

# Responsibility

Aeroflot Group is committed to sustainable development and strives to safeguard the interests of all stakeholders across its operations. Because the Group closely links its performance with Russia's overall social and economic development, Aeroflot pursues multiple initiatives to promote culture and sport, provides support to vulnerable segments of the population and remains committed to preserving the environment.

## CORPORATE SOCIAL RESPONSIBILITY

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# Approach to Sustainable Development

Aeroflot Group conducts its business in a sustainable way, seeking to safeguard the interests of passengers, employees, shareholders, investors, and other stakeholders. We take a tailored approach to every target stakeholder group, having developed and implemented group-specific tools of communication, feedback and engagement.

Aeroflot complies with all applicable HR, health, safety and environmental protection legislation, striving to meet the highest global standards for corporate social responsibility. As it closely links its performance with Russia's overall social and economic development, Aeroflot Group pursues multiple projects promoting culture and sports, providing support for vulnerable groups, and preserving the environment.

In 2014, we established PJSC Aeroflot's Public Council, a consultative and advisory body consisting of prominent public figures and helping the Company to formulate its policy on key sustainability issues with due regard for the needs and interests of society.

The Public Council comprises 25 prominent figures of Russian culture, education, healthcare, sports, mass media, business, industry associations, civil society organisations and human rights groups. The Public Council members participate to its activities on a pro-bono basis.

The main purpose of the Council is to help PJSC Aeroflot to formulate its position on key aspects of the Russian airline industry's development and make recommendations to the Government on regulation and development of the industry.

The Council held two meetings in 2016, discussing a number of topics, including:

- PJSC Aeroflot's performance, including outcomes of the project to establish a regional carrier operating under the Rossiya brand;
- maintaining and developing a pipeline of talent for the airline industry across the Company's geography of operations;
- overall social and economic development agenda for the regions in which the Company operates;
- the Company's treatment of disruptive passengers.

# HR Policy

## Principles and Areas of the HR Policy

Aeroflot Group's HR policy is designed to attract the best industry talent and ensure their professional development. The Group has built up and is continuously developing a relationship framework promoting generation of economic efficiency gains across all business lines. HR management involves a wide range of programmes helping each employee reach their full potential, including training, incentive and social support programmes.

Priority areas of HR policy:

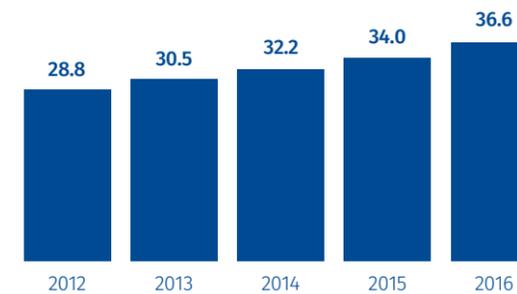
- identify and attract candidates to support the current and future business needs;
- match the staffing needs of business units with candidates who have the required profession, specialisation and qualification;
- build up the talent pool in line with the Group's strategic development goals;
- retain qualified and highly skilled employees;
- conduct employee certifications;
- foster and maintain high levels of employee loyalty;
- promptly resolve issues at all stages of the HR management process.

In 2016, for the second year in a row, PJSC Aeroflot was named the Best Employer in Transport and Logistics in Russia by the jury of the prestigious international Randstad Award.

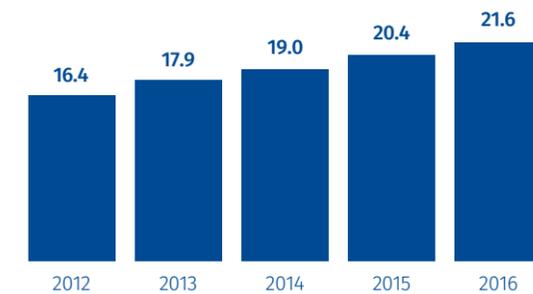
Employees of the HR Department of PJSC Aeroflot (the parent company) interact closely with HR functions of subsidiary airlines across a number of areas, including alignment of organisational and staff structures, implementation of a single organisational structure, and deployment of single standards modelled after Aeroflot's HR function.

