

**SAS SUSTAINABILITY REPORT
NOVEMBER 2015–OCTOBER 2016**



TRAVELERS THINK BIG

SAS

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ABOUT THIS SUSTAINABILITY REPORT

This is the 21st 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 2015/2016 fiscal year.

The Annual Report with sustainability review and the Sustainability Report have 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, UN Sustainability Development Goals, ISO 14001 and the CDP were taken into consideration in the preparation of this Sustainability Report.

The SAS Annual Report with a sustainability review and the separate Sustainability Report for the 2014/2015 fiscal year were published in February 2016.

Readers guide to this Sustainability Report

- The SAS Group is referred to as SAS in this Sustainability Report.
- In the 2015/2016 fiscal year (2015/2016), SAS consisted of Scandinavian Airlines, SAS Cargo Group A/S, Cimber and SAS Ground Handling.
- 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 2015/2016 has been reviewed by PwC. The Auditor's assurance 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.

1.7%

REDUCTION IN
CO₂ EMISSION PER
PASSENGER KILOMETER
SINCE 2014/2015

20+

YEARS OF
SUSTAINABILITY
REPORTING

A-

2016 RESULT IN CDP

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SUMMARY OF SAS SUSTAINABILITY INITIATIVES 2015/2016

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

- ✓ SAS's total tonne kilometer increased 10% and total CO₂ emissions increased 8%. The growth was primarily on long haul flights.
- ✓ SAS's relative passenger-related CO₂ emissions decreased during the period to 99 grams (101) per passenger kilometer.
- ✓ SAS's relative cargo related CO₂ emissions fell during the period to 521 grams (529) per cargo tonne kilometer.
- ✓ SAS introduced 14 brand new aircraft.
- ✓ SAS achieved compliance with the EU-ETS regulations for 2015.
- ✓ Sick leave decreased to 6.2% (7.0).
- ✓ SAS used alternative sustainable jet fuel on flights from Oslo.
- ✓ The SAS Code of Conduct was updated with an upgraded mandatory e-learning training program for all employees.
- ✓ SAS supported the 'Christmas flight' for the 30th consecutive time.

SUSTAINABILITY-RELATED KPIS¹

	Nov-Oct 2015-2016	Nov-Oct 2014-2015	Nov-Oct 2013-2014
Revenue, MSEK	39,459	39,650	38,006
EBT before nonrecurring items, MSEK	939	1,174	-697
EBIT margin, %	4.8	5.6	0.4
Number of passengers, millions ²	29.0	26.9	27.1
Average number of employees ³	10,710	11,288	12,329
of whom women, %	39	38	40
Sick leave, % ⁴	6.2	7.0	6.5
Total number of occupational injuries	237	268	270
Climate index	91	92	92
CO ₂ emissions, 000s tonnes	4,122	3,822	3,890
NO _x emissions, 000s tonnes	17.8	16.3	16.4
CO ₂ gram/passenger kilometer	99	101	100
Fuel consumption airline operations, 000s tonnes	1,309	1,213	1,235
Fuel consumption ground operations, 000s liters ⁵	1,669	1,837	1,625
Water consumption, 000s m ³	69	52	63
Energy consumption, ground, GWh	110	116	125
Unsorted waste, 000s tonnes ⁶	0.2	0.2	0.3
Hazardous waste, 000s tonnes ⁶	0.2	0.1	0.1
External environment-related costs, MSEK	842	549	364

¹ Accounting policies on pages 20-21.

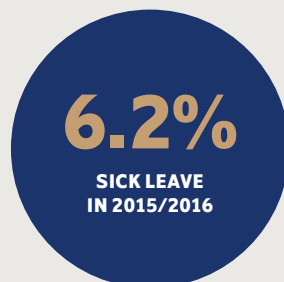
² Scheduled traffic.

³ Source: Note 3 on page 71 in SAS Annual Report November 2015–October 2016.

⁴ New calculation method.

⁵ Includes only ground operations at SAS main bases: Stockholm, Oslo and Copenhagen.

⁶ Includes only ground facilities, including technical maintenance.



THIS IS SAS

During 2015/2016, SAS consisted of Scandinavian Airlines, SAS Cargo Group A/S, Cimber and SAS Ground Handling. Scandinavian Airlines and Cimber have their own Air Operator Certificates. All commercial and operational functions, and staff units, such as purchasing, human resources, finance, legal, sustainability, etc. are centralized. SAS's 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 under SK flight numbers. In total, SAS transported 29.0 million passengers in 2015/2016 and its share of total traffic in its home market (measured in number of passengers) was approximately 32% in the same period.

During 2015/2016, SAS was 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 Kas-trup, Oslo Gardermoen and Stockholm Arlanda.

Flights are operated under SK flight numbers with aircraft and crew managed by Scandinavian Airlines, as well as in wet-lease operations with internal and external suppliers.

Based on fuel consumed, 95 % of all flights with an SK flight number were flown by Scandinavian Airlines (incl. flights on a wet-lease basis flown by Cimber) during 2015/2016.

The remaining 5 % were flown by external suppliers.

CARGO TRANSPORT

SAS Cargo Group A/S (SCG) offers freight capacity on over 1,000 daily flights to, from, via and within Scandinavia, using the SAS fleet network and dedicated truck operations. In collaboration with other carriers, SCG offers air freight services to most continents. The actual handling of freight and mail is carried out through contractual agreements with ground handling agents worldwide.

SCG's head office is located in Copenhagen with sales offices in Denmark, Norway, Sweden, Finland, the US, China, Hong Kong, Japan, Germany, the UK and Poland, and with general sales agents covering the rest of the network.

SCG includes Trust Forwarding, an independent full-service provider of global freight forwarding services with a focus on the Nordic market. Trust Forwarding is 100% owned by SCG and its environmental data and results are included in the SCG overall data and results.

GROUND HANDLING

SAS Ground Handling (SGH) operates at airports in Denmark, Norway and Sweden. Customers include airlines within SAS and SAS's partners and external customers.

SGH's services includes, for example, passenger and lounge services, loading and unloading, de-icing and towing of aircraft.

The majority of SGH's services are provided to SAS flights with an SK flight number.

The process of outsourcing SAS Ground Handling continued in 2015/2016. All locations in Norway, except Oslo Gardermoen, were outsourced during 2015/2016. SAS decided to keep SGH at the main bases in Oslo, Copenhagen and Stockholm within the organization. The process regarding Malmö and Gothenburg 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. The largest customer is Scandinavian Airlines.

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 used 126 different aircraft (16 long-haul aircraft, and 110 short-haul aircraft) in its own operations during 2015/2016. The average age of the aircraft fleet was 12.9 years at year-end. Scandinavian Airlines renewed its fleet by introducing three brand new aircraft and phasing out three old aircraft in 2015/2016.

