

SAS

**OUR ENVIRONMENTAL
VISION IS TO BE
A PART OF LONG-TERM
SUSTAINABLE SOCIETY**

**IT SHOULD BE
POSSIBLE TO FLY
WITH NO FOSSIL-
FUEL CO₂ EMISSIONS
BY 2050**

**SAS SUSTAINABILITY REPORT
NOVEMBER 2014–OCTOBER 2015**

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Sustainability reporting at SAS

This Sustainability Report is a complement to our annual report with sustainability review. Please take the time to read both reports for the full overview of SAS.

ABOUT THIS SUSTAINABILITY REPORT

This is the 20th SAS Sustainability Report, which has been subject to third-party review since 1997. This Sustainability Report describes SAS's most essential environmental and societal aspects during the 2014/2015 fiscal year. The Annual Report with sustainability review and Sustainability Report has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, G4 Core. The entire report has been reviewed by PwC. The UN Global Compact, ISO 14001 and the Carbon Disclosure Project were taken into consideration in the preparation of this Sustainability Report. The SAS Annual Report with a sustainability overview and the separate Sustainability Report for the 2013/2014 fiscal year were published in February 2015.

Readers guide to this Sustainability Report

- The SAS Group is referred to as SAS in this Sustainability Report.
- In the 2014/2015 fiscal year (2014/2015), SAS consisted of Scandinavian Airlines (incl. SAS Maintenance Production, SAS Cargo Group A/S, Cimber and SAS Ground Handling). Blue1 was sold during the year and is not disclosed in 2014/2015.
- The fiscal year is from November 1 through October 31.
- The KPIs reported in this Sustainability Report generally cover (unless specifically stated):
 - Financial KPIs: SAS
 - Environmental KPIs: flight related: flights flown under the SK flight number.
Ground related: SAS
 - Social KPIs: SAS

External review: Material sustainability information and EU-ETS

All material sustainability information in the Annual and Sustainability Reports for 2014/2015 has been reviewed by PwC. The Auditor's report on the Sustainability Report can be found on page 25.

PwC has verified the systems and reports regarding the EU trading scheme for emission allowances for flights under the SK flight number.

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COMMERCIAL SUCCESSES CONTRIBUTE TO POSITIVE EARNINGS

SAS delivered notably improved earnings in 2014/2015. This improvement was primarily driven by our commercial successes, cost measures and, at the end of the year, by lower jet-fuel costs. Over the last few years, we have strengthened the offering aimed at frequent travelers and this has delivered manifest results. We expect increased capacity growth in the market in 2016 and even more intense competition as a result.

During the year, SAS's income before tax and nonrecurring items amounted to nearly SEK 1.2 billion, comprising a notable year-on-year improvement in earnings. Altogether, we have made substantial progress during the year toward a more attractive SAS. However, the unit cost after adjustments for currency and jet fuel increased during the year, which is unsatisfactory. To improve our long-term competitiveness, we will work even more intensely to implement further cost measures.

The industry was marked by a temporary stabilization of capacity growth in Scandinavia during the year. However, we expect more intense competition in 2016 with increased capacity growth. To meet market challenges and strengthen competitiveness, we will continue to drive three strategic priorities: win Scandinavia's frequent travelers, create an efficient operating platform and secure the right capabilities.

SUSTAINABILITY AGENDA

We are convinced that financially sustainable operations require social and environmental responsibility, and that work on sustainability issues contributes to value creation and competitiveness in a variety of ways. We take our responsibility seriously and despite the turbulent civil aviation market in recent years, we have chosen to maintain our commitment to sustainability related issues.

We believe that a well-structured sustainability effort creates value for our customers and differentiates SAS in a highly competitive aviation market.

To visualize our sustainability efforts and activities, that are integrated in our management system and daily work, we have defined a sustainability agenda described on page 5 and onwards in this report.

GOAL ATTAINMENT 2015

During 2014/2015 we continued our strive to achieve our long term goals. When we summarize environmental goal attainment, we can conclude that we reduced our absolute CO₂ emissions from flight operations by 14% and our relative CO₂ emissions per passenger kilometer by more than 18% compared to 2005.

GOING FORWARD

Within our three strategic priorities we plan numerous activities to further strengthen our sustainability agenda with a clear focus on our operational promise, CARE. Some examples of activities planned for 2015/2016 are:

Win Scandinavia's frequent travelers

We plan to allow our customers to choose, on a voluntary basis, to upgrade their fuel to renewable jet fuel. Moreover, we plan to take additional steps to further adapt our products and services from a sustainability perspective.



Create an efficient operating platform

We are continuing to renew our fleet by introducing the brand new A320neo aircraft with its sustainability benefits, we are continuing our fuel saving activities and we will take further actions regarding waste handling.

Secure the right capabilities

We have integrated Lean principles in our management processes to manage this transition, and we are working toward shared targets that are categorized under SQDEC, which stands for Safety, Quality, Delivery, Employees and Cost. These targets are followed up through clear action plans across all operations. We are also strengthening leadership and increasing professionalism through a number of forums, such as the SAS Forum 50, Learning lunch and a mentor program. At the same time, we highlight team and individual performances at our annual SAS Awards. The introduction of these processes and activities are crucial for securing the right skills and, thereby, SAS's future.

Rickard Gustafson
President and CEO

THIS IS SAS

During the 2014/2015 fiscal year SAS consisted of Scandinavian Airlines (incl. SAS Maintenance Production, SAS Cargo Group A/S, Cimber and SAS Ground Handling). Scandinavian Airlines and Cimber have their own Air Operations Certificates. All commercial and operational functions, and staff units, such as purchasing, HR, finance, legal, sustainability etc. are centralized. The head office is located in Stockholm.

PASSENGER TRANSPORT

SAS primarily conducts passenger transport in its main market, the Nordic region, through the airline Scandinavian Airlines on SK flight numbers. SAS's share of total traffic in its home market (measured in number of passengers) was 35% in 2014/2015.

SAS is the largest airline in the Nordic region in terms of revenue, passengers and flights. Its network is mainly dimensioned according to business travelers' needs, but leisure travel is an expanding segment and represents a growing share of revenue. The main bases are Copenhagen Kastrup, Oslo Gardermoen and Stockholm Arlanda. Flights are operated with aircraft and crew on SK flight numbers within the organization, as well as in wet lease operations with internal and external suppliers.

Based on the fuel consumed, 96.4% of all flights with an SK flight number were flown by Scandinavian Airlines (incl. flights on wet lease basis flown by Blue1 and Cimber) during 2014/2015. The remaining 3.6 % were flown by external suppliers.

In March 2015, SAS acquired the Danish airline Cimber and created a fully owned internal wet lease provider with CRJ900 aircraft.

At the end of the fiscal year, SAS sold Blue1 to an external airline, CityJet. SAS will continue to buy wet lease operations from CityJet as of March 2016.

CARGO TRANSPORT

SAS offers freight and mail services. These services are provided by the wholly owned subsidiary, SAS Cargo Group A/S (SCG). The actual handling of freight and mail is carried out by ground handling agents. SCG is managed from Copenhagen and includes an independent, full-service provider of freight forwarding services, Trust Forwarding. This SCG subsidiary is 100% owned by SCG and its environmental data and results are included in SCG's data and results.

GROUND HANDLING

SAS Ground Handling (SGH) operates at airports in Norway, Sweden and Denmark. Customers include airlines within SAS and SAS's partners and external customers. Based on the number of weighted landings, 71% of SGH customers were flights with an SK flight number and the remaining 29% comprised external customers during

2014/2015. SGH includes, for example, passenger and lounge services, loading and unloading, de-icing and towing of aircraft. With the same metrics, SGH provided ground handling to 75% of all flights with an SK flight number. The remaining 25% was provided by external ground handling suppliers at locations where SGH is not present.

The process of outsourcing SAS Ground Handling continued in 2014/2015. A number of locations in Sweden were outsourced during the fiscal year and in February 2016 all locations in Norway, except Oslo Gardermoen, will be outsourced to Widerøe Ground Handling. The process regarding Oslo Gardermoen, Stockholm Arlanda, Copenhagen Kastrup, Malmö Sturup and Gothenburg Landvetter continues and involves a potential buyer.

TECHNICAL MAINTENANCE

SAS Maintenance Production is part of Scandinavian Airlines and conducts technical maintenance at Scandinavian Airlines' home bases. Each organization has its own airlines as the largest customers but also offers their services to external airlines. Scandinavian Airlines also buy a growing share of their need for technical maintenance services from other suppliers. Based on the number of work hours, Scandinavian Airlines represented 94% of SAS Maintenance Production customers during 2014/2015. The remaining 6% was external customers. With the same metrics, SAS Maintenance Production provided 60% of Scandinavian Airlines maintenance work. The remaining 40% was provided by external suppliers.

SCANDINAVIAN AIRLINES AIRCRAFT FLEET

Scandinavian Airlines has a network of destinations with varied passenger volumes and distances, which requires a fleet of aircraft of different sizes and range to make the offering attractive to business and leisure travelers. Scandinavian Airlines (incl. Blue1 and Cimber) used 147 aircraft (14 long-haul aircraft, 112 short-haul aircraft, and 21 regional jets) in its own operations during 2014/2015. The average age of the aircraft fleet was 11.2 years at year-end. Scandinavian Airlines renewed its fleet by introducing five newer aircraft and phasing out twelve old aircraft during the fiscal year. There are also 17 aircraft on wet lease.

OUR VISION

OUR VISION IS TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS.

With SAS you are part of a community experiencing easy, joyful and reliable services, delivered the Scandinavian way.

OUR PROMISE

MAKES YOUR TRAVEL EASIER

OUR DNA

WE ARE SCANDINAVIAN BY NAME AND BY NATURE AND OUR OPERATIONAL PROMISES ARE:

- SAFETY
- PUNCTUALITY
- CARE

SAS SUSTAINABILITY WORK DURING 2014/2015 IN SUMMARY

For SAS, sustainable development entails a simultaneous focus on sustainable profitability and financial growth, gradual environmental improvements and social responsibility. SAS has a considerable social impact, both as a major employer and buyer, as well as providing infrastructure for society. At the same time, aircraft operations have an environmental impact, primarily through emissions of greenhouse gases and noise around airports.

- SAS's total CO₂ emissions from flight operations decreased 1.8% during the fiscal year.
- SAS's relative passenger-related CO₂ emissions increased during the period to 101 grams (100) per passenger kilometer.
- SAS's relative cargo related CO₂ emissions increased during the period to 529 grams (528) per cargo tonne kilometer.
- SAS introduced 5 newer aircraft and phased out 12 older aircraft.
- SAS complied with the EU-ETS regulations for 2014.
- Sick leave increased to 7.0% (6.5) in SAS (excl. Blue1).
- SAS decided to buy synthetic jet fuel on a regular basis on flights from Oslo.
- The SAS Code of Conduct was updated with an updated mandatory e-learning training program for all employees.
- SAS started several initiatives to assist aid work to help refugees.

SUSTAINABILITY-RELATED KPI'S¹

	Nov 2014–Oct 2015	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Revenue, MSEK	39,650	38,006	42,182
EBT before nonrecurring items, MSEK	1,174	-697	919
EBIT margin, %	5.6	0.4	6.2
Number of passengers, millions ²	26.9	27.1	28.1
Average number of employees ³ , of whom women, %	11,288 38	12,329 40	14,127 39
Sick leave, % ⁴	7.0	6.5	6.8
Total number of occupational injuries	268 ⁵	270	280
Climate index	92	92	94
CO ₂ emissions, 000s tonnes	3,822	3,890	3,815
NO _x emissions, 000s tonnes	16.3	16.4	16.2
CO ₂ gram/passenger kilometer	101	100	104
Fuel consumption airline operations, 000s tonnes	1,213	1,235	1,211
Fuel consumption ground operations, 000s liters ⁶	1,837 ⁵	1,625	1,776
Water consumption, 000s m ³	52 ⁵	63	99
Energy consumption, ground, GWh	116 ⁵	125	149
Unsorted waste, 000s tonnes ⁷	0.2 ⁵	0.3	0.4
Hazardous waste, 000s tonnes ⁷	0.1 ⁵	0.1	0.2
External environment-related costs, MSEK	549 ⁵	364	313

¹⁾ Accounting policies on pages 22–23.