In their approach to human rights, Aeroflot Group companies are guided by both Russian and international laws. Aeroflot Group does not tolerate any form of discrimination or harassment, with anti-discrimination provisions included in key internal regulations. Aeroflot fully embraces difference by valuing diversity in race, religion, physical ability, etc. among its employees. No instances of discrimination or human rights violation were recorded in Aeroflot Group during the reporting period. The Company has never used and does not tolerate child, compulsory or forced labour.

**Aeroflot Group's headcount**  
THOUSAND PEOPLE



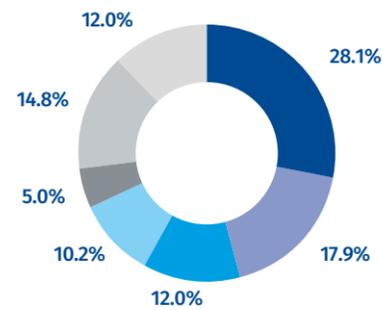
**PJSC Aeroflot's headcount**  
THOUSAND PEOPLE



Note. Headcount breakdown as at the year end.

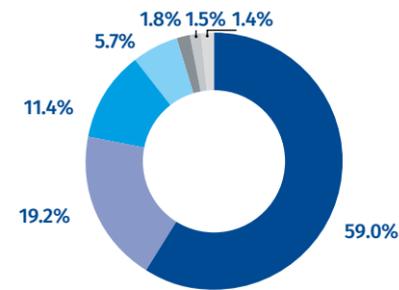
## HR Policy (continued)

**Aeroflot Group's headcount breakdown by category, 2016**



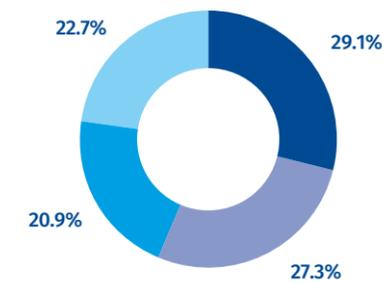
- Cabin crew
- Airport services
- MRO staff
- Cockpit crew<sup>1</sup>
- Ticket sales and distribution
- Other personnel of airline subsidiaries
- Other personnel of non-airline subsidiaries

**Aeroflot Group's headcount breakdown by company, 2016**



- PJSC Aeroflot
- JSC Rossiya Airlines
- CJSC Aeromar
- JSC Aurora Airlines
- LLC Pobeda Airlines
- LLC A-Technics
- Other companies<sup>2</sup>

**Aeroflot Group's headcount breakdown by age, 2016**



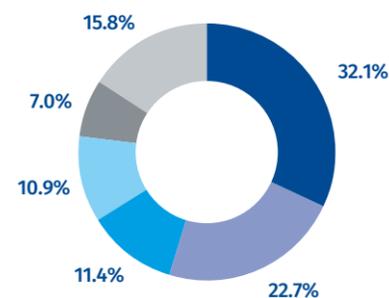
- Under 29 years
- 30-39 years
- 40-49 years
- 50+ years

**Gender breakdown of Aeroflot Group's headcount, 2016**



- Men
- Women

**PJSC Aeroflot's headcount breakdown by category, 2016**



- Cabin crew
- Airport services
- MRO staff
- Cockpit crew<sup>1</sup>
- Ticket sales and distribution
- Other personnel

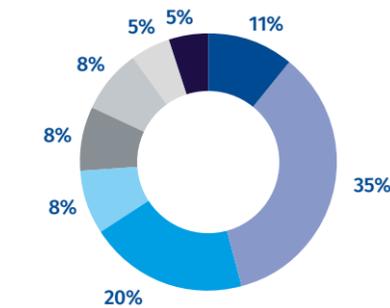
Note. Headcount and personnel breakdown as at the year end.

