is responsible for the day-to-day executive management of the Company in accordance with the business plan and annual budget and subject to other Board delegated authorities and/or terms of reference. The Shareholders' Agreement reserves approval of certain matters to the Board or Transactions & Risk Committee.

6.4 Executive Leadership Team

The NAC Executive Leadership Team is highly experienced with deep domain experience in every facet of aircraft leasing and financing. Several members of the Executive Leadership Team were senior executives in industry leading lessors GECAS, Avolon, DAE Capital and BOC Aviation. They bring to NAC disciplined governance / risk management standards, and an understanding and appreciation of the operational rigour required to drive growth, whilst always leading with integrity. More information on the Executive Leadership Team can be found [here](#).

6.5 Board of Directors

The Board of Directors convenes at regular intervals to oversee the company's growth. In addition to our President and CEO Norm Liu, who is the only executive on the Board, the Board has several independent Non-Executive Directors with decades of industry experience, including Catherine Duffy, a former partner and Chair of A&L Goodbody where she led the Aviation Finance group for 19 years, John Higgins, a founding partner and former President & Chief Commercial Officer of Avolon and former Aer Lingus CEO Dermot Mannion. In 2023, 6 board meetings were held with 100% attendance. More information on the Board can be found [here](#).

6.6 Subcommittees of the Board

The Board of Directors has set high standards for the Company's employees, officers, and directors in respect of sound corporate governance. In order to ensure effective governance and oversight of the management of the Company's business and fulfil its responsibilities in this regard, the Board of Directors has established three subcommittees, namely the Audit Committee, the Nominations & Compensation Committee, and the Transactions & Risk Committee.

Audit Committee

The Audit Committee reviews the Company's financial statements before submission to the Board for approval, and has responsibility for financial reporting, internal controls, compliance and the external audit function.

Nominations & Compensation Committee

The primary duties of the Nominations & Compensation Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, as well as giving consideration to the appointment of directors and succession planning for directors and executives.

Transactions & Risk Committee

The primary duties of the Transactions & Risk Committee are to review and approve certain proposed transactions on behalf of the Company, as well as to have oversight of and review all risk factors affecting the Company. The ESG Steering Committee also reports into this committee.

6.7 Subcommittee members

	Board	Audit Committee	Nominations & Compensation Committee	Transactions & Risk Committee
Scheduled meetings held	6	4	1	4
Committee composition				
Yadin Rozov*	✓		✓	
Catherine Duffy	✓	✓	✓	
John Higgins	✓			✓
Norman C.T. Liu**	✓		✓	✓
Dermot Mannion***	✓	✓		
Paul O'Donnell	✓	✓		✓

* Chairman of Board and Nominations & Compensation Committee ** Chairman of Transactions & Risk Committee *** Chairman of Audit Committee

6.8 Codes of conduct

NAC's codes of conduct, for the purpose of driving integrity in all business dealings, describe the standards of conduct required from Directors and NAC personnel on how to deal with each other and all stakeholders including our customers, our lenders, our suppliers, our service providers and other related parties. It requires all personnel to conduct themselves with a high level of integrity and professionalism.

The following codes of conduct are available on the NAC website here [NAC | Investors: Business Code of Conduct, Anti-Bribery & Anti-Corruption, Anti-Money Laundering, Sanctions and Export Control, Conflicts of Interest, Competition Law Compliance, Personal Data Protection, Information Security & Acceptable Use, Diversity & Inclusion and Global Whistleblowing](#). In addition, new standards and procedures for the giving and receiving of gifts and hospitality have been established and communicated to all NAC personnel.

The Board, along with the General Counsel and Compliance Team, has overall responsibility for ensuring compliance with the codes of conduct.