²⁾ Scheduled traffic.

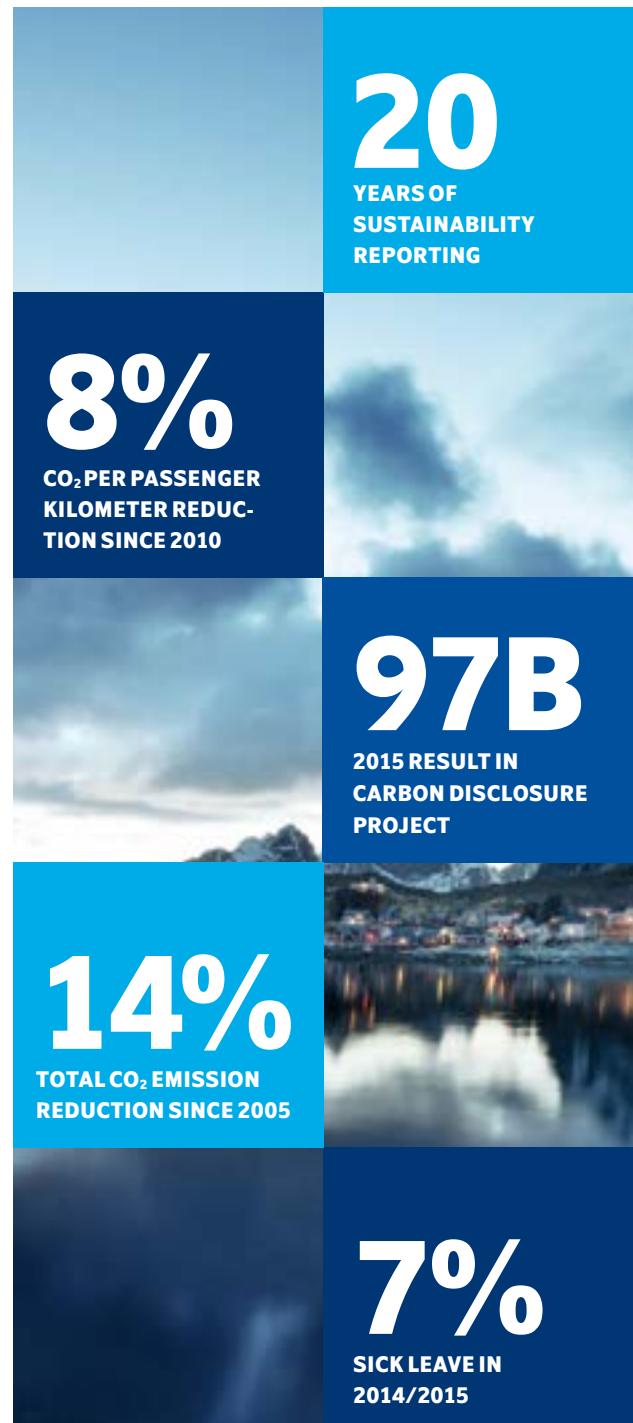
³⁾ Source: Note 3 on page 61 in SAS Annual Report with sustainability review November 2014–October 2015.

⁴⁾ New calculation method. Applies to SAS excl. Blue1.

⁵⁾ SAS excl. Blue1.

⁶⁾ Includes only ground operations at SAS main bases: Stockholm, Oslo and Copenhagen.

⁷⁾ Includes only ground facilities, including technical maintenance.



SAS SUSTAINABILITY AGENDA

The SAS sustainability agenda visualize our sustainability efforts and activities with focus on CARE. Work is focused on minimizing sustainability-related risks and capturing potential opportunities to avoid unnecessary costs, differentiate SAS and capture potential savings.

SAS SUSTAINABILITY AGENDA

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1 LEGAL REQUIREMENTS

SAS aims to follow all applicable national and international legal requirements and legislation covering all aspects of the company.

Environmental compliance and permits

Airline operations have no separate licenses or environmental permits for operation; instead, they are subject to environmental policies set by each airport. These usually involve noise, rules for using de-icing fluids and limits on emissions to air, soil and water. Environmental approvals are also part of the process to certify aircraft in the three Scandinavian countries, and are included in the terms of technical aircraft maintenance.

In general, there is a trend toward introducing tougher restrictions for permitted approach and take-off paths. Deviations generally result in fines for the airline. Also, the general trend is toward greater use of environment-related charges and operational limits. The two-fold purpose is to reduce local environmental impact and create incentives for airlines to use aircraft with the best available technology from an environmental perspective.

During 2014/2015, Scandinavian Airlines received zero reports of noise violations at airports.

No severe incidents breaching any environmental permits were reported in 2014/2015.

Airline operations have a legal dispensation for the use of halon and submit annual reports to the authorities on consumption, including leakage and storage. The reason for this dispensation is that there is no certified alternative to halon for extinguishing fires in aircraft engines, cabins and aircraft toilets.

Scandinavian Airlines estimates that around 0.6 kg of halon was emitted during 2014/2015.

No significant emissions or spillages were reported in conjunction with ground handling or technical maintenance.

In 2014/2015, only occasional fuel leaks were reported when refueling aircraft on SK flight numbers. These were handled in accordance with established procedures. No in-air fuel dumps were reported during 2014/2015.

2 MATERIALITY

SAS updated its materiality analysis during 2014/2015 as part of an ongoing process to ensure a correct strategic focus, as well as in preparation for GRI G4 reporting. The process was conducted according to GRI methodology and included interviews and workshops with external and internal stakeholders. The interviews together with an analysis of sustainability trends resulted in an analysis that identified the following areas/aspects as most material for both SAS and its stakeholders:

SAS MATERIALITY ANALYSIS

	A	B	C	D	
Higher Importance to stakeholders	<ul style="list-style-type: none"> • Human rights • Renewable energy 	<ul style="list-style-type: none"> • Emissions • Work conditions • Business ethics and anti-corruption • Diversity and equality • Noise • Waste • Sustainability in the supply chain 	<ul style="list-style-type: none"> • Sustainable products and services • Work environment • Sustainability communication • Transparency • Society engagement • Voluntary solutions for emission reductions 	<ul style="list-style-type: none"> • Environmental taxation • Legal requirements • IT security and customer Integrity • Chemicals • Water consumption • Sustainability in management system • Anti-discrimination • Knowledge management and talents • Sustainability partnership • Employer branding 	Matrix description The matrix describes the significance of the most material areas/aspects. The areas/aspects Aviation Safety and Punctuality and Regularity are not plotted since they are fundamental to SAS operational promises. They are disclosed as part of the Product Responsibility GRI indicators.
High	Importance to SAS	Higher			
					A Areas that are not of the same importance and which stakeholders consider to be more material. B Greatest importance to both SAS and its stakeholders. C Hygiene factors and areas of importance to both SAS and its stakeholders. D Areas that are not of the same importance and which SAS considers to be more material.

ENVIRONMENTAL GOALS 2015

SAS will reduce...

- flight CO₂ emissions by 20% in 2015 compared with 2005.
- ground-related energy consumption by 15% in 2015 compared with 2010.
- ground-vehicle consumption of fossil fuels at SAS's major airports in Scandinavia by 10% by 2015 compared with 2010.
- noise on take-offs by 15% in 2015 compared with 2010.

Goal attainment 2014/2015 fiscal year

- SAS reduced its absolute CO₂ flight emissions by 14.0% and relative emissions per passenger kilometer by 18.3% in 2015 compared with 2005. The goal has not been fully achieved but is a good long-term improvement considering the traffic growth during the period.
- SAS reduced its ground related energy consumption by 41.4% in 2015 compared with 2010.
- SAS reduced its ground-vehicle consumption of fossil fuels by 26.1% at SAS's major airports in Scandinavia by 2015 compared with 2010.
- SAS reduced its noise at take off with 17.8% in 2015 compared with 2010.

ENVIRONMENTAL GOALS 2020

SAS will...

- reduce relative CO₂ flight emissions by 20% in 2020 compared with 2010.
- reduce noise on take-offs by 15% in 2020 compared with 2010.
- regularly use JET-A1 based on renewable sources.

- Work conditions
- Greenhouse gas emissions
- Business ethics and anti-corruption
- Diversity and equality
- Noise
- Waste
- Sustainability in the supply chain

In this Sustainability Report, SAS has decided to report on these areas/aspects with focus on the areas deemed as most material for both SAS and its stakeholders: work conditions and greenhouse gas emissions. This does not mean that all other areas/aspects are immaterial and excluded from SAS's sustainability agenda.

3 GOVERNANCE

An illustration of how SAS govern its sustainability work is disclosed on page 18 in this sustainability report.

Board of Directors

The Board of Directors consists of six to eight members elected by the shareholders' meeting. There are also three employee representatives who are appointed by SAS's employee groups in Denmark, Norway and Sweden.

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code of Conduct and the formal work plan adopted by the Board each year. The Board's work follows a plan intended, among other things, to ensure that the Board receives all necessary information. At its meetings, the Board discussed the regular business items presented at the respective meetings including business and market conditions, financial reporting and fol-

low-up, the company's financial position and investments. The Board also discussed any sustainability-related information of material importance.

Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day management of company and Group operations to the President. Group Management comprised seven members during the year, including the President. Group Management usually holds minuted meetings every week. Management and control of operations are based on a number of guidelines and policies regarding financial management and follow-up, communication, human resources, legal, the Group's brands, business ethics and environmental matters.

Environment and CSR work at SAS

SAS has a central department for Environment and CSR that reports to senior management. The task of Environment and CSR is to support management in sustainability-related matters, both internally and externally. In addition to its supporting role, Environment and CSR has responsibility for maintaining and developing the sustainability agenda, fuel-saving activities, compliance with EU-ETS/MRV, ISO 14001 certification, coordination of alternative fuel activities and support for the organization in sustainability issues.

Environmental Management System

SAS's environmental management system encompasses all activities at SAS. The system focuses on activities around the main bases (Stockholm, Copenhagen and Oslo), but also includes other geographical areas through follow-up programs and contracted services.

The system is based on shared environmental and sustainability policies, the Code of Conduct, the UN Global Compact, airline operational standards and ISO 14001. It provides guidelines for a continuing cycle of planning, implementation and evaluation, as well as the improvement of processes and activities to meet operational and environmental targets. SAS has a review process that also integrates environmental reports and the most important aspects of sustainability in existing quality/security inspections. This is part of our endeavor to achieve continuous improvements.

UN's Global Compact

SAS joined the Global Compact in 2003 and participates in the Global Compact's Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update of the material, the Communication On Progress (COP). The most recent update of SAS's information was completed in May 2015. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

Sustainability-related business opportunities and risks

Management of sustainability-related risks is integrated with SAS's comprehensive risk management. In general, it can be concluded that risks are reduced – and, indeed, certain opportunities offer tangible business potential – by having a proactive and effective sustainability approach. Proactively working with its environmental impact in a structured environmental management system provides a company with control and the capacity to deal rapidly with changing requirements in the business environment and those demanded by certain customer groups. A detailed description of SAS opportunities and risk connected to climate change is disclosed in SAS CDP disclosure.

Code of Conduct

To summarize and clarify SAS's stated priorities, promises, policies and other regulations, the SAS Board of Directors has issued a Code of Conduct that applies for all SAS employees. The Code of Conduct was updated during 2014/2015. To underscore the Code's importance, there are clear rules and structures for reporting and addressing suspected violations. Supervisors and other managers play a key role in implementing and following up the Code. An extensive training program supports the Code and the goal is for all personnel to participate in the program. The Code's whistleblower function was used in three cases. One case was dismissed without further action and two others led to some investigations and action.

4 VISION, STRATEGIES AND GOALS

Environmental vision

SAS intends to be a part of the future long-term sustainable society and support IATA's vision of flying without greenhouse gas emissions by around 2050.