During 2015/2016, Scandinavian Airlines used 47 different wet leased aircraft on long-term basis (one long-haul aircraft, 20 regional jets, and 26 turboprops) for flights operated under SK flight numbers. Eleven of the aircraft used on a long-term wet-lease basis are brand new. Scandinavian Airlines also wet leased a number of aircraft on a short-term basis.



LETTER FROM THE CEO

In line with our forecast, SAS posted positive income before tax and nonrecurring items in 2015/2016. The trend shows that our customer offering is generating a favorable response, though earnings were negatively affected by currency effects and a lower yield, particularly during the second half of the year.

The airline industry is changing fast as demand for air travel increases, particularly the leisure market where margins are lower and the price sensitivity is higher. Lower costs and improved competitiveness are pre-requisite to take advantage of growth opportunities in the market. We are therefore raising our cost saving ambition and plan additional measures to address remaining structural disadvantages, which result in higher unit cost than newly established competitors.

During 2015/2016, an environment-related passenger duty was introduced in Norway and a similar duty is suggested in Sweden. We fully support the Polluter Pays Principle (PPP) but the solution implemented in Norway and that proposed for Sweden are not based on the size of the greenhouse gas emissions. Moreover, emissions are already covered by other regional or global market-based measures. We believe that emissions should only be covered by one market-based measure at a time and that this measure must incentivize moving toward lower emissions.

SUSTAINABILITY IMPROVEMENTS

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 turbulence and ongoing changes in the aviation industry we will continue to take our responsibility. We believe that well-structured sustainability efforts create value for our customers and further differentiate SAS.

During 2015/2016, SAS increased its production by almost 10%, primarily on long-haul flights, which resulted in growth in total emissions. At the same time, CO₂ emissions per passenger kilometer decreased 1.7% in line with the year 2020 goal.

During 2015/2016 we took delivery of our first A320neo and the statistics show it delivers a 15% reduction in total emissions compared with the A320ceo.

Throughout the year, we had bio fuel delivered at Oslo airport. Though available volumes are small and the price is high, we are convinced that bio fuel is a crucial part of our future development toward lower emissions. We need to play an active role in these developments and to take our responsibility in order to accelerate commercialization.

Thanks to structured long-term improvement activities, sick leave decreased 0.8 percentage points and the number of occupational injuries per million work hours improved during 2015/2016.

Our efforts within our sustainability agenda continue and more tangible initiatives from our journey will be launched in the coming years.



THE NEXT STEP

We are planning further structural actions aimed at generating a considerable impact. The first step is to establish a new organizational structure to create increased ownership, smaller and faster units, and greater transparency.

Secondly, we have initiated a review of our customer offering. Over the past few years, we have implemented substantial and valued customer investments, but we have to ensure that we are offering that which is appreciated most in the continuously changing landscape of customer expectations.

Finally, efficiency must be enhanced for ground handling services, technical maintenance and flight operations.

To leverage the market potential, SAS must have the same conditions as our competitors. Therefore, we are also planning to establish airline operations based outside of Scandinavia. As a company, we have to create shareholder value to be able to invest in our future and to remain relevant for our customers.

Therefore, improving SAS's efficiency is a crucial and existential issue for the company.

Stockholm, February 1, 2017

*Rickard Gustafson
President and CEO*

HOW WE CREATE VALUE

RESOURCES WE REQUIRE FOR OUR OPERATIONS

FINANCIAL CAPITAL

MSEK 23,786

invested capital that comes from shareholders, lenders and lessors.

MANUFACTURED CAPITAL

156 AIRCRAFT

with a market value of about SEK 34 bn., a number of properties, vehicles, machines, tools and equipment such as lounges and self-service terminals.

INTANGIBLE CAPITAL

4.7 MILLION MEMBERS

of EuroBonus, over 800 takeoff and landing permits, the strong SAS brand and IT systems.

HUMAN CAPITAL

10,710 EMPLOYEES ON AVERAGE

of which 36% are air crew, 39% ground personnel, 11% technical staff and 14% management personnel with extensive experience and highly developed skills.

SOCIAL AND RELATIONSHIP CAPITAL

29 MILLION PASSENGERS

and relationships with customers, suppliers, partners and decision-makers, as well as SAS's extensive community with 120 million website hits annually and 1.2 million followers on Facebook.

NATURAL CAPITAL

1,309 KTONNES OF JET FUEL

of which 0.1 ktonnes is biofuel for flight operations, other raw materials, energy and food and drink for passengers and personnel.

OUR OPERATIONS

VISION

TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS.

OPERATIONS

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. We offer smooth and attractively priced flights based on a broad network with frequent departures to, from and within Scandinavia.

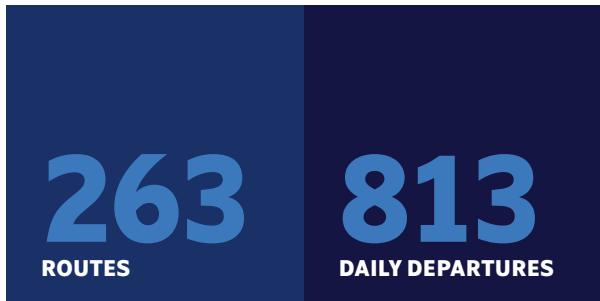
In addition to airline operations, we also offer ground handling services and technical aircraft maintenance at primary airports, as well as cargo services.



TO CREATE LONG-TERM SHAREHOLDER VALUE AND ACHIEVE OUR VISION, SAS WORKS TO:

- Develop and invest in our customer offering
- Digitalize to increase efficiency and provide a stronger customer offering
- Create a more efficient production platform
- Improve work processes involving suppliers
- Ensure that we have the right skills

WHAT WE CREATE



VALUE FOR STAKEHOLDERS

CUSTOMERS

- New experiences, relationships and personal development
- Smooth & attractively priced travel that makes life simpler
- Making dreams a reality

SATISFIED CUSTOMER INDEX
73

EMPLOYEES

- Job opportunities
- Personal & professional development
- Salary and benefits

EMPLOYEE COMMITMENT INDEX
64

FINANCIAL BACKERS & SUPPLIERS

- Supplier payments of about SEK 33 bn.
- Interest payments of MSEK 493
- Lease payments of MSEK 2,840

SAS'S CREDIT RATING¹
B/B2

SOCIETY

- Infrastructure enabling trade, companies, import/export, tourism, cultural exchange and regional development
- Scandinavian community
- Tax income & job opportunities

~1% OF GDP IN SCANDINAVIA²

ENVIRONMENT

- Increased production with more fuel-efficient aircraft, with a lower climate impact and reduced noise.