6.9 Whistleblowing system

NAC prides itself on its ongoing commitment to compliance with all applicable laws, regulations, and policies. As part of this commitment, NAC has implemented a system to allow Company employees, the Board, customers, suppliers, and indeed any member of the general public, to confidentially report compliance matters via a secure, anonymous whistleblowing hotline (WhistleB) provided by independent third party service provider NAVEX or through certain internal channels for NAC employees, and in each case without fear

of unlawful retaliation for doing so. The specific NAC page on NAVEX's WhistleB platform can be found here <https://report.whistleb.com/en/nac>.

As detailed below, NAC has a solid process for escalating, investigating and recording whistleblowing disclosures and outcomes when they arise. To date NAC has not received any complaints through NAVEX's WhistleB platform, nor has there been any compliance matters raised via other internal channels.

Process for escalating, investigation and recording whistleblowing disclosures

Designated Parties Include:
General Counsel
Group VPs Corporate Legal



6.10 Compliance training

NAC has invested to ensure business wide understanding of our Codes of Conduct. Through an external provider “GAN Integrity”, all employees receive annual compliance training via an e-learning platform and are also required to review, and confirm their adherence and understanding of the Company’s Codes of Conduct.

Following a 100% employee training completion rate in 2022, additional compliance training was carried out in 2023 including on Anti-Money Laundering, Whistleblowing, Diversity & Inclusion, Anti-Bribery and Anti-Corruption, Sanctions and Export Controls. This training program achieved a 100% completion rate by all NAC employees in 2023.

6.11 IT security and systems development

NAC has a strong dedicated Information Technology (IT) function, with vast experience from the aircraft leasing industry. The company uses best-in-class security platforms which are managed by Microsoft Sentinel. NAC currently uses NINJIO training to increase our employee’s cybersecurity awareness, and enable them to take the best course of action when faced with a security threat or suspicion.

Beyond our security measures, NAC has developed an in-house document management and other information systems, called Shamrock, and a Business Intelligence Hub. Shamrock is a collaborative space where subject-matter experts from each business function can efficiently and securely manage on-going transactions and historic lease documents. The Business Intelligence Hub enables the business to have at the ready, up to date and easily accessible customer information from billings to fleet details. These tools support appropriate account, asset and overall fleet management.

6.12 Privacy and data protection

Data retention

- Data is retained in accordance with NAC’s Personal Data Protection Policy
- All NAC employees must protect and use personal data appropriately
- NAC employees enjoy the enhanced protection of their personal data in accordance with international personal data protection laws

Personal Data Protection Policy

- The Board (with the support of the General Counsel and Compliance Team) has overall responsibility for ensuring compliance with this Code of Conduct and that its requirements are effectively communicated to all NAC personnel
- Enhanced data protection training must be undertaken by all NAC employees
- NAC’s Compliance Team will deal with any internal queries and audit internal control systems and procedures (in cooperation with the General Counsel and Chief Risk Officer) to ensure they are effective

Data breaches

- No material/reported personal data breaches in 2023
- No breaches notified by suppliers in 2023
- Malware and phishing attempts caught by IT

6.13 Enterprise risk management

Prior to the execution of any transaction documents and/or receipt of funds from a third party, NAC conducts risk based Know Your Customer (KYC) due diligence, including assigning a customer compliance risk rating, using the NAC Customer Compliance Risk Rating (CCRR) model which considers the customers jurisdiction, entity type, product and industry and anti-money laundering, sanctions, and counter-terrorism screening, as well as comprehensive jurisdictional analysis.

NAC has set up a sophisticated business risk assessment process encompassing credit risk, asset risk, and jurisdiction risk analysis. The risk function collaborates with the legal function to carry out comprehensive transaction review, approval and contract processes to ensure accountability at all levels of the business. Thresholds for different approval requirements and review processes have been established.

All transactions or investments by the business are subject to scrutiny at deal team level, executive management level, and, where necessary, the Transactions & Risk Committee and/or the Board. Furthermore, in line with the Codes of Conduct, NAC has a conflicts-of-interest disclosure requirement and is committed to understanding the risks we face and effectively prevent and manage conflicts of interest.