Sustainable development strategies

SAS aims to:

- create a culture among its employees based on strategic decisions and a commitment to environmental work.
- use documented sustainability appraisals as a basis for all decisions.
- engage in strategic sustainability communication with relevant stakeholders.

- promote tomorrow's solutions through alliances and proactive demands for better sustainability performance from our suppliers and stakeholders.

The focus is to minimize sustainability-related risks and capture potential opportunities to avoid unnecessary costs, capture potential savings and differentiate SAS.

Through its commitment, documented activities and results SAS wants to be perceived as a company that take CARE for its customers, employees, the environment and the society at large.

Environmental goals

Goals and goal attainment are disclosed in the illustration on page 6.

5 SUPPLY CHAIN MANAGEMENT

SAS is a large buyer of products and services and has a responsibility to ensure that environmental, labor and human right issues are addressed in a correct manner.

SAS includes sustainability-related issues in its purchasing policy, general terms of condition and purchasing process.

All new contracts are subject to a sustainability screening and most purchased product and services has sustainability criteria incorporated in the contract. The criteria depend on the type of product or service. Examples of issues are energy efficiency, waste handling, collective agreement (or equivalent), child labor etc.

6 STAKEHOLDER ENGAGEMENT

SAS has a long tradition of a well-developed cooperation with a wide range of stakeholders and involvement in community-related issues. All stakeholders seeking contact with SAS are offered the opportunity of a dialog with the company. An illustration with examples of stakeholder groups engaged by SAS is disclosed on page 18.

During the past few years, sustainability issues have gained greater importance for SAS stakeholders, primarily from public administration and the business sector. One example is the increasing number of sustainability-related questionnaires from corporate customers and requests for on-site audits.

During 2014/2015, SAS was engaged in dialog and cooperation with stakeholders regarding terms and conditions for aviation from a sustainability perspective. The dialog covered such issues as financial profitability, work conditions and environmental adaptation. These issues are the same as previous years and still relevant.

SAS prioritizes close collaboration with customers, authorities, suppliers and airports in order to create prerequisites to develop solutions to improve SAS's sustainability performance.

Sustainability criteria and aspects are key parameters in the decision making process when purchasing products and services.

SAS also prioritizes dialog with parties that want knowledge, drive change or support SAS in different ways, for instance, employees, partners, experts, NGOs, researchers, etc. Examples of issues may include aviation's impact as an enabler for globalization or different views on SAS's sustainability performance.

SAS participates in national industry or employee organizations in an effort to create greater understanding for the terms and conditions for the aviation industry.

The media attention on aviation's environmental impact is a challenge for the entire airline industry. SAS has chosen to take a leading role in the debate.

7 MONITORING AND REPORTING

Monitoring sustainability-related data

The various operations in SAS monitor relevant sustainability key performance indicators (KPI) on an ongoing basis. The KPIs are followed up in the management system and reported weekly, monthly, quarterly or annually according to specific needs.

As preparation for external sustainability reporting, there are data collection processes in the management system covering areas such as community involvement, supplier contacts, cooperation with internal and external stakeholders, work environment, training, conflicts and efforts involving the Code of Conduct and the UN Global Compact.

GRI and CDP

SAS's sustainability reporting observes the guidelines of the Global Reporting Initiative (GRI) and is reviewed by an external auditor. GRI is a framework designed for sustainability-related information and performance. SAS reports to the CDP (Carbon Disclosure Project). In 2015, SAS scored 97B.

8 ENVIRONMENTAL RESPONSIBILITY

The environmental impact of civil aviation primarily comprises emissions from consumption of non-renewable fuels and noise. Aircraft operations often account for more than 95% of the total environmental impact of an airline.

SAS's environmental responsibility is to comply with relevant legislation and to ensure minimal total long and short-term emissions and other environmental impact.

All disclosed key environmental figures can be found on page 16.

Emissions

Emissions from aircraft operations are one of SAS's most material aspects. Read more on pages 12–15.

Noise

The average noise per departure declined due to fleet renewal. Scandinavian Airlines received zero reports of noise violations during 2014/2015. The number of breaches has declined considerably in recent years as a result of fleet renewal and structured improvement activities, such as specific flight simulator training including scenarios flying to and from airports with strict noise regulations.

Waste

Waste is divided into unsorted waste and hazardous waste from ground related operations. Hazardous waste is strictly controlled by national authorities and is internally controlled and evaluated by both airlines and suppliers.

SAS has no overall goal on this aspect. Waste is monitored, registered and followed up in order to detect undesirable or inexplicable trends. The result for 2014/2015 indicates a reduction in both unsorted and hazardous waste.

Energy

The work to increase the energy efficiency of all owned or leased buildings continued in 2014/2015.

In general, energy consumption is decreasing due to a lower number of buildings used and a focus on increased energy efficiency.

Financial aspects of environmental responsibility

SAS's environmental work has several overriding purposes. Besides enhancing resource efficiency and improving environmental performance, it includes ensuring that the operations comply with environmental laws and regulations. Some of the most important financial aspects of SAS's environmental work are described below.

Civil aviation pays the costs of the infrastructure it needs and uses to operate flights, meaning airports and air traffic control. The cost of security is also financed within the industry.

There are various environmental taxes and charges related to noise, emissions and number of passengers. One example of a market-based measure is the EU Emissions Trading Scheme regulations (EU-ETS), under which the civil aviation industry pays for its carbon emissions within the EU based on an established market-based measure. SAS's opinion is that market-based measures should not distort competition, should address the emissions targeted for reduction needs and should create an incentive for continuous improvement. SAS has supported the development of a global, market-based solution for airline emissions for a long time. The UN aviation organization ICAO is responsible for creating such a solution in 2016 for implementation by 2020 at the latest. The key elements of a global solution should not distort competition and should incorporate the UN's CBDR principles (Common But Differentiated Responsibility).

“Polluter pays” principle

SAS fully endorses the “polluter pays” principle and is prepared to take responsibility for its share. This assumes that any charges imposed on the company are based on scientific findings and that the total climate impact of competing modes of transport is taken into consideration.

Environment-related costs

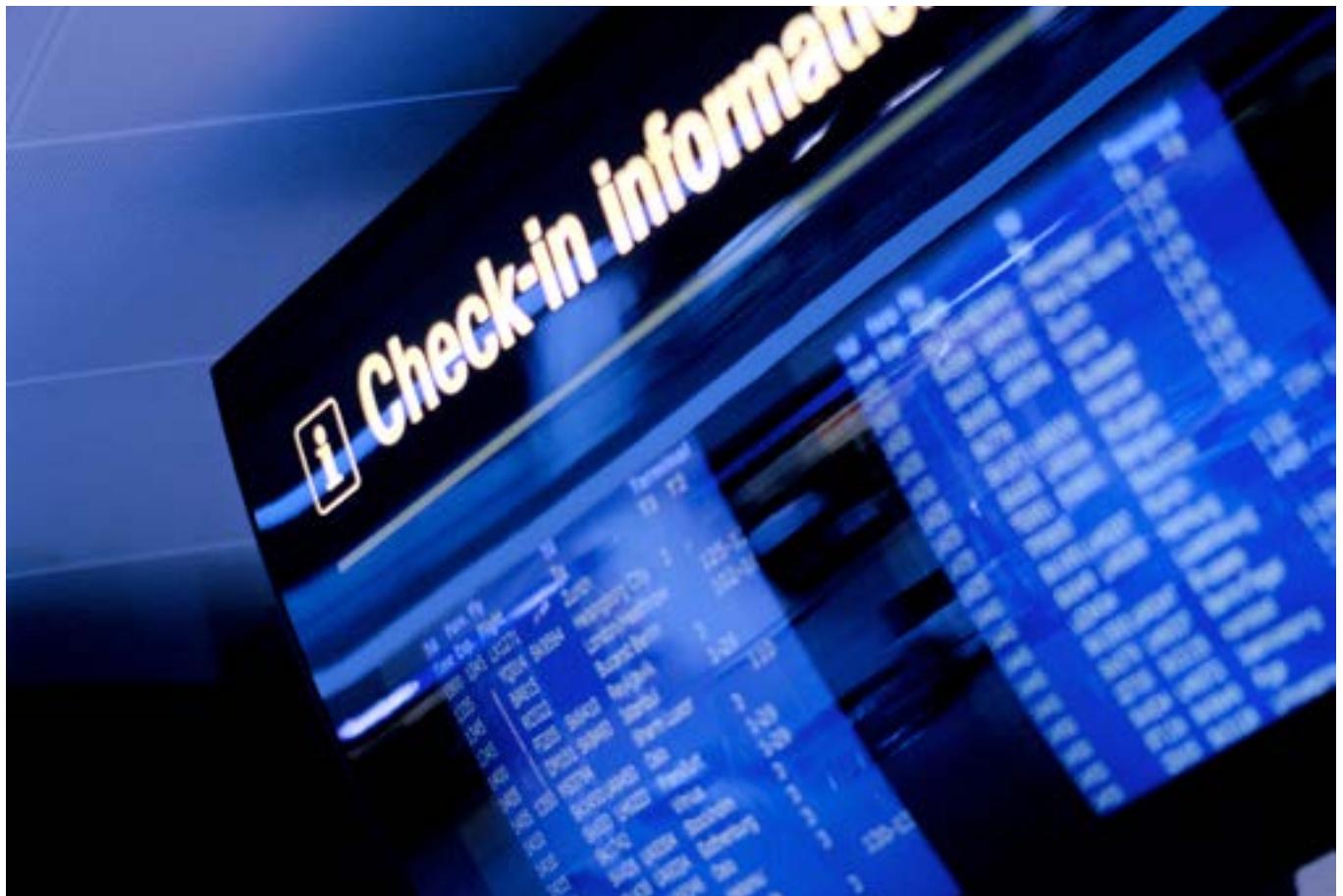
SAS's external environment-related costs were MSEK 549 in 2014/2015. These costs comprised environment-related taxes and charges that are often linked with the environmental performance of aircraft and are part of the landing fee. Other environment-related costs, such as costs for waste management, purification plants and the costs for environmental staff, amounted to MSEK 26. SAS has no known major environment-related debts or contingent liabilities, for example, in the form of contaminated soil. The costs for EU-ETS were MSEK 90 for the 2014 calendar year.

Environment-related investment

Investments made by SAS in accordance with the policies are to be both environmentally and economically sound, thus contributing to SAS's value growth and helping to ensure that SAS can meet adopted future environmental standards. During 2014/2015, no significant environmental-related investments were conducted. This is because the preferred solution is leasing, rather than investing in aircraft, vehicles, computers, etc. An example of the use of leasing in recent years has been the extensive replacement of aircraft.

9 FINANCIAL RESPONSIBILITY

Every corporation has a responsibility to ensure profitable business, comply with legal requirements and maintain a high standard of business ethics as well as ensuring compliance with national policies and laws on financial responsibility.



An analysis of SAS's statement of income reveals that major portions of revenue and expenses and essential industry specific earnings measurements are items relevant from an environmental and/or social perspective. In brief, the highest possible financial return is generated by the best possible resource utilization and management of the company's assets, both human and financial. Optimal resource utilization means flying fuel-efficiently and optimizing capacity for carrying passengers and freight. Lower fuel consumption leads to lower fuel costs and at the same time reduces the charges SAS pays for emissions.

The same applies to all other activities that, in addition to environmental considerations, have strong financial incentives to reduce consumption of energy and other resources.

Profitable Business

All aspects of SAS work towards long term profitability are disclosed in the 2014/2015 Annual Report with sustainability review.

Business ethics and Anti-corruption

Anti-trust issues are always in focus for the aviation industry. The SAS Competition Law Compliance Program encompasses all relevant employees and is designed to ensure that SAS complies with laws, regulations and practices in its area of operation. Regulations relating to bribery and other improper actions are particularly strict.