CO₂ EMISSIONS
4.1 MILL. TONNES

VALUE FOR SHAREHOLDERS

- Net income for the year of MSEK 1,321
- Market capitalization of SEK 8.9 bn.³
- MSEK 350 preference share dividend

ROIC
10%

¹ Credit rating: Standard & Poor's B, Moody's B2.
² Cowi, Inregia, tci and WSP.
³ Both common and preference shares.

SAS SUSTAINABILITY AGENDA

The SAS sustainability agenda visualizes SAS sustainability initiatives and efforts with focus on CARE. The work is focused on minimizing sustainability-related risks and capturing potential opportunities.



LEGAL REQUIREMENTS

SAS aims to follow applicable national and international legal requirements and legislation covering all aspects of the company. Examples are legal requirements connected to employment, financial obligations and environment. SAS has control mechanisms with allocated follow-up systems and resources in order to ensure compliance.

MATERIALITY

Last year SAS conducted an update of its materiality analysis according to GRI G4 methodology. The results were reviewed during 2015/2016 and are still valid.

The following areas/aspects are the most material for both SAS and its stakeholders

- 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 or excluded from SAS's sustainability agenda.

An illustration of SAS materiality is disclosed at www.sasgroup.net/sustainability/SR16.

GOVERNANCE

An illustration of how SAS governs its sustainability work is disclosed at www.sasgroup.net/sustainability/SR16.

BOARD OF DIRECTORS

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 follow-up, and 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, including the President. Group Management normally has minuted meetings on a weekly basis. Group Management's management and control of operations are based on a number of guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, 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. Amongst the tasks of Environment and CSR is to develop, drive and maintain SAS's sustainability agenda and support management in sustainability-related matters, both internally and externally. Environment and CSR also has responsibility for maintaining and developing fuel-saving activities, compliance with EU-ETS/MRV, ISO 14001 certification, coordination of bio 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 (Copenhagen, Oslo and Stockholm) and the head office, 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 SAS's endeavor to achieve continuous improvements.

UN'S GLOBAL COMPACT AND UN'S SUSTAINABILITY DEVELOPMENT GOALS

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 2016. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

SAS has also identified the UN sustainability development goals that are material for SAS. Based on the analysis, the conclusion is that the goals: [5. Gender equality], [8. Decent work and economic growth], [12. Responsible consumption and production], and [13. Climate action] are the most material. SAS has activities within all these areas and will further align its activities to these goals.

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's opportunities and risk connected to climate change is available in SAS's 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. To underscore the Code's importance, there are clear rules and structures for reporting and addressing suspected violations. SAS management plays 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 eight cases. Four cases was dismissed without further action, one led to some investigations and action, and three are still under investigation.

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, as well as to capture potential savings and differentiate SAS.

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

ENVIRONMENTAL GOALS

Goals and goals attainment are disclosed on page 9.

SUPPLY CHAIN MANAGEMENT

SAS has a large number of suppliers providing the products and services SAS needs to compile the customer offerings. SAS is responsible to its customers for ensuring that sustainability issues are addressed in a correct manner, regardless of who provided the product or service in the supply chain.

Sustainability-related issues are included in SAS's purchasing policy, general terms and conditions, and purchasing process.

In new contracts, sustainability screening and sustainability criteria are incorporated in the contracts and the decision making process for most purchased products and services.

The criteria depend on the type of product or service and where it is produced. For example energy efficiency, waste handling, collective agreement (or equivalent), child labor, etc.

STAKEHOLDER ENGAGEMENT

SAS has a long tradition of cooperation with a wide range of stakeholders and involvement in community-related issues. From a sustainability perspective, SAS prioritizes cooperation and collaboration with customers, authorities and suppliers in order to create the prerequisites to develop solutions to improve SAS's or the aviation industry's sustainability performance.

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

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.

SAS applies a principle that 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 at www.sasgroup.net/sustainability/SR16.

Over the past few years, sustainability issues have gained greater importance for SAS stakeholders, primarily in the public administration and business sector. The number of sustainability-related questionnaires from corporate customers and requests from on-site audits has increased over the years. SAS sees this as a possibility to initiate further dialog and development.

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

MONITORING AND REPORTING

MONITORING SUSTAINABILITY-RELATED DATA

SAS monitors relevant sustainability key performance indicators (KPI) on an ongoing basis. SAS use various parts of the LEAN methodology and follow-up of these KPIs are conducted within 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 all areas of SAS's sustainability agenda.

GRI AND CDP

SAS's sustainability reporting observes the guidelines of the Global Reporting Initiative (GRI) and is reviewed by an external auditor. The GRI is a framework designed for sustainability-related information and performance. SAS reports to the CDP. In 2016, SAS scored A-

ENVIRONMENTAL RESPONSIBILITY

Aircraft operations often account for more than 95% of the total environmental impact of an airline, this also applies for SAS. On-ground emissions derive from diesel/ petrol consumption, energy use in facilities, fuel and glycol spillages and waste.

Based on a materiality analysis the vast majority of SAS's environmental impact comprises emissions from the consumption of non-renewable fuels. From a stakeholder perspective noise is also perceived as material.

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

Since 2010, SAS is certified according to ISO 14001 throughout the company.

All key environmental metrics can be found on page 19.

ENVIRONMENTAL COMPLIANCE

No severe incidents breaching any environmental permits were reported in 2015/2016.

EMISSIONS AND NOISE

Jet fuel

SAS' most significant environmental aspects derive from emissions from using non-renewable jet fuel in aircraft operations. Read more on pages 13-15.

In 2015/2016, SAS's emissions from aircraft operations increased 8% compared to 2014/2015, while the production in tonne kilometer increased 10%. The growth primarily pertained to long-haul flights.

In 2015/2016, only occasional fuel leaks were reported when refueling aircraft with SK flight numbers. These were handled in accordance with established procedures. One in-air fuel dump was reported during 2015/2016. Read more on page 24.

Noise

The average noise per departure increased due to increased long-haul operations. SAS received 2 reports of noise violations during 2015/2016, none of these led to financial implications.

The number of breaches has declined 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.

Diesel/ Petrol

SAS uses cars in conjunction with maintenance and ground-related services within airport perimeters. SAS follows the airports' regulations and strives to ensure a continuous transition to vehicles with lower environmental impact. At SAS main bases, all vehicles are leased and follow-ups are conducted via contracts and fuel bills.

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

Energy

Reduction of energy consumption is an ongoing project with continuous improvements. During 2015/2016, energy consumption increased even though several improvements were implemented, such as more efficient lighting and less buildings. This was due to method change. Read more on page 20.