NAC also has a comprehensive customer credit risk screening procedure that ensures all existing and potential customers are analysed and rated. This procedure involves two key parts, a credit score and a credit review. We have developed a data-driven, standardised, and analytical credit scoring model based on customers' financial information and supplemented by operational data. A final credit score is calculated based on quantitative and qualitative input, and adjustment factors to capture elements that are not directly reflected in the financial reports.

All existing customers must be rated at least once a year, and all potential customers must be rated before a transaction can be brought for approval. The scoring model provides a systematic approach to monitor existing customers and to compare potential customers for competing deals to determine the best course of action. The credit scores are also used to analyse our portfolio and exposure holistically.

NAC has further invested in contract management and has developed, in consultation with leading global law firms, a suite of template transaction documents to ensure transaction management excellence. We have further invested in the digitalisation of our template documents, freeing up resources, improving turn-around time and ensuring consistency and accuracy in document execution.

This year, NAC has also commenced a corporate simplification project, winding up surplus or underutilised special purpose vehicles to streamline the annual reporting requirements, resulting in significant time and cost savings.

6.14 Climate change risk management

Climate change risk is a major concern in the aviation industry. Such concerns pose significant challenges to the future of the industry but also drive the industry to manage and mitigate these risks with legal, technological, and financial approaches. In the long run, climate change is likely to affect the Company's revenue, cost, and investment from the following perspectives:

- **Acceleration of change in rules and regulations governing the aviation industry and the finance leasing sector.** We may see additional restrictions, requirements, and scrutiny which could lead to alterations in capital allocation, barriers to entry, compliance cost, and penalties.
- **Increase in cost of materials and operations.** Extreme weather events are on a growing trend, these events are adversely affecting the supply and sourcing of raw materials, which will have knock-on effects to costs throughout the value chain as well as to cost of operations.
- **Changes in demand.** Travel behaviour is likely to change as passengers are shifting their preferences to greener products (for example, choosing new technology aircraft or shifting from air travel to trains) due to climate change concerns and moving to other modes of transport for comparatively higher reliability in adverse weather conditions. Changes in travel behaviours underpin the change in demand of our customers to aircraft types with higher fuel efficiency, lower emissions, quieter engines, and more suitable for passengers' travel needs.
- **Change in OEM products and pressure to revolutionize technology.** Changes in societal, regulatory, and customer needs may cause or force OEMs to accelerate product developments and increase investment in revolutionary technologies. While such a revolution may help the industry to reduce energy consumption and emissions, potential rapid change in product strategy brings uncertainty to lessors as the tradability of today's products may be reduced, hence driving up the residual value risk a lessor has to bear.
- **Disruption of customer operations.** Increasing number, duration, and severity of adverse weather conditions, such as snowstorm, tropical cyclones, and flooding, are disruptive to our customers' flight operations and will impact their revenues. Increased regulation, such as EU Taxonomy for sustainable financing, SAF requirements, CORSIA, EU Emissions Trading Scheme (ETS), drive up cost and may intensify regional imbalance.
- **Disruption to supplier operations.** Similarly, adverse weather conditions may affect suppliers' productions, investment plans, location of plants, staffing needs, cost of materials, added time and cost to be compliant, and ultimately translate to changes in availabilities, lead-times, prices, and replacement intervals.
- **Increase in financing needs or alteration to investment plans.** Higher cost will inevitably require additional financing and the change in rules and regulations may require revision to existing investment plans. Moreover, financiers may place higher weight on ESG performance which could impact our access to financing options and finance cost.

- **Impact to human capital and productivity.** Any shift in how the aviation industry is perceived by the public may negatively affect talent acquisition. Meanwhile, more frequent extreme weather events such as record-high or low temperature days, or possible damages to facilities, will reduce productivity.
- **Challenges to meeting investor and reporting requirements, and maintain a positive public image.** Investors are likely to heighten their focus on the Company's environmental performance and demand quantifiable carbon footprint reduction actions. The Company is also more likely to be subject to audits, reviews, and ratings on ESG performance and compliance. It is expected that additional time, cost, and human resources will need to be allocated to meeting reporting requirements. These requirements are likely to stem from document preparation to implementation, audit, and verification.