10 SOCIAL RESPONSIBILITY

SAS's social responsibility primarily encompasses its own employees and the environment that is reliant on and impacted by SAS's operations in a number of countries, mainly in the Nordic region. Competition in the airline business in Europe is fierce. Employees play a key role in creating added value for the customer offering.

As an employer, SAS's responsibility is to ensure decent work conditions and work environment. SAS is also responsible for providing development opportunities as professionals and as human beings.

As a buyer, SAS uses the services of a number of subcontractors, thereby contributing to economic and social welfare in the countries and communities where its businesses operate.

As a supplier, SAS has a responsibility to deliver products and services that ensure consumer health and safety, and are reliable, environmentally adapted and produced under decent conditions.

All disclosed key social figures can be found on page 17.

Labor practices and Decent Work

SAS is a large employer. The responsibility connected to labor practices and work conditions is very important and identified as a material aspect in this Sustainability Report. Read more on pages 16–17.

Human Rights

SAS is a large buyer of products and services and has a responsibility to ensure that human right issues are addressed in a correct manner.

Diversity and equality

SAS's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promoting diversity and equality in all its forms.

In general, SAS is dominated by women in such professions as cabin crew, administrators, assistants and passenger service at the airports, while men dominate in the areas of pilots, technicians, aircraft maintenance, loading and unloading of baggage. Women also have more part-time positions than men. Of the Scandinavian Airlines pilots, 96% are men, while the recruitment base for female pilots is small since few choose the profession.

When it comes to cabin crew, 75% are women. Senior management in the Group is dominated by men. SAS Group Management currently consists of one woman and six men. The figure for the management level directly reporting to Group Management is 21% women.

SAS has set the target of gender distribution to be the same as the gender distribution in the company as a whole (but not less than 40%) across the Group's internal boards by 2020. 20% of the SAS internal board for SAS Cargo Group and 25% in Cimber, both in Denmark, are women.

Product Responsibility

SAS takes its responsibility in maintaining the highest standards regarding product responsibility.

Flight safety

As an airline, the organization is highly regulated from a flight safety and security standpoint. SAS is regularly audited, reviewed both by external parties, partners and customers.

Work conditions regarding working hours for airline personnel are also regulated by relevant authorities. SAS also has strict policies and follows applicable legislation regarding, food safety, IT security, etc.

Punctuality and Regularity

An important aspect of SAS's product responsibility is the ability to deliver passenger transport that is both conducted as planned and on time. SAS works extensively and continuously to monitor and address different aspects of punctuality and regularity. This work has resulted in a number of top positions in the monthly eternal reporting regarding arrival punctuality from FlightStats (Global Airlines, Major Airlines by Region).

IT security and integrity

SAS has an extensive program to ensure all aspects of IT security and integrity. During 2014/2015, the processes were reviewed by SAS internal audit.

Social involvement

Support to refugees

Throughout the escalating refugee crisis in Europe, SAS conducted a number of activities to support the situation. Examples were to allow extra luggage free of charge on flights to destinations in the affected area and doubling the fundraising conducted amongst employees and EuroBonus members.

Preparedness for Air Ambulance operations

SAS has an agreement on a commercial basis with the Swedish government to make two specially equipped Boeing 737s available as air ambulances within the framework of the Swedish National Air Medevac (SNAM) in case of emergency. A corresponding agreement exists with the Norwegian Armed Forces according to which SAS is to make a remodeled ambulance service 737-700 available for medical evacuation within 24 hours, following the same principle as with SNAM. If needed, a second aircraft must be made available within 48 hours.

Christmas flight

In December 2014, SAS supported the Norwegian "Christmas flight." The Christmas flight is an aid campaign carried out by SAS employees, who cooperate with other volunteers throughout the year to collect goods and contributions from various partner companies and private individuals. SAS provides an aircraft with full operational support, while pilots and crew volunteer in their free time and the fuel is sponsored by a fuel supplier. This flight was also conducted in December 2015 with SAS support.

Financial aspects of social responsibility

SAS's first social responsibility is to its own employees and the communities dependent on and affected by SAS's operations. For employees, this includes issues concerning human resources development, pay and work environment. In addition, SAS is to contribute to social progress wherever it operates and be a respected corporate citizen. Air travel helps improve labor market conditions in rural areas in the Scandinavian countries and makes business travel easier in Europe and to other continents.

Given increasing globalization, airlines facilitate business and other contact opportunities where efficient transportation to, from and within the countries is more or less a prerequisite for economic development and progress. The airlines also contribute expertise and transfers of technology and make necessary investments in infrastructure.

SAS's contribution to the economy

SAS creates employment and value. In 2014/2015, SAS paid wages and salaries totaling MSEK 6,974, of which social security expenses were MSEK 2,156, with pensions totaling MSEK 876 of this. SAS endeavors to achieve market pay for all employee groups.

Infrastructure charges and security costs

Air transport pays the costs for the infrastructure it needs and uses to conduct flights, meaning airports and air traffic control. During 2014/2015, these costs totaled MSEK 7,894 for Scandinavian Airlines. Scandinavian Airlines also pays MSEK 1,177 in security costs, which are financed by taxes for most other modes of transportation.

Costs of sick leave and accidents

Sick leave and occupational injuries constitute a large expense for the individual employee and the employer, as well as for society as a whole. Sick leave is affected by a number of factors such as risk of infection and accidents as well as physically and mentally stressful work environments. SAS's companies employ various methods to prevent short and long-term sick leave. SAS's own calculation of costs for sick leave indicates a cost exceeding MSEK 245 in 2014/2015.

EMISSIONS

The vast majority of SAS emissions derive from aircraft operations using jet fuel. Accordingly, SAS has chosen to primarily focus on emissions from aircraft operations in its ISO 14001 environmental program.

SAS flight operations (flights flown on the SK prefix) used 1,213,000 tonnes of jet fuel in 2014/2015. This corresponds to 3,822,000 tonnes of carbon dioxide and with the aircraft used 16,300 tonnes of nitrogen oxide emissions. Compared with the previous 12-month period, this represents a reduction of 68,000 tonnes of carbon dioxide and 187 tonnes of nitrogen oxide. Relative to absolute carbon emissions, it represents a reduction of 1.8%.

During 2014/2015, SAS's relative CO₂ emission rose to 101 grams (100) per passenger kilometer. The negative trend was primarily due to lower cabin factor for a number of months during the year.

CO₂ VS. NITROGEN OXIDES

To date, the climate impact of air transport has focused on CO₂ emissions. However, the focus is shifting to also include other climate effects, primarily nitrogen oxides and water vapor. SAS and the airline industry recommend the ECAC's model of differentiated landing fees based on nitrogen oxide emissions.

AVIATION INDUSTRY MOVING TOWARD ZERO EMISSIONS

SAS fully supports IATA's vision that, by 2050, it will be possible to fly commercially without any climate impact. This vision is to be realized through a combination of new technology, more efficient air traffic management, new fuels and coordinated actions to improve the infrastructure and the conditions under which air transport operates.

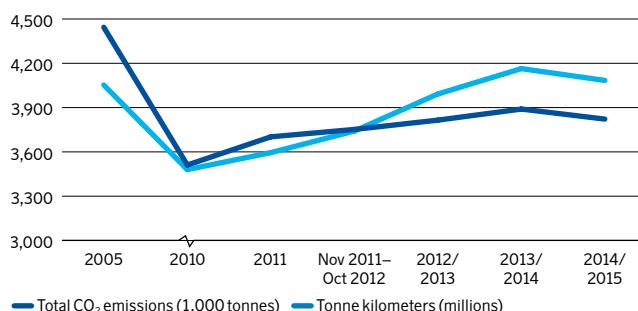
To achieve this vision, IATA and other areas of the airline industry have agreed on a joint target, which will subsequently be adopted by the entire airline industry and is now set to be further developed by ICAO:

- Improvement in fuel efficiency by an average of 1.5% annually until 2020
- Carbon-neutral growth from 2020
- 50% reduction in greenhouse CO₂ emissions by 2050, compared with 2005 levels

Source: www.enviro.aero

-1,8%
TOTAL CO₂ EMISSION
REDUCTION VS
2013/2014 FISCAL
YEAR

SAS FLIGHT OPERATIONS, TOTAL CO₂ EMISSIONS



2005 source: 2007 Annual and Sustainability Report

101
GRAMS CO₂ PER
PASSENGER-
KILOMETER

SAS ENVIRONMENTAL PROGRAM

The method SAS uses to achieve its environmental goals is to put its strategies into practice through activities conducted in environmental programs within the environmental management system certified according to ISO 14001. Throughout the year, numerous activities were conducted in a wide range of areas.

Since emissions related to consumption of jet fuels are the most material environmental aspect the activities are focused on the goal of reducing flight CO₂ emissions by 20% by 2020 compared with 2010. The prerequisites for all activities are that they are well within the limits of applicable legal requirements and flight safety limits, etc. SAS has defined environmental programs within the following areas:

- Fleet renewal
- More efficient planning of SAS aircraft
- More efficient usage of SAS aircraft in day-to-day operations
- Continuous aerodynamic, weight and efficiency follow-up and modification of SAS aircraft
- Environmentally adapted products
- Alternative sustainable jet fuels
- Stakeholder dialog/work with ATM, airports, aircraft- and engine manufacturers

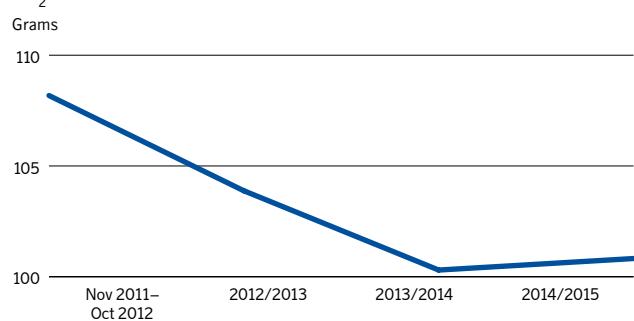
FLEET RENEWAL

SAS's aims to replace older aircraft with newer ones. During 2014/2015, Scandinavian Airlines introduced five newer aircraft (two brand new A330Es and three used Boeing 737-700s) and phased out twelve older aircraft.

Scandinavian Airlines plans to introduce two brand new A330Es and an A320neo during the 2015/2016 fiscal year. At the same time a couple of older Boeing 737-600 are set to be phased out.

During the year, SAS used a number of wet lease operators for

CO₂ EMISSIONS PER PK



flights with SK flight numbers. Two of these operators use brand new ATR72-600s, which is the latest development in the turbo prop segment with 70 seats in the SAS configuration.

In total five brand new ATR72-600 were introduced and two SAAB 2000s were decommissioned amongst the wet lease operators.

In 2015/2016, there are plans to introduce eight brand new CRJ900s and two ATR72-600s flown by wet lease operators.

The A330E is a part of the order of eight A350s and four A330Es placed during 2013 with delivery in 2015-2021. The A330E is marginally more fuel efficient than today's A330 but it has an increased range, meaning that it can operate on routes currently served by the A340 at approximately 15% less fuel consumption per seat. When the A350 is introduced, it will be possible to reduce fuel consumption by approximately 35% per seat and generate 50% less noise compared with an A340.

In 2015/2016, SAS also plans to introduce the Airbus A320neo that will have 15% lower fuel consumption and generate 50% less noise than the existing Airbus A320s.

MORE EFFICIENT PLANNING OF SAS AIRCRAFT

SAS currently operates aircraft of varying sizes and performance.

SAS's fleet ranges from 70 to 264 seats, capable of flying routes for which the aircraft is airborne for between 20 minutes and more than 11 hours. The aim is to create conditions for flying as profitably and energy-efficiently as possible depending on demand, time of day and destination.