Waste

SAS has no overall goal for this aspect. Both hazardous waste and unsorted waste from ground-related operations are measured and followed up in order to detect unexpected trends. This year, the trend climbed due to major move activities from or between owned and leased buildings.

Hazardous waste is strictly controlled by national authorities and is internally controlled and evaluated by both the airline and suppliers.

ENVIRONMENTAL GOALS

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.

Goal attainment 2015/2016

- SAS reduced its relative CO₂ emissions per passenger kilometer by 9.6% in 2015/2016 compared to 2010.
- SAS reduced its noise on take-off by 14.2% in 2015/2016 compared with 2010.
- SAS used approximately 90 tonnes of synthetic jet fuel.

Halon

Airline operations have a legal dispensation for the use of halon and submit annual reports to the authorities on its 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 has no reported usage of halon during 2015/2016.

EMISSIONS CALCULATION AND CO₂ OFFSET

The SAS emissions calculator, which is available on the SAS website, 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.

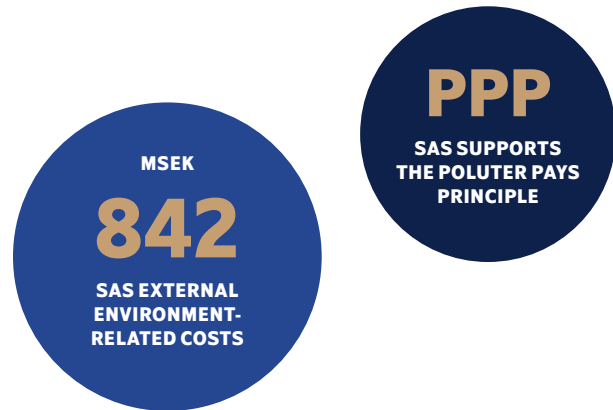
SAS offers the option of offsetting CO₂ emissions from a specific flight in connection with the emissions calculator. SAS has chosen to offer energy efficiency projects in its offset portfolio. The demand for this service is low. The offer is also available for SAS Corporate Customers.

FINANCIAL ASPECTS OF ENVIRONMENTAL RESPONSIBILITY

SAS's environmental work has several overriding purposes. Besides enabling resources to be more efficient 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 accounts for the cost of the infrastructure needed and used for flights, i.e. airports and air traffic control. The cost of security is also financed within the industry.

Environmental taxes and charges are associated with noise, emissions and the number of passengers. The civil aviation sector pays for its carbon emissions within the EU through the EU



Emissions Trading regulations (EU-ETS), which is an established market-based measure. SAS's opinion is that market-based measures should not distort competition, should address 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 decided on a global market-based measure for implementation by 2021 (CORSIA). The key elements of a global solution should not distort competition and should incorporate the UN's CBDR principles (Common But Differentiated Responsibility). At present, no details are available that enable SAS to calculate the potential cost connected to CORSIA.

“PPP”, POLLUTER PAYS PRINCIPLE

SAS supports the “PPP” 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

In 2015/2016, SAS's external environment-related costs were MSEK 842. These costs consist of environment-related taxes and fees that are often associated with the environmental performance of aircraft and are included in the landing fee.

During 2015/2016, the Norwegian government introduced a passenger duty and a proposal for a similar passenger duty up for decision in Sweden in the coming year. These fees are not based on the amount of green house gas emissions and have no steering effect on environmental performance. From SAS's point of view that is a prerequisite for a meaningful environmental market-based measure.

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 88 for the 2016 calendar year.

ENVIRONMENT-RELATED INVESTMENT

According to SAS's guidelines, investments are to be both environmentally and economically sound, and thereby contribute to SAS's value growth and help to ensure that SAS can meet the assumed future environmental requirements.

During 2015/2016, no significant environment-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 replacement of aircraft.

FINANCIAL RESPONSIBILITY

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

An analysis of SAS's annual report indicates that major portions of revenue and expenses have 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 more 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 have environmental or social considerations. There are always strong financial incentives to reduce resource consumption or sick leave for example.

PROFITABLE BUSINESS

All aspects of SAS that promote long-term profitability are disclosed in the 2015/2016 Annual Report.

BUSINESS ETHICS AND ANTI-CORRUPTION

Business ethics and anti-trust issues are always very high on the agenda for the aviation industry. SAS has an ongoing "Competition Law Compliance Program" that encompasses all relevant employees and is designed to ensure that SAS complies with laws, regulations and practices in its area of operation. The program addresses the most material risks connected to anti-corruption and the employees that are exposed to the risks in their daily work. Regulations relating to bribery and other improper actions are particularly strict.

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



Almost 600 cabin crew were recruited in 2015/16.

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.

LABOR PRACTICES AND DECENT WORK

Responsibility for labor practices and work conditions is very important and has been identified as a material aspect in this sustainability report. SAS is a large employer and has a major impact on responsibility. Read more on pages 16-17.

HUMAN RIGHTS

Since SAS is a large buyer of products and services, SAS has a responsibility to ensure that human right issues are addressed in a correct manner. Human rights issues are included in SAS's purchasing policy, general terms and conditions, and purchasing process. Read more on page 8.

DIVERSITY AND EQUALITY

In SAS there is a traditional split between female-dominated professions and male-dominated professions. Pilots, technicians and aircraft maintenance staff are traditionally male-dominated and cabin crew and passenger service at the airports are primarily female-dominated. The Diversity Policy promotes equal treatment of all employees and job applicants. Work on equal treatment includes promoting diversity and equality in all its forms.

The gender breakdown of pilots is 96% men and the recruitment base for female pilots is low because few choose the profession. On the other hand, 75% of cabin crew are women.

The Group Management currently comprises one woman and six men. SAS's target for gender distribution in the company as a whole is 40% across the groups.

In Denmark, SAS Cargo Group and Cimber, internal boards are comprised to 25% respectively of women.

PRODUCT RESPONSIBILITY

SAS takes its responsibility for maintaining the highest standards regarding product responsibility. SAS has to follow strict policies and applicable legislation regarding safety, IT security, food, cargo, etc.

Flight Safety

Flight Safety is highly regulated. SAS is regularly audited both by external parties, partners and customers. Relevant authorities review work conditions for airline personnel regarding working hours for example.

Punctuality and Regularity

Punctuality and regularity are crucial aspects for the ability to deliver passenger transport on time and as planned. SAS works continuously to monitor and improve punctuality and regularity, and this is valued highly by SAS customers. The monthly report received by SAS from Flight Stats is a receipt of how well we have performed compared with other global airlines/major airlines.

IT security and integrity

IT security and integrity is more important than ever and SAS has an extensive program to secure the high level of IT security required.