The Company seeks to monitor and reduce carbon emissions in our operations. However, we do not stop at the intrinsic risks of our operation, our considerations also extend to areas including investment plans, corporate strategy, public and investor relations, changes in regulatory environment and compliance requirements, and climate change impact to the supply chain.

- **Embed climate change and the wider ESG topics into corporate strategy.** A top-down approach is taken to better manage and respond to climate change risks. An ESG Steering Committee has been set up to ensure ESG strategies and purposes are addressed in corporate strategy planning and actions are aligned. An ESG Working Group is set up to implement the strategies and provide feedback to the Steering Committee. Managing public and investor relations from an ESG perspective should also be part of the Company's communication strategy. The Company should be transparent and proactive in communicating with both the public and investors regarding our strategies, targets, plans, and actions to address climate change risks, as well as wider ESG issues.
- **Reduce carbon dependency in our operations.** As discussed in section 2.6, we have defined three high level ESG goals to give directional guidance. Additionally, our EMS document provides detailed procedures and programs to check, monitor, and reduce our environmental footprint.
- **Tailor our investment plan to meet sustainable growth needs.** As part of our growth plan, we will focus more on investing in newer technology aircraft and engines, and exiting older, out of production types. We will also explore alternative solutions to support our customers in their transition to more sustainable fleets.
- **Guarding against obsolescence in our current investment, responding to drastic change in technology and product.** Monitor assets in the portfolio and OEM trend; be proactive in re-balancing asset mix, be prepared to trade assets whose liquidity is likely to reduce due to product development. Stay vigilant with regard to technology trends and product evolution.

- **Understand and be prepared to meet changing regulatory and compliance requirements.** Stay connected and relevant in the industry through our membership with ALI and AWG. Actively participate in conferences and workshops to understand the latest trends and changes in rules and regulations. We also must conduct regular reviews and assessments of the regulatory landscape in locations where our operation is subject to regulation. Our EMS provides detailed guidance to maintaining a register of legal requirements and producing a bi-annual climate change monitoring report.
- **Work with customers and suppliers to mitigate climate change impact to the supply chain.** It is important to maintain open and efficient communication channels with our customers and suppliers to ensure smooth information flow throughout the supply chain. We need to understand their needs, challenges and difficulties, and their responses to climate change risk, and be able to react to disruptions to the supply chain due to climate change events. Risk managers must consider counterparty climate change risk factors as part of due diligence.

6.15 Supply chain management

NAC's supply chain is global in nature, and an essential component that enables our business to function. Key suppliers include the aircraft OEMs, engine manufacturers, spare part distributors, Maintenance Repair and Overhaul (MRO) facilities, peer aircraft lessors, airlines, IT system providers, consultants and utility companies. NAC believes in doing business with partners who have the same environmental, social and governance standards as the Company. To ensure this, NAC's supply chain and compliance teams undertake Know Your Supplier (**KYS**) due diligence, sanctions, and counter-terrorism screening, and continuous monitoring of our incumbent suppliers. NAC also monitors the ESG practices of our key suppliers, with the aim of driving greater levels of sustainability across our supply chain.

6.16 Transparent tax policies

Nordic Aviation Capital DAC is an Irish incorporated company which is tax-resident in Ireland. Our subsidiaries are subject to taxation in a number of jurisdictions, principally in Ireland, Singapore and Denmark. NAC is committed to effective tax risk management. Our tax affairs are managed in line with rigorous standards of corporate governance.

The NAC Tax Department consists of tax professionals who collectively have the appropriate level of knowledge and skills to manage NAC's tax affairs and monitor tax risks across the business. Due to the cross-border nature of our business, we are cognisant of potential risks which could arise. The NAC Tax Department assists each entity within the NAC group to actively identify, monitor and manage tax risks on an ongoing basis.