As at 31 December 2016, the total headcount of Aeroflot Group was 36,556 employees (34,031 employees as at 31 December 2015). A growth of 7.4% in the reporting period was driven by the fleet expansion and implementation of a programme to provide employment to ex-Transaero airline's employees – the Group's companies employed circa 4,300 people.

As at 31 December 2016, the headcount of PJSC Aeroflot was 21,554 employees (20,404 as at 31 December 2015).

<sup>1</sup> Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).  
<sup>2</sup> JSC Orenair, JSC Donavia, JSC Sherotel, LLC Aeroflot-Finance.

**PJSC Aeroflot's personnel breakdown by years with the Company, 2016**



- Up to 1 year
- 1-4
- 5-9
- 10-14
- 15-19
- 20-24
- 25-29
- 30+

Aeroflot is committed to equal opportunity for men and women. Women account for 50.7% of Aeroflot Group's total headcount. Specifically, PJSC Aeroflot employs 10,823 women, including flight attendants, office and maintenance service employees, as well as pilots. As of the end of 2016 21 female pilots were employed by PJSC Aeroflot, while the total number for the Group is 23 (vs. 14 and 18 as of the end of 2015 respectively). About 35% of PJSC Aeroflot's managers (division head level and higher) are women.

Group also employs foreign pilots to offset pressure on the labour market. As at 31 December 2016, there were 41 non-resident pilots on PJSC Aeroflot's headcount. Personnel turnover at PJSC Aeroflot in 2016 was 7.5% (6.7% in 2015).

## HR Policy (continued)

### Corporate Culture and Values



#### CUSTOMER TRUST

Each airline of our Group guarantees its customers faultless safety and high quality service at all stages of air travel.

We strive to exceed the expectations of our customers and do everything possible to ensure that our customers come back again and again.

We work hard every day to ensure the highest safety level.

Aeroflot has its own distinctive corporate culture, representing a unique combination of philosophy, values, beliefs, standards, and behaviours that unite Aeroflot Group and are shared by all employees. Corporate culture supports our business strategy and underpins all HR management processes.

#### Corporate communications

Aeroflot publishes a monthly company newspaper covering, on a regular basis, the most prominent and exciting corporate events. The My Aeroflot newspaper is a key internal communication tool, reflecting our engaging corporate culture.

One of the 2016 highlights was the launch of our renewed intranet portal. The renewed intranet is based on the advanced MS SharePoint platform. The new intranet offers mobile access, a major improvement over the previous version.



#### TEAMWORK

We are a closely-knit team of professionals who cannot imagine living without the sky.

We are always open to innovation, initiatives and new knowledge in order to develop and move forward.

We respect our colleagues and are ready to engage in constructive dialogue in order to achieve results.

We provide a stable work environment with equal opportunities for learning and personal growth.

### Personnel Training and Development

Aeroflot delivers staff training and professional development to ensure that its employees maintain and develop high specialist skills in line with current requirements of international standards and the Federal Aviation Rules. In 2016, PJSC Aeroflot arranged for training for almost 30 thousand employees both in-house and externally, across a range of training, retraining, professional development, and certification programmes.



#### RESULTS FOR SHAREHOLDERS

Our goals are to achieve sustainable and dynamic growth, increase the company's value and provide stable income to our shareholders.

We are committed to high standards of corporate governance and business ethics.

We are a company with transparent reporting and we are always open to our partners and shareholders.



#### SOCIAL RESPONSIBILITY

We care about the environment and continuously improve energy and environmental efficiency, using a modern and young fleet of aircraft and the most advanced technology.

We are fully aware of our responsibility to society and actively participate in socially important and charitable projects.

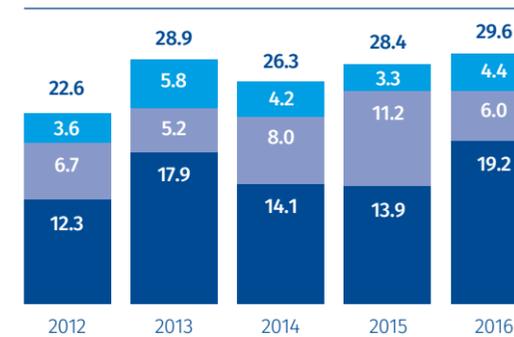
We participate actively in the development of the Russian air transport network and create new jobs in the regions.