One example is to use aircraft of the appropriate size. For example, SAS has Boeing 737NGs and A320-family aircraft. They have 120, 141 and 183, and 141, 168 and 198 seats, respectively. This provides extensive flexibility according to demand, which guarantees the lowest possible total emissions at any given time. Flying aircraft that are too large generates unnecessary emissions even if it generates a better theoretical result per available seat kilometer. If we look at a Boeing 737NG on a typical domestic route, it is evident that the fuel consumption and corresponding emissions are lower in a smaller aircraft. When using a B737-800 with 183 seats, the total fuel consumption (on average) is approximately 7–10% higher than a B737-700 with 141 seats. SAS also uses wet lease operations from external suppliers to fly short-haul routes with demand at about 50 to 75 seats. The same comparison, as above, can be made between a Boeing 737-700 with 141 seats and a turboprop such as an ATR 72-600 with 70 seats for which fuel consumption is an average of more than 50% lower. It must be noted that jet and turboprop aircraft have different characteristics, such as seating capacity, speed and range, but it is nevertheless important to have access to and the ability to plan each flight with the right type of aircraft.

MORE EFFICIENT USAGE OF SAS AIRCRAFT IN DAY-TO-DAY OPERATIONS

SAS has an extensive long-term fuel saving program integrated in its operations. An important aspect of increasing the fuel efficiency is to make sure that all employees in SAS's airline operations have the prerequisites and knowledge to be fuel-efficient. This entails involvement of all employee groups that have an impact on the fuel consumption. Key functions are Flight, Ground- and Technical Operations.

A large number of activities are constantly in progress, focusing primarily on established operational conditions, such as procedures

and how they are implemented, and whether the available system support is sufficiently optimized for higher fuel efficiency. Naturally, all changes maintain a standard that meets the highest level of flight safety requirements.

It is important to recognize that increased fuel efficiency and the reduced fuel cost must be balanced against other operational costs, such as maintenance cost and charges for using airspace. During 2014/2015, no overall fuel efficiency improvement was achieved compared with the 2013/2014 fiscal year.

CONTINUOUS AERODYNAMIC, WEIGHT AND EFFICIENCY FOLLOW-UP AND MODIFICATION OF SAS AIRCRAFT

SAS modifies its aircraft continuously in order to modernize to better technology, improve aerodynamics or reduce weight. Examples of improved aerodynamics include the installation of winglets on Boeing 737NGs or sharklets on Airbus A320s. This can potentially reduce the fuel consumption by 1–5% depending on the stage length for certain airlines. SAS has installed winglets on a number of Boeing 737NGs where it is profitable from a sustainability perspective.

Examples of weight reduction include the replacement of the brakes on Boeing 737-800s with lighter versions in composite material or installing lightweight seats in a number of Boeing 737NGs and Airbus A320s. When older seats are replaced, approximately two kilos per seat are saved, amounting to 360 kg saved on a B737-800. These modifications will continue in 2015/2016. Apart from modifying the aircraft, work is also constantly performed to reduce the weight of all material and products included in SAS's service offering. Examples include optimizing the amount of water filled for toilet use, replacing carts with lighter versions, replacing glass bottles with a plastic alternative, optimizing the amount of products served and used based on analysis of actual demand.

An example of better technology is the ongoing engine upgrade program under the framework of the ordinary technical maintenance of most of the Boeing 737NG fleet. In practice, this entails that the engines are upgraded to the latest version ("Tech Inserts" or "Evolution").

More than half of the fleet's engines on the Boeing 737, which were delivered prior to 2006, have now been upgraded and are thus about 3% more fuel efficient than when originally delivered. Aircraft delivered after 2007 already have "Tech Inserts" and aircraft delivered after the summer of 2011 have "Evolution."

ENVIRONMENTALLY ADAPTED PRODUCTS

SAS strives to develop its customer offering in a more environmentally adapted direction. This includes everything from locally produced and/or organic food to less material and ultimately, less waste needing to be sorted wherever customers encounter SAS during the ground process, in the lounge or on board SAS aircraft.

Today, SAS offers organic breakfast on its flights and a number of organic items in its lounges. In connection with the development toward more electronic-based communication, less paper is being used and the use of "green IT" is increasing. During the 2014/2015, SAS replaced the newspapers offered on board with digital news papers available in the "SAS app". The weight of the news paper has been removed and the need for paper recycling is reduced. Sorting and waste disposal from service and products on board is a focus area, but at the same time, represents a challenge. The challenge lies in the fact that there is limited space on board. There is also a restriction in disposing of meal service waste at airports because different

CO₂ emissions from SAS's flight operations, 2014/2015 fiscal year	1,000 tonnes CO₂
Denmark	
Domestic flights	26
Flights to EU/EEA	393
Flight to outside EU/EEA	492
Norway	
Domestic flights	475
Flights to EU/EEA	299
Flight to outside EU/EEA	81
Sweden	
Domestic flights	235
Flights to EU/EEA	308
Flight to outside EU/EEA	143
Finland	
Domestic flights	0,3
Flights to EU/EEA	41
Flight to outside EU/EEA	-
EU/EEA	
Departing EU/EEA1 for Scandinavia and Finland	656
Flights within EU/EEA1	1.1
Departing EU/EEA1 for outside EU/EEA	0.1
Outside EU/EEA	
Departing from outside EU/EEA bound for Scandinavia/Finland	669
Departing from outside EU/EEA bound for EU/EEA ¹ or outside EU/EEA	0.6
Total	3,822

¹⁾ Excluding Denmark, Sweden, Norway and Finland that are reported separately.

national legislation is involved, making solutions complicated and, in some instances, impossible. In some cases, we are forced to fly waste back to Scandinavia (for example, from the US).

Despite this, waste is an area in which efforts are being made to find the best possible solutions. For example, aluminum cans from most domestic flights are recycled.

ALTERNATIVE SUSTAINABLE JET FUELS

SAS has been working for many years with various activities designed to accelerate the development of alternative and sustainable jet fuels. In 2014/2015 SAS continued to conduct concrete discussions with a range of prospective stakeholders in connection with the production of alternative and sustainable jet fuels in Scandinavia. SAS conducted a few flights on synthetic jet fuel based on renewable sources during the fiscal year. SAS also decided to buy a couple of hundred tons on a regular basis for delivery in Oslo.

The Nordic Initiative for Sustainable Aviation (NISA), where SAS took the initiative, continued its work. Another initiative, in which SAS decided to take an active role, took shape during 2014/2015, the Fly Green Fund (FGF) was established with the purpose of finding solutions to bridge the existing cost premium by offering customers the possibility to voluntarily "upgrade" their fuel consumption from fossil to renewable. SAS has clearly indicated to existing and prospective producers of jet fuels that there is demand for alternative jet fuels if the price is competitive and sustainability criteria are in place.

It is vital for SAS that the production of alternative sustainable jet fuels does not compete with food production or access to drinking water and that it has minimal impact on biodiversity.

STAKEHOLDER DIALOG/WORK WITH ATM, AIRPORTS, AIRCRAFT- AND ENGINE MANUFACTURERS

Since the early 2000s, SAS has been working with the parties responsible for air traffic control and airports in Sweden, Norway and Denmark in an effort to identify more efficient methods for controlling air traffic in the airspace and on the ground in these countries.

One example is the Continuous Descent Approach from Top of Descent that has become standard during low and medium-peak traffic at an increasing number of airports. The Continuous Descent Approach from Top of Descent entails that air traffic control allows the aircraft to approach in a continuous gliding descent without using unnecessary engine power. This is common at small airports where there is no other air traffic close by, but still uncommon at large airports where other air traffic must be handled in parallel. This development derived from the demonstrations conducted in the early 2000s and the feasible changes have been implemented in everyday operations at Swedish airports.

In recent years, SAS has been heavily involved in the establishment of more advanced solutions using satellite-based Required Navigation Performance (RNP AR) rather than the traditional ground-based ILS.

SAS is currently involved in a number of activities in Scandinavia that aim to demonstrate short-term potential environmental improvements within the framework of existing systems and methods.

Throughout SAS's continuous environmental work, SAS maintains dialogs and discussions with relevant aircraft and engine manufacturers, as well as producers of interiors and other installations in the aircraft. Naturally, this is also the case in the decision-making process in which new aircraft are acquired for short and long-haul operations. The sustainability criteria are very important aspects for SAS's choice of suppliers.

During 2014/2015, both Stockholm Arlanda and Gothenburg Landvetter were subject to authority decisions regarding their environmental permits. Both airports received favorable new environmental permits.

SESAR (Single European Sky Air Traffic Management Research) is an EU initiative aimed at advancing tomorrow's airspace and the air traffic management system in Europe. SAS has been involved in SESAR and participated in efforts to enhance efficiency, capacity and safety, and to reduce the environmental impact of flights.

EMISSIONS CALCULATION AND CO₂ OFFSET

The SAS emissions calculator, which is available on the SAS website, has been approved by a third-party review. The calculator provides information about all SAS flights, with greenhouse gas emissions presented separately. Most calculators on the market calculate the emissions based on average fleet performance and a CO₂-equivalent based on different greenhouse gas emissions. SAS has chosen not to do so because there is no consensus on how to calculate NO_x, particles and water vapor emissions to CO₂, among scientists and experts. SAS offers the option of offsetting CO₂ emissions from a specific flight in connection with the emissions calculator. SAS has chosen to offer energy efficiency projects in its offset portfolio. The demand for this service is low and less than 1% of the customers who book travel via SAS's websites use this option. The offer is also available for SAS Corporate Customers.

WORK CONDITIONS

SAS is a large employer. The responsibility associated with labor practices and work conditions is very important. SAS has good cooperation with the union organizations that work with these issues.

LABOR PRACTICES AND DECENT WORK

The civil aviation industry is moving toward new or re-shaped employment models to reduce costs and increase flexibility. For the last few years, SAS has been working with the unions to cut costs and increase flexibility within the existing employment model. Regardless of the employment model, it is crucial that the employer upholds its obligations regarding social responsibility toward society in general and its employees.

In the opinion of SAS, there is uncertainty concerning the rules governing where employees are based and where the work is carried out. SAS's position in this matter is clear. Society must clarify and create the prerequisites for a level playing field within the industry whereby employees are employed under local terms, where they are based and where their work is carried out. When based in Scandinavia, employees should be covered by Scandinavian employment terms, work legislation and tax regimes.

Cultural development

Development of social responsibility is largely built on the SAS corporate culture. SAS focuses on increasing employee engagement, and increasing understanding of the values that form the basis for how the business is run. The goal is to generate positive effects in the relationship with customers and to strengthen SAS's competitiveness.

Organizational development

During 2014/2015, work continued the process started in previous years on implementing a centralized and more streamlined organization. At the beginning of the year, a decision was made to buy the Danish airline Cimber and create a fully owned internal wet lease provider with CRJ900 aircraft. Cimber was fully operational in March 2015 in the new setting. At the end of 2014/2015, it was decided to sell Blue1 to an external airline, CityJet. SAS will continue to buy wet lease operations from CityJet. The process of outsourcing SAS Ground Handling continued in 2014/2015. A number of locations in Sweden were outsourced during the fiscal year and in February 2016 all locations in Norway, except Oslo Gardermoen, are outsourced to Widerøe Ground Handling. The process regarding Oslo Gardermoen, Stockholm Arlanda, Copenhagen Kastrup, Malmö Sturup and Gothenburg Landvetter continues and involves a potential buyer.

Adjustment and redundancy

The process of centralizing and managing the redundancies connected with the organizational changes was handled through negotiations with labor unions in compliance with national laws and agreements.

Cooperation with labor union organizations

Cooperation in day-to-day operations with labor unions is mainly carried out nationally, where dialog is conducted with the labor unions that have collective agreements with SAS. Cooperation takes place within the framework of national laws and agreements affecting the unit concerned.

SAS and various unions conducted activities during 2014/2015 in order to reduce costs and increase the flexibility of existing union agreements.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. The employees elect representatives from units in the Group's Scandinavian operations. Group Management is engaged in an ongoing discussion with union representatives, above all on issues concerning personnel and cost reductions, organizational structure and the need for a more customer-oriented culture.

In general, all SAS employees are covered by collective bargaining agreements. The main exception is senior management at Group level.

Contract negotiations and disputes

For the past few years, SAS has been working with the unions to reduce costs and increase flexibility within the existing employment model.