NAC does not interpret tax laws in a manner that we believe is contrary to their intention and we do not undertake tax planning which is unrelated to commercial transactions. We maintain an open and honest relationship with tax authorities. In addition, we place a strong emphasis on transparency, working with integrity and maintaining a collaborative and professional relationship with tax authorities.

Professional advice is obtained from qualified external advisers where the treatment of specific items is uncertain or complex. We seek to comply with all relevant laws, rules, regulations, and reporting and disclosure requirements in a manner that aligns with our tax policies.

6.17 Enhanced operational excellence

In 2023, NAC streamlined weekly operational meetings to improve efficiency and enhance transaction offerings and response times. Each Monday, there is a CEO call convened with the direct reports. This is followed by a global marketing meeting attended by all deal team members to enable greater communication and situational awareness on key campaigns, existing fleet/new order placements, asset sales, aircraft investments, collections and industry developments. Documentation, approval, and delivery times are also monitored.

An Investment Committee also meets on an ad hoc basis to provide an early read on prospective transactions meeting certain criteria prior to offers being made to customers and to review transaction approvals.

Our Technical Operations team has re-organised from product focused to customer-focused teams, whilst our Legal and Risk Operations teams are aligned with our two major sales regions to support growth as well as existing customer accounts.

6.18 Internal ESG reviews

NAC conducts internal reviews to monitor and measure key characteristics of the ESG activities on a bi-annual basis. These reviews track targets, control risks, ensure compliances, and provide the basis for improvements. The review process requires the ESG Steering Committee and ESG Working Group to assess work done in the past year and evaluate performance with respect to changes in legislation, concerns of interested parties, technology and service requirements, and lessons learned from previous experiences. The key characteristics covered by the reviews include:

- Changes in regulatory environment
- Company's ESG policy, objectives, processes, and programs and any modification needs
- Actionable items proposed in the previous year and status of completion
- Achievements and targets
- Communications, complaints, nonconformities and suggestions received
- Disclosure
- Areas of improvement
- Follow-up actions from previous reviews

7.0 Supplementary information

7.1 Glossary

ABBB	Aviation Benefits Beyond Borders	Gt	1,000,000,000 tonnes
AGM	Annual General Meeting	GTF	Geared Turbofan
ALI	Aircraft Leasing Ireland	HR	Human Resources
AOG	Aircraft On Ground	IATA	International Air Transport Association
ASK	Available Seat Kilometre	IAWA	International Aviation Women's Association
ATAG	Air Transport Action Group	ICAO	International Civil Aviation Organization
ATR	Avions de Transport Regional	ILO	International Labour Organization
AWG	Aircraft Working Group	IT	Information Technology
BCF	Boeing Converted Freighter	Kg	kilogram
BNDES	Brazilian Development Bank	Kt	1,000 tonnes
Board	Board of Directors	KWh	Kilo Watt-Hour
BOC	Bank of China	KYC	Know Your Customer
BSC	Bachelor of Science	KYS	Know Your Supplier
CAGR	Compound Annual Growth Rate	LCC	Low Cost Carriers
CCRR	Customer Compliance	LEED	Leadership in Energy and Environmental Design
CEO	Chief Executive Officer	LTIR	Lost Time Incident Rate
CFO	Chief Financial Officer	MOU	Memorandum Of Understanding
CIS	Commonwealth of Independent States	MRO	Maintenance Repair and Overhaul
CO₂	Carbon Dioxide	MSc	Master of Science
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation	Mt	1,000,000 tonnes
CRO	Chief Risk Officer	NAC	Nordic Aviation Capital
CTO	Chief Technical Officer	NASA	National Aeronautics and Space Administration
DAE	Dubai Aerospace Enterprise	NBV	Net Book Value
EAP	Employee Assistance Program	Nm	Nautical Mile
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	NO_x	Nitrogen Oxides
EMS	Environmental Management System	OEM	Original Equipment Manufacturer
ESG	Environmental, Social and Governance	PLB	Purchase and Lease Back
ETS	Emissions Trading Scheme	PWC	Pratt and Whitney Canada
EU	European Union	RFI	Request For Information
eVTOL	Electric Vertical Take-Off and Landing	RMI	Rocky Mountain Institute
FH	Flight Hour	SAF	Sustainable Aviation Fuel
FTE	Full Time Employee	Steering Co.	ESG Steering Committee
GC	General Counsel	Tonne (t)	1,000kg
GDP	Gross Domestic Product	TRC	Transactions & Risk Committee
GDPR	General Data Protection Regulation	TRIR	Total Recordable Incident Rate
GE	General Electric	UATM	Urban Air Transport Management
GECAS	GE Capital Aviation Services	UNICEF	United Nations International Children's Emergency Fund
GRI	Global Reporting Index	USD	United States Dollars
		WG	ESG Working Group