SOCIAL INVOLVEMENT

Support to refugees

In the ongoing refugee crisis in Europe, SAS conducted a number of activities to support the situation. One example was to allow extra luggage free of charge on flights to destinations in the affected area.

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 under 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 2015, 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 2016 with SAS support.

Charter flight

SAS performs a number of charter flights per year on a commercial basis for “Solgården”. The charter operator focuses on people with different disabilities and SAS enables smooth air transport through a dedicated crew, the extra equipment needed on the flight and by providing space for bringing the equipment needed at the destination.

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 2015/2016, SAS paid wages and salaries totaling MSEK 6,566, of which social security expenses were MSEK 2,072, with pensions totaling MSEK 807 of this. SAS endeavors to achieve market pay for all employee groups.

Air transport pays the costs for the infrastructure it needs and uses to conduct flights, meaning airports, air traffic control and security. During 2015/2016, these cost totaled MSEK 8,429 for Scandinavian Airlines. Of this cost Scandinavian Airlines payed MSEK 1,189 in security costs, which are financed by taxes for most other modes of transportation.

COSTS OF SICK LEAVE AND ACCIDENTS

Sick leave is a large expense for society. SAS’s own calculation of costs for sick leave amounts to approximately MSEK 216 in 2015/2016. Sick leave can be both physically and mentally stressful for the employee and SAS works with various methods to prevent short and long-term sick leave.



GREENHOUSE GAS EMISSIONS

Aircraft operations using non-renewable jetfuel account for the vast majority of SAS greenhouse gas emissions. Hence, SAS has decided to focus on this subject in its environmental program.

SAS flight operations (flights flown under the SK prefix) used 1,309,000 tonnes of jet fuel in 2015/2016. This corresponds to 4,122,000 tonnes of carbon dioxide and the aircraft 17,800 tonnes of nitrogen oxide emissions. Compared with the previous 12-month period, this represents an increase of 300,000 tonnes of carbon dioxide and 1,500 tonnes of nitrogen oxide.

In 2015/2016, SAS's total emissions from aircraft operations increased 8% compared with 2014/2015 while the production in tonne kilometers increased 10%. The growth was primarily on long-haul flights. SAS's relative CO₂ emissions decreased to 99 grams (101) or 1.7% per passenger kilometer compared with 2014/2015. The positive trend was primarily due to an increased average flight length and fleet renewal.

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 2015/2016, numerous activities were conducted in a wide range of areas.

Since emissions related to the consumption of jet fuels are the most material environmental aspect, the activities focused on the goal of reducing flight CO₂ emissions 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 air traffic management, airports, aircraft and engine manufacturers

FLEET RENEWAL

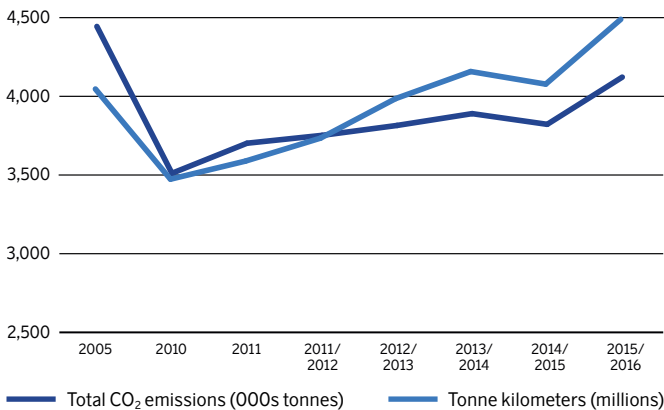
SAS continues to replace older aircraft with newer. During 2015/2016, Scandinavian Airlines introduced two brand new A330E aircraft and one A320neo. At the same time three older Boeing 737-600s were phased out.

In 2015/2016, SAS's long-term wet-lease operator introduced eight brand new CRJ900s and three ATR72-600s.

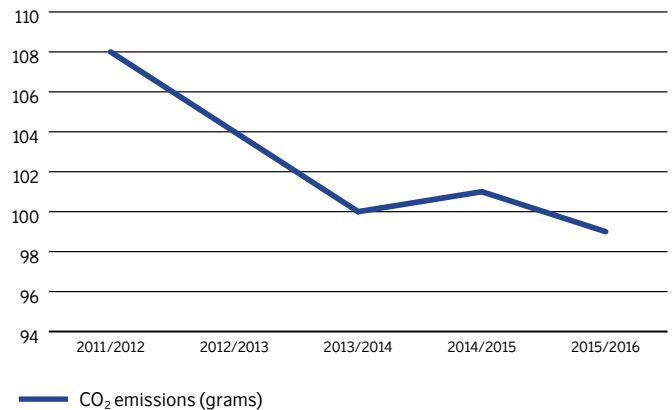
The first Airbus 320neo (New Engine Option) arrived to SAS in October 2016, the first of 30 that will join the fleet during the coming years. Compared to the A320ceo (Current Engine Option), the A320neo uses approximately 15% less fuel, emits less noise, is equipped with six additional seats and a toilet adapted for passengers with reduced mobility.

The A330E is 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 does have 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.

SAS FLIGHT OPERATIONS, TOTAL CO₂ EMISSIONS



CO₂ EMISSIONS PER PK



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 route.

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, 168-174 and 198 seats, respectively. This provides extensive flexibility according to demand, which enables the possibility to reduce the 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.

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 those functions responsible for planning and all procedures, as well as the thousands of employees in SAS operations conducting the flights.

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 improved 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 costs and charges for using airspace. During 2015/2016, SAS maintained the overall fuel efficiency at the same level as in 2014/2015.

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

Over time, SAS continuously modifies its aircraft 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. 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 to composite brakes or installing lightweight seats on a number of Boeing 737NGs and Airbus A320s. When older seats are replaced, approximately two kilos per seat are saved.

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, opti-

mizing 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 a later version than that originally delivered.

More than half of the fleet's engines on the Boeing 737, which were delivered prior to 2006, have now been upgraded and the aircraft are more fuel efficient than when originally delivered.

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.

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 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 and a process has been initiated to further increase recycling.

ALTERNATIVE SUSTAINABLE JET FUELS (BIO FUELS)

For the past decades, SAS has been working together with other stakeholders to accelerate the development and commercialization of more sustainable jet fuels.

Bio fuels can be produced from various raw materials. Some examples are forest and food waste. This is a so-called drop-in fuel that can be blended with fossil fuels and does not require any changes to the aircraft itself and which is approved by the aircraft manufacturer. The maximum limit of the interference is now 50%.

During 2015/2016 this work has primarily been within three areas:

Regular delivery

SAS received deliveries of bio fuel on a regular basis at Oslo Airport. The fuel was delivered under the first commercial contract of its kind. SAS is the only Scandinavian airline participating. The fuel was supplied from AirBP and distributed via the regular fuel distribution system. SAS will continue to receive bio fuel in 2016/2017.