An organized strike occurred during seven days amongst 17 pilots based in Norway in the 2014/2015 fiscal year.

Leadership development

SAS has approximately 570 managers at different levels in the organization. More than half of the managers are located in daily operations with direct customer contact, such as sales, airport services and on-board service. The managers' skills development is based and evaluated on SAS's role model for leadership. A systematic evaluation process is continuously performed for existing managers, and also to identify persons who may meet the requirements to become managers in the slightly longer term. The aim is for all potential managers to have an individualized development plan.

SAS has integrated the Lean principles in our management processes and established a new manager training course. At SAS, all employees work toward shared targets that are categorized under SQDEC, which stands for Safety, Quality, Delivery, Employees and Cost. The targets are followed up through clear action plans across all operations. SAS is also strengthening leadership and increasing professionalism through a number of forums, such as the *SAS Forum 50*, Learning lunch and a mentor program for leaders.

Furthermore, a number of extensive training programs are carried out each year in the form of leadership programs, web-based courses and practical training.

Employee surveys

The PULS, SAS's annual employee survey, was not conducted during 2014/2015. The survey will be conducted in February 2016.

Human resource development

Human resources development is an important, ongoing activity throughout SAS. Flight crew and operational ground staff are covered by a number of license and competency requirements from EU-OPS and the IATA through the IOSA (IATA Operational Safety Audit). The mandatory training programs were carried out according to plan for different personnel groups regarding hazardous goods, passengers' rights, IT security and food safety, etc.



Performance management is used in day-to-day operations, for all employees, in order to set clear targets and employee influence. This is a process that essentially involves individual targets being coordinated with the company's overall targets as defined in SQDEC. Performance management also allows our employees to influence their own targets, thus making them feel more committed and involved. Performance management at SAS comprises three parts:

- Definition of targets that support SAS's overall targets
- Coaching activities to achieve these targets
- Follow-up and evaluation

Courses and training

To retain and develop employee skills, extensive training programs are carried out each year. During 2014/2015, Scandinavian Airlines' employees attended an estimated 350,000 hours of training, of which the major part pertained to obligatory training. A growing share of SAS's training takes place through online courses, or e-learning. SAS's employees have access to more than 130 different online courses. E-learning can't always replace classroom instruction, but thanks to its greater flexibility and availability, more courses can be offered at a lower cost.

Training in the Code of Conduct and SAS's environmental efforts is continuous. During the year, approximately 1,250 of SAS's employees conducted e-learning in the Code of Conduct and approximately 200 conducted e-learning in SAS's environmental work.

WORK ENVIRONMENT

Sick leave

SAS's goal is that the work environment should be as healthy as possible and that sick leave should be continuously reduced. Better follow-up, preventive measures and communications are activities that has been conducted during 2014/2015.

During 2014/2015, total sick leave in SAS (incl. Cimber but excl.

Blue1) increased to 7.0% (6.5%). Long-term sick leave, 15 days or more, accounted for 4.9% of the total sick leave in SAS (incl. Cimber but excl. Blue1).

During 2014/2015, the sick leave reporting was adjusted to reflect sick leave per employee rather than the previously applied production measure that reflected sick leave per available work day or full time equivalent.

Occupational injuries

The number of occupational injuries in SAS was 268 during 2014/2015. Ground handling has the highest occupational injury frequency in SAS. The extent of the occupational injuries means that SAS will continue to prioritize preventive efforts, particularly in the areas where the greatest challenges are present. These efforts take place in collaboration with safety representatives, supervisors and labor-management joint safety committees that cover all employees in each country.

In 2015/2016 a new standardized reporting method will be implemented. The current reporting reflects different national methods and scopes.

Company health services

The company health services or health, safety and environment (HSE) function that supports the whole organization, offers services through in-house or outsourced resources with therapists, stress and rehabilitation experts, ergonomic specialists and engineers.

The function also offers special services, including aviation medicine, stress management, follow-up of sick leave, health profiles, ergonomics and advice in handling chemicals.

Investments are made in large parts of the organization in different forms of health-promoting activities both in the workplace and during leisure time.

KEY ENVIRONMENTAL FIGURES

	Unit	2012/2013	2013/2014	2014/2015
Flight Operations Aspect				
CO ₂ total	1,000 tonnes	3,815	3,890	3,822
CO ₂ passenger share	1,000 tonnes	3,494	3,571	3,492
Nox	1,000 tonnes	16.2	16.4	16.3
Passenger kilometers	million	33,633	35,604	34,613
Tonne kilometer	million	3,992	4,164	4,084
Departures 1,000	1000	299	305	303
CO ₂ /passenger kilometer	grams	103.9	100.3	100.9
CO ₂ /tonne kilometer	grams	955.5	934.1	935.7
Aircraft Noise – takeoff	85db area in KM ² per departure	2.14	1.97	1.97
Ground Handling				
Glycol consumption (de-icing fluid)	1,000 liters	2,463	1,535	1,490
CO ₂ Vehicle Petrol	tonnes	128	107	65
CO ₂ Vehicle Diesel	tonnes	4,254	3,926	4,564
Fuel spills, instances	instances	4	11	4
Maintenance Productions				
CO ₂ vehicle petrol	tonnes	76	43	38
CO ₂ vehicle diesel	tonnes	238	226	208
Fuel spills, instances	instances	-	-	-
SAS Cargo Group				
CO ₂ cargo share flown	1,000 tonnes	321	319	330
Cargo tonne kilometer flown	million	629	604	623
CO ₂ /cargo tonne kilometer flown	grams	510	528	529
CO ₂ /cargo tonne kilometer trucked	grams	181	161	151
Energy, Waste and Water				
Energy	GWh	149	125	116
As of electricity	GWh	69	57	51
As of heating	GWh	81	68	65
As of heating oil (included in "heating")	GWh	1.7	-	-
Unsorted Waste	tonnes	406	255	164
Hazardous waste	tonnes	223	138	127
Water	1,000 m ³	99	63	52

KEY SOCIAL FIGURES

Scandinavian Airlines' Flight Operations

	DK	NO	SE
No. of employees October reporting fiscal year (head count)	1,671	1,901	1,401
of whom women, %	47%	58%	53%
Total sick leave, %	8.8%	9.4%	11.3%
Long-term sick leave (more than 14 days), %	5.9%	6.8%	8.6%
Total number of occupational injuries with one day's sick leave or more, %	36	12	15
Occupational injury frequency lost time-to-injury rate (H-value)	17	5	8

SAS Technical Operations

	DK	NO	SE
No. of employees October reporting fiscal year (head count)	474	391	500
of whom women, %	3%	5%	6%
Total sick leave, %	2.8%	5.3%	3.5%
Long-term sick leave (more than 14 days), %	1.7%	4.1%	2.6%
Total number of occupational injuries with one day's sick leave or more	9	7	5
Occupational injury frequency lost time-to-injury rate (H-value)"	12	12	6

SAS Ground Handling

	DK	NO	SE
No. of employees October reporting fiscal year (head count)	2,227	2,891	1,928
of whom women, %	28%	32%	33%
Total sick leave, %	4.7%	7.3%	7.3%
Long-term sick leave (more than 14 days), %	3.0%	5.5%	4.7%
Total number of occupational injuries with one day's sick leave or more	101	52	29
Occupational injury frequency lost time-to-injury rate (H-value)	30	14	11

SAS

	SAS	DK	NO	SE
No. of employees October reporting fiscal year (head count)	15,169	5,116	5,372	4,681
of whom women, %	38%	36%	40%	40%
Total sick leave, %	7.0%	5.9%	7.8%	7.2%
Long-term sick leave (more than 14 days), %	4.9%	3.8%	5.8%	5.1%
Total number of occupational injuries with one day's sick leave or more	268	148	71	49
Occupational injury frequency lost time-to-injury rate (H-value)	13	21	10	7

SAS Commercial

	DK	NO	SE
No. of employees October reporting fiscal year (head count)	40	58	328
of whom women, %	70%	62%	63%
Total sick leave, %	1.5%	1.6%	1.4%
Long-term sick leave (more than 14 days), %	1.0%	1.1%	0.9%
Total number of occupational injuries with one day's sick leave or more	0	0	0
Occupational injury frequency lost time-to-injury rate (H-value)	-	-	-

SAS Administrative functions and others

	DK	NO	SE
No. of employees October reporting fiscal year (head count)	256	131	524
of whom women, %	45%	44%	45%
Total sick leave, %	1.9%	5.4%	2.1%
Long-term sick leave (more than 14 days), %	1.0%	4.7%	1.6%
Total number of occupational injuries with one day's sick leave or more	1	0	0
Occupational injury frequency lost time-to-injury rate (H-value)	3	-	-

Cimber

	DK
No. of employees October reporting fiscal year (head count)	448
of whom women, %	58%
Total sick leave, %	7.8%
Long-term sick leave (more than 14 days), %	5.1%
Total number of occupational injuries with one day's sick leave or more	1
Occupational injury frequency lost time-to-injury rate (H-value)	3

EXAMPLES OF STAKEHOLDER GROUPS ENGAGED BY SAS

Employees <ul style="list-style-type: none"> Employee index PULS Performance reviews Whistleblower function Employee meetings at all levels including meetings related to ISO 14001 Dialog and close cooperation with labor unions 	Customers <ul style="list-style-type: none"> Customer surveys Interviews Customer Satisfaction Index (CSI) Image index Contract customers are offered carbon dioxide compensation Direct dialog in meetings and ongoing contact with several thousand customers Social media 	Owners, investors and financial analysts <ul style="list-style-type: none"> Regular Board meetings Annual General Shareholders' Meeting Surveys Teleconferences Regular meetings with investors and analysts
Partnerships and networks <ul style="list-style-type: none"> Star Alliance Global Compact Nordic Network CSR Sweden IATA, ATAG, SAFUG, Fly Green Fund and Sustainable Biofuel Network 	NGOs <ul style="list-style-type: none"> Dialog with, for example, Bellona, WWF, ZERO and the Norwegian Society for the Conservation of Nature 	Industry organizations <ul style="list-style-type: none"> ICAO's Committee on Aviation Environment Protection (CAEP) Association of European Airlines (AEA) IATA and ATAG Air Carbon Initiative (ACI) Conf. of Swedish Enterprise Conf. of Danish Industries Conf. of Norwegian Enterprise, etc.
Authorities <ul style="list-style-type: none"> Close contact with relevant national and international authorities, politicians, airport owners and air traffic control management Together with AEA, IATA and Star Alliance, dialog meetings are held with relevant authorities 	Suppliers <ul style="list-style-type: none"> Purchasing negotiations with prioritized suppliers based on the SAS's purchase policy and adherence to the principles of the Global Compact, etc. Dialog with energy and fuel suppliers 	Manufacturers <ul style="list-style-type: none"> Ongoing dialog with manufacturers of aircraft, engines and equipment that are better adapted to the environment and work equipment products, services, chemicals, etc.
Mass media <ul style="list-style-type: none"> Daily communication and dialog with media Interviews Articles and opinion pieces Social media, for example, facebook.com/SAS or twitter.com/SAS 	Schools and universities <ul style="list-style-type: none"> Support of and dialog on essays and doctoral theses Presentations and participation in conferences and debates 	Airports and air traffic control management <ul style="list-style-type: none"> Partnership and cooperative models established with airport owners and air traffic control management at the most important airports Focus on punctuality, efficiency and reduced environmental impact

MANAGEMENT SUSTAINABILITY

BOARD OF DIRECTORS <ul style="list-style-type: none"> Follows the Swedish Corporate Governance Code, "corporate social responsibility" Sets guidelines for SAS's sustainability agenda, policies, strategies and goals Conducts internal control to ensure that the Code of Conduct is implemented Submits the annual report and reviews the sustainability report 	GROUP MANAGEMENT <ul style="list-style-type: none"> Sets the framework and decides on the sustainability agenda, policies, strategies and goals Responsible for the Corporate Manual which comprises the basis for SAS work with sustainability Assesses risk and opportunities related to sustainability issues Responsible for the implementation of the Code of Conduct 	COMMERCIAL AND OPERATIONS <ul style="list-style-type: none"> Responsible for integrating the sustainability agenda, policies, strategies and activities in the everyday business Responsible for the work on following up and reporting on safety, quality and other sustainability issues Responsible for dialog with internal and external stakeholders
ENVIRONMENT & CSR <ul style="list-style-type: none"> Supports and consults the management on sustainability issues with focus on environmental responsibility Prepares, coordinates and develops the sustainability agenda Ensures compliance with legislation and own commitments Conducts sustainability reporting and dialog Maintains the Environmental Management System according to ISO 14001 Coordinates established sustainability-related networks 	HUMAN RESOURCES, FINANCE & LEGAL <ul style="list-style-type: none"> Supports and consults the management and organization on Social and Financial Responsibility issues Develops the work with Social and Financial Responsibility and contributes to sustainability reporting and dialog 	

GLOBAL REPORTING INITIATIVE (GRI)

SAS Sustainability Report November 2014–October 2015 has been prepared in accordance with the Global Reporting Initiative's (GRI) guidelines, G4 Core. The following index shows where information on the GRI indicators can be found: this Sustainability Report (SR15), the Annual Report with sustainability review November 2014–October 2015 (AR15). The entire report has been reviewed by PwC, please read the Assurance Report at page 25 for details.