7.2 GRI content index

GRI code	Disclosure	Reference in this report	Page	Notes
<i>GRI 2: General Disclosure 2021</i>				
1. The organization and its reporting practices				
2-1	Organizational details	Executive summary by our President and CEO	2	
		1.2 Our history	7	
		1.3 Business model	8	
		1.4 Employees and locations	8	
		1.6 Customer overview	11	
2-2	Entities included in the organization's sustainability reporting	Annual Report 2023 (https://www.nac.dk/wp-content/uploads/2024/03/NAC_AR_2023_FINAL-FINAL-.pdf)		This ESG report covers the same entities as the consolidated financial statements, which are included in the Annual Report 2023.
2-3	Reporting period, frequency and contact point	1.8 About this report	13	
2-4	Restatements of information			No restatement from-pervious reporting period
2-5	External assurance	2.3 Working with others	16	While the ESG Report has not been externally assured, NAC's overall ESG risk has been assessed by an external party.
2. Activities and workers				
2-6	Activities, value chain and other business relationships	Executive summary by our President and CEO	2	
		1.3 Business model	8	
		1.5 Aircraft fleet	9	
		1.6 Customer overview	11	
		6.15 Supply chain management	59	
2-7	Employees	1.4 Employees and locations	8	
		5.6 Driving diversity	42	
2-8	Workers who are not employees			The Company has a number of contractors and consultants in our offices. However, we do not disclose the numbers and details of their work publicly.

GRI code	Disclosure	Reference in this report	Page	Notes
<i>GRI 2: General Disclosure 2021</i>				
3. Governance				
2-9	Governance structure and composition	2.2 ESG governance	15	
		6.3 Corporate governance framework	51	
		6.4 Executive Leadership Team	51	
		6.5 Board of Directors	52	
2-11	Chair of the highest governance body	6.4 Executive Leadership Team	51	
		6.5 Board of Directors	52	
2-12	Role of the highest governance body in overseeing the management of impacts	6.4 Executive Leadership Team	51	
		6.5 Board of Directors	52	
2-13	Delegation of responsibility for managing impacts	2.2 ESG governance	15	
		6.6 Subcommittees of the Board	52	
		6.7 Subcommittee members	53	
2-14	Role of the highest governance body in sustainability reporting	2.2 ESG governance	15	
4. Strategy, policies and practices				
2-22	Statement on sustainable development strategy	Executive summary by our President and CEO	2	
2-23	Policy commitments	4.1 Environmental commitment	24	
		5.1 Social commitment	40	
		5.3 NAC values	40	
		5.4 Labour standards	41	
		6.1 Governance commitment	50	
		6.8 Code of conduct	53	
2-24	Embedding policy commitments	4.2 Environmental highlights	24	All employees are required to complete annual compliance trainings. Additional ESG awareness trainings are also provided to all employees.
		5.2 Social highlights	40	
		6.2 Governance and compliance highlights	50	
2-25	Processes to remediate negative impacts	5.5 Grievance management	41	
2-27	Compliance with laws and regulations			The Company has 0 instance of significant non-compliance with laws and regulations and have not incurred any fines.
2-28	Membership of associations	2.3 Working with others	16	
		5.8 Supporting women in aviation	43	