SAS has clearly indicated to existing and prospective producers of jet fuels that there is a demand for bio fuels if the price is competitive and sustainability criterias are met. It is vital for SAS that the production of bio fuels does not compete with food production or access to drinking water, and that it is produced under socially responsible conditions and that has minimal impact on biodiversity.

Stakeholder engagement

SAS participated in various working groups on this topic during 2015/2016. Examples include the Nordic Initiative for Sustainable Aviation (NISA), Fly Green Fund and Sustainable Aviation Fuel User Group (SAFUG).

Possibility to upgrade to renewable fuel

SAS is working on the possibility of offering its customers the ability to upgrade from fossil fuel to renewable.

STAKEHOLDER DIALOG/WORK WITH AIR TRAFFIC MANAGMENT, 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.

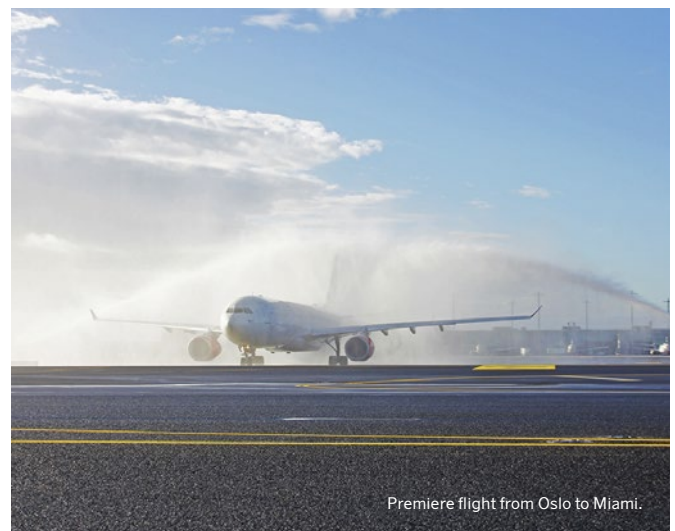
In recent years, SAS has been heavily involved in the establishment of more advanced solutions using satellite-based Required Navigation Performance (RNP AR) rather than the traditional ground-based ILS.

SAS is currently involved in 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.

CO ₂ emissions from SAS' flight operations 2015/2016	1.000s tonnes CO ₂
Denmark	
Domestic flights	27
Flights to EU/EEA	417
Flight to outside EU/EEA	535
Norway	
Domestic flights	479
Flights to EU/EEA	306
Flight to outside EU/EEA	62
Sweden	
Domestic flights	236
Flights to EU/EEA	328
Flight to outside EU/EEA	220
Finland	
Domestic flights	0.5
Flights to EU/EEA	38
Flight to outside EU/EEA	-
EU/EEA	
Departing EU/EEA1 for Scandinavia and Finland	703
Flights within EU/EEA1	0.5
Departing EU/EEA1 for outside EU/EEA	0.1
Outside EU/EEA	
Departing from outside EU/EEA bound for Scandinavia/Finland	770
Departing from outside EU/EEA bound for EU/EEA1 or outside EU/EEA ¹	0.3
Total	4,122

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



WORK CONDITIONS

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

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 or where the employees are based, 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 2015/2016, work continued with the process started in previous years on implementing a centralized and more streamlined organization.

The process of outsourcing SAS Ground Handling (SGH) continued in 2015/2016. All locations in Norway, except Oslo Gardermoen, were outsourced to Widerøe Ground Handling. During 2015/2016 it was decided that SGH main bases in Oslo Gardermoen, Stockholm Arlanda and Copenhagen Kastrup should remain within SAS. The process to outsource SGH in Malmö Sturup and Gothenburg Landvetter continues and involves a potential buyer.

A process to sell Cimber was initiated during 2015/2016 and Cimber was sold to CityJet in January 2017.

RECRUITMENTS AND REDUNDANCY

During 2015/2016, more than 110 pilots and almost 600 cabin crew were recruited in Scandinavian Airlines. This is part of a long-term process and connected to the long-haul expansion. Cimber also recruited more than 80 pilots and 30 cabin crew.

Redundancies in 2015/2016 were 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.

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.

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

CONTRACT NEGOTIATIONS AND DISPUTES

SAS conducted negotiations and discussions with various unions during 2015/2016, in order to reduce costs and increase the flexibility of existing union agreements.

An organized strike occurred amongst pilots based in Sweden in 2015/2016.

LEADERSHIP DEVELOPMENT

SAS has approximately 480 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 individuals 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. 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

During 2015/2016, the SAS annual employee survey, "PULS" was conducted and job satisfaction at SAS increased to 64. A new survey functionality was introduced via to several employee groups in order to conduct a more frequent follow-up.

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.

COURSES AND TRAINING

In order to retain and develop employee skills, extensive training programs are carried out each year. A major part is obligatory training like the code of conduct and SAS's environmental course, and during 2015/2016, SAS employees attended an estimated 500,000 hours of training. Most of SAS's employees have access to more than 100 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.

Performance management is used in day-to-day operations for all employees in order to set clear targets and influence employees. 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.

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 were conducted in 2015/2016.

During 2015/2016, total sick leave at SAS (incl. Cimber) decreased to 6.2% (7.0%). Long-term sick leave, more than 14 days, accounted for 4.3% (4.9%) of the total sick leave at SAS (incl. Cimber).

Occupational injuries

In 2015/2016, a new standardized reporting method was implemented for all three countries: Denmark, Norway and Sweden. Efforts have been made to lower the number of occupational injuries through prioritizing preventive actions. These efforts take place in collaboration with safety representatives, supervisors and labor-management joint safety committees that cover all employees in each country. The number of occupational injuries at SAS was 237 in 2015/2016. Examples of occupational injuries are straining or crush injuries that occur in connection with baggage loading. Ground handling has the highest occupational injury frequency at SAS.

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.



SAS's new uniforms introduced in 2016.