GENERAL STANDARD DISCLOSURES

Description	Page reference
Strategy & Analysis	
G4-1 Statement from the most senior decision-maker.	AR15 p. 4–5. SR15 p.1.
Organizational Profile	
G4-3 Name of organization.	SR15 back cover.
G4-4 Primary brands, products, and services.	AR15 inside front cover.
G4-5 Location of the organizations headquarter.	SR15 back cover.
G4-6 Number of countries where the organization operates.	AR15 p. 10–11 and 15.
G4-7 Nature of ownership and legal form.	AR15 p. 37 and 91–93.
G4-8 Markets served.	AR15 p. 10–11 and 15.
G4-9 Scale of the organization.	AR15 p. 48, 61 and 94.
G4-10 Workforce disclosure.	AR15 p. 61. SR15 p. 17.
G4-11 Percentage of total employee covered by collective bargaining agreement.	SR15 p. 14.
G4-12 Supply chain.	AR15 p. 9.
G4-13 Significant changes during the reporting period.	AR15 p. 12–23.
G4-14 Precautionary approach.	SR15 p. 6 and 11–13.
G4-15 External charters, principles, or other initiatives.	SR15 p. 6 and 11.
G4-16 Memberships of associations.	SR15 p. 7–8.
Identified material aspects and boundaries	
G4-17 Entities included in the organization's consolidated performance.	AR15 p. 38. SR15 p. 2.
G4-18 Process for defining report content and Aspect boundaries.	SR15 p. 5.
G4-19 Material aspects.	SR15 p. 5–6.
G4-20 Aspect boundaries within the organization.	SR15 inside front cover and p. 22.
G4-21 Aspect boundaries outside the organization.	SR15 inside front cover and p. 22.
G4-22 Effects of any restatements.	AR15 p. 27–36 and 54–60. SR15 p. 22.
G4-23 Significant changes from previous reporting period.	SR15 p. 22.
Stakeholder engagement	
G4-24 Stakeholder groups engaged by the organization.	SR15 p. 21.
G4-25 Basis for identification and selection of stakeholders with whom to engage.	SR15 p. 7.
G4-26 Approach to stakeholder engagement.	SR15 p. 7.
G4-27 Key topics and concerns raised by stakeholders.	SR15 p. 7.

Description	Page reference
Report profile	
G4-28 Reporting period.	SR15 front cover.
G4-29 Date of most recent previous report.	SR15 inside front cover.
G4-30 Reporting cycle.	AR15 p. 97.
G4-31 Contact point for questions regarding report.	SR15 inside front cover.
G4-32 In accordance option chosen.	Core.
G4-33 Assurance.	SR15 p. 25.
Governance	
G4-34 Governance structure of organization.	AR15 p. 37–46.
Ethics and integrity	
G4-56 Organizations values principles and norms of behavior.	AR15 p. 22. SR15 p. 7.

SPECIFIC STANDARD DISCLOSURES

Material Aspects	Description	Page reference	Comments/Omissions
Environmental			
Emissions			
G4-DMA			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	SR15 p.16.	
G4-EN18	Greenhouse gas (GHG) emissions intensity.	SR15 p. 16.	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	SR15 p. 11-13.	
G4-EN20	Ozone Depleting Substance emissions.	AR15 p. 36.	
G4-EN21	Nox, sox, and other significant air emissions. Incl. noise.	SR15 p. 16.	
Waste			
G4-DMA		SR15 p. 4-6, 8 and 18.	
G4-EN23	Total weight of waste by type and disposal method.	SR15 p. 16.	The most relevant indicators are disclosed. We do not collect data on waste method.
Supplier Environmental Assessment			
G4-DMA		SR15 p. 4-7 and 18.	
G4-EN32	Percentage of new suppliers screened using environmental criteria.	SR15 p. 7.	
Social			
Labor Practices and Decent Work			
Occupational Health and Safety			
G4-DMA		SR15 p. 4-6, 15 and 18.	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	SR15 p. 15.	
G4-LA6	Injuries, lost days, absenteeism and fatalities and total number of work-related fatalities	SR15 p. 17.	The most relevant indicators are disclosed. More indicators will be disclosed in 2015/2016.

Material Aspects	Description	Page reference	Comments/Omissions
<i>Training and Education</i>			
G4-DMA		SR15 p. 4-6, 15 and 18.	
G4-LA9	Average hours of training per year per employee.	SR15 p. 15.	Training hours are divided equally between men and women. Data is not broken down according to employee categories.
G4-LA11	Percentage of employees receiving regular performance and career development reviews	SR15 p. 15.	
<i>Diversity and Equal Opportunity</i>			
G4-DMA		SR15 p. 4-6, 9-10 and 18.	
G4-LA12	Composition of governance bodies and employee breakdown.	AR15 p. 44-46. SR15 p. 9-10 and 17.	
<i>Supplier Assessment for Labor Practices</i>			
G4-DMA		SR15 p. 4-6, 7 and 18.	
G4-LA14	Percentage of new suppliers screened using labor practices criteria.	SR15 p. 7.	
<i>Human rights</i>			
<i>Supplier Human Rights Assessment</i>			
G4-DMA		SR15 p. 4-6, 9 and 18.	
G4-HR10	Percentage of new suppliers screened using human rights criteria.	SR15 p. 7.	
<i>Society</i>			
<i>Anti-corruption</i>			
G4-DMA		SR15 p. 4-6, 9 and 18.	
G4-SO3	Operations assessed for risks related to corruption and the significant risks identified.	AR15 p. 31. SR15 p. 9.	SAS assesses these risks continuously. More indicators will be disclosed in 2015/2016.
<i>Anti-competitive Behavior</i>			
G4-DMA		SR15 p. 4-6, 9 and 18.	
G4-SO7	Anti-trust and monopoly court cases.	AR15 p. 31.	
<i>Product Responsibility</i>			
<i>Customer Health and Safety</i>			
G4-DMA			
G4-PR1	Assessment of health and safety impact of products.	SR15 p. 4-6, 10 and 18. AR15 p. 31-33.	
<i>Product and Service Labeling</i>			
G4-DMA		SR15 p. 4-6, 10 and 18.	
G4-PR5	Results of surveys measuring customer satisfaction.	AR15 p. 94.	

ACCOUNTING POLICIES FOR SUSTAINABILITY REPORTING 2014/2015 FISCAL YEAR

"SAS" or "The SAS Group" is used throughout the report when referring to the overall operations.

In 2014/2015, SAS reports its general sustainability results divided into the same segments as disclosed in the Annual Report:

- Scandinavian Airlines comprises all operations in the SAS Consortium, including SAS Maintenance Production, SAS Cargo Group (SCG) and Cimber (as of March 01, 2015).
- SAS Ground Handling (SGH).

For environmental responsibility, SAS strives to distinguish between airline and ground operations. Accordingly, the following divisions have been made:

- Airline operations with an SK flight number.
- Ground handling in SAS Ground Handling (SGH). SGH conducts ground handling for Scandinavian Airlines and other customers, such as other airlines.
- Technical maintenance in SAS Maintenance Production. SAS Maintenance Production conduct technical maintenance primarily for Scandinavian Airlines but also for other customers, such as other airlines.
- Freight and mail services within SAS Cargo Group A/S (SCG).
- Facilities owned or leased by SAS.

Blue1 was sold during the year and the sustainability indicators are not disclosed in this sustainability report.

SAS continues to hold interests in Air Greenland and Widerøe but these are not disclosed since SAS is no longer a majority shareholder and is divesting the current holdings. SAS's structure is presented on page 37 in the SAS Annual Report with sustainability review, November 2014–October 2015.

SUSTAINABILITY REPORTING

SAS's Sustainability Report has been prepared in accordance with the SAS Accounting Policies for Sustainability Reporting.

SAS has also applied the Global Reporting Initiative's (GRI) Sustainable Reporting Guidelines, version 4 Core. GRI cross-references are available on page 19–21. These indicate where the GRI indicators are found in the SAS Sustainability Report November 2014–October 2015.

The Sustainability Report also covers all important principles in the UN Global Compact.

SCOPE OF THE SUSTAINABILITY REPORT

SAS's Sustainability Report should contribute to the evaluation and understanding of SAS's operations. The report is an overview of SAS's structured sustainability work. The goal of the SAS Sustainability Report November 2014–October 2015 is to disclose all information necessary to provide the reader with a fair overview of SAS's environmental, social, and financial responsibilities.

SAS Annual Report with sustainability review November 2014–October 2015 includes a general overview of SAS's sustainability efforts on pages 24–25 and the sustainability information in the Report by the Board of Directors on page 35.

The ultimate responsibility for SAS's sustainability aspects, and their integration in operational activities, lies with Group Management. The Sustainability Report was reviewed by SAS Group Management in February 2016. The SAS Group Board of Directors submitted the Annual Report with sustainability review November 2014–October 2015 in February 2016, and was informed of the Sustainability Report.

LIMITATIONS

The main principle for sustainability reporting is that all units and companies controlled by SAS are accounted for. This means that sustainability-related data for divested companies owned by SAS during the period is reported wherever possible. The same accounting policies as for financial information in the Annual Report with sustainability review are intended to be used for financial information in the Sustainability Report.

SAS has a number of production indicators (such as passenger kilometers and tonne kilometers). There are differences between the Annual Report and the Sustainability Report as regards the disclosure of the number of passenger kilometers. The Annual Report uses revenue passenger kilometers (RPK) where paying passengers are included, while the Sustainability Report uses passenger kilometers (PK) where all passengers are included.

Standard definitions for environmental and social data have been applied throughout SAS. None of the limitations are considered to have any substantial significance.

CHANGES IN ACCOUNTING POLICIES AND CALCULATING PRINCIPLES

The sustainability information in the Sustainability Report is affected by the following changes:

Nitrogen oxides (NO_x) from SAS's Boeing 737NG fleet are (as of January 01, 2015) calculated based on the engines mounted on the aircraft the actual day. Previously the calculation was based on the engines mounted at the beginning of the month of the performed flight. This method is applied since an engine upgrade program is ongoing, with three different engine specifications applicable to each subtype in the Boeing 737NG fleet. The engine specification is constant for all other aircraft types.

Sick leave is recalculated to reflect the number of employees rather than Full Time Equivalents or Would Works Days, showing available production days. Sick leave is recalculated from 2012/2013 fiscal year.

PRINCIPLES FOR REPORTING AND CALCULATING ENVIRONMENTAL DATA

Reported environmental information is based on the following calculations and/or factors:

- Distance, based on WGS84 Great Circle Distance (GCD) calculations between airport reference points as defined in national AIPs.
- Passenger weight for TK calculations in 100 kg for any person with hand luggage and checked luggage transported. This does not include active crew.
- Cargo and mail, actual weight is used.