GRI code	Disclosure	Reference in this report	Page	Notes
<i>GRI 2: General Disclosure 2021</i>				
5. Stakeholder engagement				
2-29	Approach to stakeholder engagement	3.1 Materiality process	20	
		3.2 Stakeholder engagement	20	
<i>GRI 3: Material Topics 2021</i>				
3-1	Process to determine material topics	3.1 Materiality process	20	
		3.2 Stakeholder engagement	20	
		6.13 Enterprise risk management	56	
		6.14 Climate change risk management	57	
		6.15 Supply change management	59	
3-2	List of material topics	3.3 Materiality matrix	22	
3-3	Management of material topics	3.3 Materiality matrix	22	
		6.13 Enterprise risk management	56	
		6.14 Climate change risk management	57	
		6.15 Supply change management	59	
<i>GRI 201: Economic Performance 2016</i>				
201-1	Direct economic value generated and distributed	Annual Report 2023 (https://www.nac.dk/wp-content/uploads/2024/03/NAC_AR_2023_FINAL-FINAL-.pdf)		
201-2	Financial implications and other risks and opportunities due to climate change	6.14 Climate change risk management	57	
<i>GRI 205: Anti-corruption 2016</i>				
205-2	Communication and training about anti-corruption policies and procedures	6.8 Codes of conduct	53	
		6.10 Compliance training	55	
205-3	Confirmed incidents of corruption and actions taken			0 incident in the reporting period
<i>GRI 207: Tax 2019</i>				
207-1	Approach to tax	6.16 Transparent tax policies	59	

7.0 Supplementary information

GRI code	Disclosure	Reference in this report	Page	Notes
<i>GRI 302: Energy 2016</i>				
302-1	Energy consumption within the organization	4.8 Scope 1 emissions	29	
302-2	Energy consumption outside of the organization	4.9 Scope 2 emissions 4.10 Scope 3 emissions	29 31	
302-4	Reduction of energy consumption	4.8 Scope 1 emissions 4.9 Scope 2 emissions 4.10 Scope 3 emissions	29 29 31	
302-5	Reductions in energy requirements of products and services	4.8 Scope 1 emissions 4.10 Scope 3 emissions	29 31	
<i>GRI 305: Emissions 2016</i>				
305-1	Direct (Scope 1) GHG emissions	4.6 Emissions categorization 4.8 Scope 1 emissions	28 29	
305-2	Energy indirect (Scope 2) GHG emissions	4.6 Emissions categorization 4.9 Scope 2 emissions	28 29	
305-3	Other indirect (Scope 3) GHG emissions	4.6 Emissions categorization 4.10 Scope 3 emissions	28 31	
<i>GRI 403: Occupational health and safety 2018</i>				
403-1	Occupational health and safety management system	5.16 Health and safety	46	
403-9	Work-related injuries			None in the reporting period
403-10	Work-related ill health			None in the reporting period
<i>GRI 404: Training and education 2016</i>				
404-1	Average hours of training per year per employee	5.9 Human capital development and promotions	44	

7.0 Supplementary information

GRI code	Disclosure	Reference in this report	Page	Notes
<i>GRI 405: Diversity and equal opportunity</i>				
405-1	Diversity of governance bodies and employees	1.4 Employees and locations	8	
		5.6 Driving diversity	42	
		5.7 Diversity in action	43	
		5.8 Supporting women in aviation	43	
		5.11 NAC graduate program	45	
		6.4 Executive Leadership Team	51	
<i>GRI 418: Customer Privacy 2016</i>				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			None in the reporting period

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