KEY SOCIAL METRICS

	DK	NO	SE		DK	NO	SE
Scandinavian Airlines' Flight Operations				SAS Commercial			
No. of employees October reporting fiscal year (head count)	1,599	1,843	1,604	No. of employees October reporting fiscal year (head count)	28	45	274
<i>of whom women, %</i>	48%	55%	55%	<i>of whom women, %</i>	61%	62%	60%
Total sick leave, %	7.3%	8.3%	8.6%	Total sick leave, %	0.3%	1.6%	1.9%
Long-term sick leave (more than 14 days), %	4.6%	5.9%	6.2%	Long-term sick leave (more than 14 days), %	0%	1.2%	1.4%
Total No. of occupational injuries with one day's sick leave or more	20	31	6	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)	9	12	3	Occupational injury frequency lost time-to-injury rate (H-value)	0	0	0
SAS Maintenance Production				SAS Administrative functions and others			
No. of employees October reporting fiscal year (head count)	451	281	416	No. of employees October reporting fiscal year (head count)	72	67	383
<i>of whom women, %</i>	3%	6%	7%	<i>of whom women, %</i>	64%	51%	45%
Total sick leave, %	2.8%	4.1%	3.1%	Total sick leave, %	1.8%	4.7%	2.1%
Long-term sick leave (more than 14 days), %	1.7%	2.7%	2.2%	Long-term sick leave (more than 14 days), %	1.1%	3.8%	1.6%
Total No. of occupational injuries with one day's sick leave or more	11	4	2	Total number of occupational injuries with one day's sick leave or more	1	0	2
Occupational injury frequency lost time-to-injury rate (H-value)	15	8	3	Occupational injury frequency lost time-to-injury rate (H-value)	7	0	3
SAS Ground Handling				Cimber			
No. of employees October reporting fiscal year (head count)	1,728	1,331	1,554	No. of employees October reporting fiscal year (head count),	250	-	-
<i>of whom women, %</i>	23%	29%	31%	<i>of whom women, %</i>	39%	-	-
Total sick leave, %	4.3%	7.7%	6.6%	Total sick leave, %	3.9%	-	-
Long-term sick leave (more than 14 days), %	2.8%	5.8%	4.2%	Long-term sick leave (more than 14 days), %	2.1%	-	-
Total No. of occupational injuries with one day's sick leave or more,	95	35	28	Total No. of occupational injuries with one day's sick leave or more	2	-	-
Occupational injury frequency lost time-to-injury rate (H-value)	30	15	10	Occupational injury frequency lost time-to-injury rate (H-value)	5	-	-
	DK	NO	SE	Total SAS			
SAS							
No. of employees October reporting fiscal year (head count)	4,226	3,592	4,245	12,063			
<i>of whom women, %</i>	33%	41%	41%	38%			
Total sick leave, %	5.1%	7.6%	6.2%	6.2%			
Long-term sick leave (more than 14 days), %	3.2%	5.5%	4.2%	4.3%			
Total No. of occupational injuries with one day's sick leave or more	129	70	38	237			
Occupational injury frequency lost time-to-injury rate (H-value)	18	12	5	12			

KEY ENVIRONMENTAL METRICS

	Unit	2015 / 2016	2014 / 2015	2013 / 2014
Flight Operations Aspects				
CO ₂ total	1,000 tonnes	4,122	3,822	3,890
CO ₂ passenger share	1,000 tonnes	3,746	3,492	3,571
NO _x	1,000 tonnes	17.8	16.3	16.4
Passenger kilometers	million	37,771	34,613	35,604
Tonne kilometer	million	4,496	4,084	4,164
Departures 1,000	1000	308	303	305
CO ₂ /passenger kilometer	grams	99.2	100.9	100.3
CO ₂ /tonne kilometer	grams	916.8	935.7	934.1
Aircraft Noise – takeoff	85db area in KM ² per departure	2.06	1.97	1.97
Ground Handling				
Glycol consumption (Deicing fluid)	1,000 liters	1,493	1,490	1,535
CO ₂ Vehicle Petrol	tonnes	57	65	107
CO ₂ Vehicle Diesel	tonnes	4,132	4,564	3,926
Fuel spills, instances	instances	0	4	11
Maintenance Productions				
CO ₂ Vehicle Petrol	tonnes	39	38	43
CO ₂ Vehicle Diesel	tonnes	200	208	226
Fuel spills, instances	instances	0	0	0
SAS Cargo Group				
CO ₂ cargo share flown	1,000 tonnes	375	330	319
Cargo Tonne kilometer flown	million	719	623	604
CO ₂ /cargo tonne kilometer flown	grams	521	529	528
CO ₂ /cargo tonne kilometer trucked	grams	152	151	161
Energy, Waste and Water				
Energy	GWh	110	116	125
As of electricity	GWh	49	51	57
As of heating	GWh	61	65	68
As of heating oil (included in "heating")	GWh	0	0	0
Unsorted Waste	tonnes	247	164	255
Hazardous waste	tonnes	162	127	138
Water	1,000 m ³	69	52	63

ACCOUNTING POLICIES

Accounting policies for Sustainability Reporting 2015/2016 fiscal year

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

In 2015/2016, 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 Cargo Group (SCG) and Cimber.
- 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.

SAS continues to hold interests in Air Greenland but these are not disclosed since SAS is no longer a majority shareholder and is divesting the current holding. SAS’s structure is presented on page 45 in the SAS Annual Report, November 2015–October 2016.

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 19–20. These indicate where the GRI indicators are found in the SAS Sustainability Report November 2015–October 2016. 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 2015–October 2016 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 November 2015–October 2016 includes a integrated general overview of SAS’s sustainability efforts and the sustainability information in the Report by the Board of Directors on page 44.

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 January 2017. The SAS Group Board of Directors submitted the Annual Report November 2015–October 2016 in February 2017, 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 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:

As of 2015/2016 fiscal year, only occupational injuries which occurred during scheduled work hours are included. Previously, occupational injuries that occurred during transit to and from work were included in the calculations.

As of 2015/2016 the organizational structure in the social metrics is quality assured and improved within some areas. The improvements are primarily connected to automation of data collection and distinctions between administration and operations.

Energy measurements have been changed from average energy consumptions per m² to accurate measurements obtained by installed energy meters in the areas SAS uses.

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 including 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
- CO₂ 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 (NOx), factors (per weight unit of fuel):
 - Jet A/A-12 Between 0.00694 and 0.0193²

¹⁾ Fuel density and CO2 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.

$$\text{Total Passenger Fuel Usage} = \frac{(\text{Total Passenger Weight} / \text{Total Weight}) \times \text{Total Fuel Used}}{\text{Total Fuel Used}}$$

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

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

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 an climate index for flight operations. The most recent base year is the full-year 2011, which is 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 is 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:

$$\frac{\text{No. of occupational injuries with minimum of one day's absence} \times 1,000,000}{\text{total number of performed working hours per year}}$$

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.

GLOBAL REPORTING INITIATIVE (GRI)

SAS Sustainability Report November 2015–October 2016 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 November 2015–October 2016 (SR16), the Annual Report November 2015–October 2016 (AR16). The entire report has been reviewed by PwC, please read the Assurance Report at page 20 for details.