Fuel density (kg per liter):

- Jet A/A-1¹: Actual density or 0.8
- Diesel: 0.84
- Petrol: 0.73
- Heating oil: 0.84

CO_2 factor (per weight unit of fuel):

- Jet A/A-1¹: 3.15
- Diesel: 3.17
- Petrol: 3.12
- Heating oil: 3.17

Energy conversion of fuels (GWh per 1,000 tonnes):

- Jet A/A-1: 12.0
- Diesel: 12.0
- Petrol: 12.2
- Heating oil: 12.0

Nitrogen oxides (NO_x) factors (per weight unit of fuel):

- Jet A/A-1² Between 0.00694 and 0.01932

1) Fuel density and CO_2 factor for Jet A/A-1 is calculated according to approved MRV plan.

2) Varies per aircraft/engine combination.

CARBON EMISSIONS PER PASSENGER KILOMETER AND CARGO TONNE KILOMETER

SAS has chosen to apply a calculation method to divide the amount of fuel used for passenger and cargo transport before dividing the amount by passenger or cargo tonne kilometer. The method is based on the IATA Carbon Calculator Tool. The assumption is that fuel usage is proportional to weight. Passenger fuel usage is the ratio of total passenger weight to total weight multiplied by the total fuel used. The remainder is allocated to cargo transport.

$$\text{Total Passenger Fuel Usage} = [(\text{Total Passenger Weight}/\text{Total Weight})] \times \text{Total Fuel Used Where},$$

$$\text{Total Weight} = \text{Total Passenger Weight} + \text{Total Freight/Cargo Weight}$$

$$\text{Total Passenger Weight (kg)} = (\text{Number of Seats} * 50 \text{ kg}) + (\text{Number of Passengers} * 100 \text{ kg})$$

The calculation method allocates 50 kg per seat to the prerequisites for passenger transport and the same weight per passenger as used in all other calculations applied within the industry.

For cases when flights were conducted without passengers or freight/cargo transport, all carbon emissions were allocated as passenger transport. Examples of these flights are training flights, positioning flights between scheduled flights, and flights to/from maintenance, etc. The reason for this changed calculation method is to achieve more precise carbon emissions per production unit calculations. The previous calculation method essentially involved double accounting, with emissions per passenger kilometer including the fuel used for freight/cargo transport and vice versa.

CLIMATE INDEX

SAS has chosen to construct a climate index for flight operations. The most recent base year is full-year 2011, used to follow up progress connected to activities implemented in 2011. The climate index is



calculated by using the quantity of emissions of carbon dioxide and nitrogen oxides in relation to production. Even though there is no consensus regarding the weighting between the effect of different greenhouse gases on total impact on climate change, SAS has decided to base the calculation on the assumption from, among others, Cicero that 1.5 is a reasonable multiplier given the currently available knowledge. Read more about Cicero that provided basic data for IPCC, for example, on www.sasgroup.net under the heading Sustainability. This gives a ratio of two parts carbon dioxide to one part other climate changing emissions such as nitrogen oxides, water vapor and particulates. Nitrogen oxides have been chosen as a non-CO₂ indicator for the climate index. Every emission is reported separately until clearer directives are given regarding how the total climate effect are to be calculated.

Environmental aspect	Weighting	Production factor
Carbon dioxide	67%	Tonne Kilometer (TK)
Nitrogen oxides	33%	

The climate index is designed for SAS to present month-to-month trends. This assumes that the methodology is not changed.

PRINCIPLES FOR REPORTING AND CALCULATION OF SOCIAL DATA

The following principles for calculating and reporting of social data have been used.

Occupational injuries (H-value):

Frequency of occupational injuries (H value) is calculated using the following formula:

$$\frac{\text{No. of occupational injuries with minimum of one day's absence}}{\text{x 1,000,000}}$$

total number of performed working hours per year

Number of employees:

In the Sustainability Report, the number of employees is based on the number of persons during the month of October and sick leave statistics calculated for the fiscal year. These are employees having a

budgeted or actual schedule and/or who were sick during the period.

Sick leave:

Sick leave is reported as the number of days sick in relation to number of employees multiplied by calendar days. For sick leave, absence due to sick children is excluded. Long-term sick leave (more than 14 days) is reported as a percentage of total sick leave.

PRINCIPLES FOR REPORTING AND CALCULATION OF EXTERNAL AND OTHER ENVIRONMENTALLY RELATED COSTS

Where possible, environmentally related costs are based on information directly from the accounting system. When this has not been possible, for example, for calculations of certain charges and taxes that are included in landing charges, estimates were used based on the number of passengers to a certain destination and the charge or tax per passenger.

SUSTAINABILITY TERMS, DEFINITIONS AND CONCEPTS

ATAG Air Transport Action Group is an independent coalition of organization and companies throughout the air transport industry.

Average number of employees Average number of employees is defined as the average number of employees expressed in full time equivalents, excluding leave of absence, parental leave and long-term sick leave. This definition is also used in the financial reporting. Sometimes the term FTE (Full Time Equivalent) is used.

Biofuels Solid or liquid fuel with biological origin. Liquid fuels for vehicle/ship/aircraft engines. To various degrees considered carbon neutral. The EU renewables directive (2009/28/EC) and biofuels directive (2003/30/EC) define the EU's mandates on biofuels and degree of carbon neutrality.

CAEP Committee on Aviation Environmental Protection, technical committee of the ICAO (see definition) charged with developing and establishing rules and recommending measures to reduce the environmental impact of aviation.

Carbon dioxide (CO₂) A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO₂ emissions are being reduced based on a changeover to more fuel-efficient aircraft, something that is also desirable from a financial standpoint since lower fuel consumption automatically means lower costs.

Cargo tonne kilometer Cargo tonne kilometers, includes all freight and mail (in metric tonne) multiplied by the great circle distance flown for all flights performed.

CFCs A group of chlorofluorocarbons that may also contain hydrogen and / or bromide. A class of stable chemical compounds mostly known under the trade names Freon or Halon. Manufacture prohibited by Montreal Protocol because of negative effect, depletion of the Ozone Layer. Aviation has exception for use under a critical use clause due to lack of approved alternatives. Research for alternatives is ongoing.

Charges for the infrastructure Charges imposed by the operators of the infrastructure and which are intended to cover operating and capital costs for airlines and air traffic management.

CO₂ Carbon dioxide (see definition).

CO₂ passenger- or cargo share The amount of carbon emissions from passenger or cargo transport.

Code of Conduct Business ethics rules and guidelines.

dB Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level.

Environmentally related charges Charges imposed by the airport operators to motivate aircraft operators to operate aircrafts with high eco-efficiency with respect to noise and other emissions such as of NO_x, as well as surcharges imposed by airport operators to motivate aircraft operators to avoid take-offs and landings at night. In some cases, the environmentally related charges are considered income-neutral, meaning that the total income of the airport remains unchanged by reductions in other charges. The methods for classifying aircraft differ between countries and airports within countries. Although the charges are differentiated based on the eco-efficiency of the aircraft, they are ultimately balanced in such a way as to amount to the total cost determined by the airport operator.

Environmentally related investments Investments in assets to prevent, reduce or restore environmental damage arising from operations and/or aimed at meeting upcoming, more stringent environmental requirements.

Environmentally related taxes Taxes that, in contrast to other corporate taxation, are motivated by environmental grounds. Examples are the environmentally motivated passenger charge in the UK and the environmentally related fiscal CO₂ charge in Norway.

External environmentally related costs The sum of environmental charges and environmentally related charges and taxes.

Fossil fuels Fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

Global Compact A challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

Glycol An alcohol that is sprayed on the aircraft in cold weather to prevent ice formation. Today, a non-toxic propylene glycol is used. Some 80% of the glycol runs off the aircraft when applied, and seeps into the ground unless collected. A further 15% is emitted to the air and is thus dispersed in the vicinity of the airport. The airports are responsible for collecting the glycol runoff for reuse.

GRI Global Reporting Initiative. An organization aiming to provide companies and organizations with a global sustainability reporting framework and thereby facilitate comparisons between companies from a social, environmental and economic perspective. www.globalreporting.org

Greenhouse effect Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. The problem is that emissions of greenhouse gases have increased. Most scientists agree that heavy human use of fossil fuels is causing global warming. Carbon dioxide is formed in the combustion of all fossil fuels, but burning of biofuels only emits an amount of carbon equal to that absorbed during growth, producing no net emissions. However, use of coal, oil and natural gas produce a net increase, since they release carbon that has been bound in the earth's crust. The freon substitute HFC, methane and nitrous oxide are other powerful greenhouse gases. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

Halons See CFCs.

IATA The International Air Transport Association represents, leads and serves the airline industry. Its members comprise all major passenger and cargo airlines

ISO 14000 A series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000. There are several environmental standards in the ISO 14000 family, such as for environmental management systems (ISO 14001), environmental labeling, environmental audits and life-cycle analyses.

Jet A-1 Common jet fuel specification outside North America. Jet A and Jet A-1 are very similar and throughout this Sustainability Report the term "jet fuel" is used to describe fuel used by the aviation industry.

Kerosene The common name for petroleum-derived jet fuel such as Jet A-1. Kerosene is one of the fuel sources that can be made by refining crude oil. It is also used for a variety of other purposes.

MRV Monitoring, Reporting and Verification of CO₂ emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

N-ALM The Nordic Working Group for Environmental Issues in Aviation, composed of civil aviation, environmental and communication authorities and airlines in the Nordic countries.

Nitrogen oxides (NO_x) Formed during combustion in all engines. For aircraft engines since the high temperature and pressure cause the atmospheric nitrogen and oxygen to react with each other, mainly during take-off and ascent when the engine temperature is at a maximum.

Noise Environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily of a local nature. Noise is normally described and measured in dB(A), an A-weighted sound level.

NOX Nitrogen oxides (see definition).

Occupational injuries Occupational injuries is the number of injuries employees incur by accidents at the workplace resulting in at least one day of absence.

Other environmentally related costs Costs for waste management, purification plants, permits, any fines and charges for permit deviation, costs for remediation measures, etc. as well as internal reported costs for environmental work, for example, costs for persons and organizations working with environmental issues, costs for sustainability reporting etc.

PK (used in the sustainability-related reporting) Passenger Kilometers, includes all passengers (100 kg per passenger including luggage) excluding active crew multiplied by the great circle distance flown for all flights performed.

PULS The Swedish acronym for SAS's employee surveys conducted via individual questionnaires.

RPK (used in the financial reporting) Revenue Passenger Kilometers, utilized (sold) capacity for passengers expressed as the number of seats multiplied by the distance flown.

SAFUG Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.

Sustainable development means that when mankind satisfies its needs to today, it does so without limiting the opportunities for future generations to satisfy theirs.

Tonne kilometers The number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

Weighted noise contour The weighted noise contour is calculated based on the number of takeoffs per day at a given airport, with regard to the aircraft types the airline uses at that airport. The weighted noise contour defines the area in km² that is subjected to a noise footprint of 85 dB(A) or more in connection with take-off.

ASSURANCE REPORT

INDEPENDENT AUDITOR'S COMBINED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

To SAS AB (publ)

INTRODUCTION

We have been engaged by the management of SAS AB (publ) to undertake an examination of the SAS Sustainability Report for the year 2015.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 22 in the Sustainability Report, and are the parts of the *Sustainability Reporting Guidelines* (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with RevR 6 *Assurance of Sustainability Reports* issued by FAR. The engagement includes a limited assurance engagement on the complete Sustainability Report and audit of certain information as specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. Hence, the conclusion based on our limited assurance procedures

does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this assurance engagement is combined, our conclusions regarding the reasonable assurance and the limited assurance will be presented in separate sections.

Our reasonable assurance engagement includes the following:

- a. Financial indicators (except environmental-related costs) found on page 3,
- b. Jet fuel and carbon dioxide (CO₂) emissions related to SAS flight operations

The firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 12th February 2016

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant

Fredrik Ljungdahl
Expert Member of FAR

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