GENERAL STANDARD DISCLOSURES

Description	Page reference
Strategy & Analysis	
G4-1 Statement from the most senior decision-maker.	AR16 p. 6–7. SR16 p.3.
Organizational Profile	
G4-3 Name of organization.	SR16 back cover.
G4-4 Primary brands, products, and services.	AR16 inside front cover.
G4-5 Location of the organizations headquarter.	SR16 back cover.
G4-6 Number of countries where the organization operates.	AR16 p. 12-13.
G4-7 Nature of ownership and legal form.	AR16 p. 29-30 and 45.
G4-8 Markets served.	AR16 p. 12-13.
G4-9 Scale of the organization.	AR16 p. 58, 71 and 103.
G4-10 Workforce disclosure.	AR16 p. 71. SR16 p. 18.
G4-11 Percentage of total employees covered by collective bargaining agreements.	SR16 p. 16.
G4-12 Supply chain.	SR16 p. 8.
G4-13 Significant changes during the reporting period.	SR16 p. 14-27.
G4-14 Precautionary approach.	SR16 p. 7 and 13-15.
G4-15 External charters, principles, or other initiatives.	SR16 p. 7 and 10.
G4-16 Memberships of associations.	SR16 p. 8.
Identified material aspects and boundaries	
G4-17 Entities included in the organization’s consolidated performance.	AR16 p. 45-46. SR16 p. 2.
G4-18 Process for defining report content and Aspect boundaries.	SR16 p. 7.
G4-19 Material aspects.	SR16 p. 7.
G4-20 Aspect boundaries within the organization.	SR16 inside front cover and p. 20.
G4-21 Aspect boundaries outside the organization.	SR16 inside front cover and p. 20.
G4-22 Effects of any restatements.	Not applicable.
G4-23 Significant changes from previous reporting period.	SR16 p. 20.
Stakeholder engagement	
G4-24 Stakeholder groups engaged by the organization.	SR16 p. 8.
G4-25 Basis for identification and selection of stakeholders with whom to engage.	SR16 p. 8.
G4-26 Approach to stakeholder engagement.	SR16 p. 8.
G4-27 Key topics and concerns raised by stakeholders.	SR16 p. 8.
Report profile	
G4-28 Reporting period.	SR16 front cover.
G4-29 Date of most recent previous report.	SR16 inside front cover.
G4-30 Reporting cycle.	AR16 back cover.
G4-31 Contact point for questions regarding report.	SR16 inside front cover.
G4-32 In accordance option chosen.	Core.
G4-33 Assurance.	SR16 p. 25.
Governance	
G4-34 Governance structure of organization.	AR16 p. 45-54.
Ethics and integrity	
G4-56 Organization’s values principles and norms of behavior.	AR16 p. 27. SR16 p. 8.

SPECIFIC STANDARD DISCLOSURES

Material Aspects	Description	Page reference	Comments/Omissions
Environmental			
Emissions			
G4-DMA		SR16. p. 6-10.	
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	SR16. p. 19.	
G4-EN18	Greenhouse gas (GHG) emissions intensity.	SR16. p. 19.	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	SR16. p. 13-15.	
G4-EN20	Ozone depleting substance emissions.	SR16. p. 10.	
G4-EN21	NOx, sox, and other significant air emissions. Incl. noise.	SR16. p. 19.	
Waste			
G4-DMA		SR16. p. 6-10.	
G4-EN23	Total weight of waste by type and disposal method.	SR16. p. 19.	The most relevant indicators are disclosed. We do not collect data on waste method.
Supplier Environmental Assessment			
G4-DMA		SR16. p. 6-10.	
G4-EN32	Percentage of new suppliers screened using environmental criteria.	SR16. p. 8.	
Social			
Labor Practices and Decent Work			
Occupational Health and Safety			
G4-DMA		SR16. p. 6-10 and 16-17.	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees.	SR16. p. 17.	
G4-LA6	Injuries, lost days, absenteeism and fatalities and total number of work-related fatalities	SR16. p. 18.	
Training and Education			
G4-DMA		SR16. p. 6-10 and 16-17.	
G4-LA9	Average hours of training per year per employee.	SR16. p. 17.	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.	SR16. p. 16-17.	
Diversity and Equal Opportunity			
G4-DMA		SR16. p. 6-10 and 16-17.	
G4-LA12	Composition of governance bodies and employee breakdown.	AR16. p. 71-72. SR16. p. 11-12 and 18.	
Supplier Assessment for Labor Practices			
G4-DMA		SR16. p. 6-10.	
G4-LA14	Percentage of new suppliers screened using labor practices criteria.	SR16. p. 8.	
Human rights			
Supplier Human Rights Assessment			
G4-DMA		SR16. p. 6-10.	
G4-HR10	Percentage of new suppliers screened using human rights criteria.	SR16. p. 8.	
Society			
Anti-corruption			
G4-DMA		SR16. p. 6-10.	
G4-SO3	Operations assessed for risks related to corruption and the significant risks identified.	AR16. p. 37. SR16. p. 7 and 11.	SAS assesses risks continuously based on materiality and risk. A description is available in the annual report.
Anti-competitive Behavior			
G4-DMA		SR16. p. 6-11.	
G4-SO7	Anti-trust and monopoly court cases.	AR16. p. 37. SR16. p. 7 and 11.	
Product Responsibility			
Customer Health and Safety			
G4-DMA		SR16. p. 6-10.	
G4-PR1	Assessment of health and safety impact of products.	AR16. p. 38-43.	
Product and Service Labeling			
G4-DMA		SR16. p. 6-10.	
G4-PR5	Results of surveys measuring customer satisfaction.	AR16. p. 102.	

SUSTAINABILITY TERMS, DEFINITIONS AND CONCEPTS

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 are 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) is 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, includes all freight and mail (in metric tonnes) multiplied by the great circle distance flown for all flights performed.

CFCs are a group of chlorofluorocarbons that may also contain hydrogen and/or bromine. 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, 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 is the amount of carbon emissions from passenger or cargo transport.

Code of Conduct is 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 are charges imposed by the airport operators to motivate aircraft operators to operate aircraft with high eco-efficiency with respect to noise and other emissions such as 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 are the sum of environmental charges and environmentally related charges and taxes.

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

Global Compact is 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 is 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 is 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. 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. 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.

In-air fuel dump is used if an aircraft has to land prior to its total weight has reached the maximum landing weight. The process is regulated by responsible authorities and conducted according to defined procedures.

ISO 14000 is 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 is the 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 is 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 are 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.

NO_x Nitrogen oxides (see definition).

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

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 is 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 are the number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

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.

INDEPENDENT AUDITOR'S COMBINED ASSURANCE 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 2016.

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 1,
- 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, 1 February 2017

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant

Isabelle Hammarström
Expert Member of FAR