We support and actively participate in the development of the Russian aircraft manufacturing industry.

In 2016, Aeroflot was assigned the status of ACCA Approved Employer, confirming compliance with high standards of training and professional development of finance employees.

#### Employees enrolled in training programmes

THOUSAND PEOPLE



- Aeroflot Aviation School's programmes
- Programmes offered by the Department for Aviation Personnel Training
- External training

Note. Some employees completed more than one training programme.

## HR Policy (continued)

In 2016, the Department for Aviation Personnel Training delivered training to nearly 6,000 employees from across engineering, flight operations and ground operations, with students attending instruction courses in new aircraft types, flight simulator training and other courses. In 2016, over 4,000 employees completed training courses at external educational institutions under compulsory operations personnel training and other training programmes.

### Aeroflot Aviation School's programmes

Aeroflot Aviation School, Aeroflot's in-house educational institution, is a reliable provider of vocational training services for airlines, airports, and other companies and entities in the Russian civil aviation industry. For many years, the School has successfully collaborated with leading international industry organisations and has accreditations with ICAO, IATA, TCH, Sabre, Amadeus, SITA, and other industry bodies and organisations; the Aviation School is also certified for compliance with ISO 9001-2011.

In 2016, the Aviation School trained more than 19 thousand students – employees of the Company.

Retraining and professional development courses mainly focus on:

- ground handling and ground service operations,
- flight attendant training,
- pilot retraining on new aircraft types,
- aviation security,
- regulations for hazardous cargo transportation,
- foreign languages, etc.

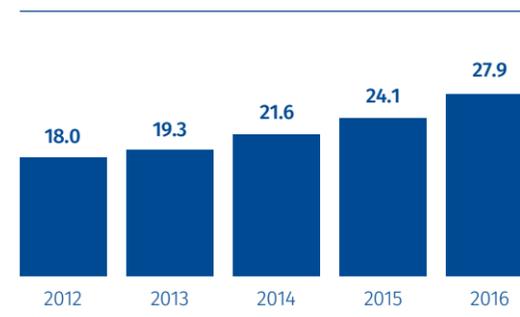
### Training platform

As from the end of 2006, the Company uses its own training platform providing training for cockpit and cabin crew of Aeroflot, subsidiary or third-party airlines in passenger rescue procedures in case of emergencies on board an aircraft, emergency landing or ditching.

The training platform currently offers 11 types of simulators and mock-ups for emergency response training, a simulator for real firefighting on board an aircraft, a mezzanine area with Airbus A320, Boeing 767, and Boeing 737 aircraft stairs to practise emergency evacuation procedures, and a 24 by 22 metres training swimming pool. In 2016, almost 28 thousand aviation specialists were trained at the training platform.

### Students trained at the training platform

THOUSAND PEOPLE



### Best in Trade professional skills competition

In 2016, PJSC Aeroflot re-launched the Best in Trade professional skills competition to identify and reward the best employees and ensure their professional development. The competition was held in nine professions that are key to Aeroflot: passenger service agent, flight attendant, senior flight attendant, pilot-in-command, co-pilot, pilot instructor, air ticket sales agent, aircraft technician, aircraft mechanic, and aircraft mechanic for aircraft frames and engines.

The competition tasks challenged participants to show both theoretical knowledge and practical skills, demonstrated on simulators and in situations as close to real life as possible. A total of five business units took part in the competition, and 27 winners were named the best in their trade. The competitions were widely covered in corporate media and Aeroflot's official channels on social networks.

### Collaboration with technical schools and universities

For many years, PJSC Aeroflot has been developing successful partnerships with leading industry technical schools and universities, in particular, by organising internships for students. Based on the results of such internships, talented young specialists are offered employment opportunities with the Company. Since 2013, PJSC Aeroflot has been involved in targeted training programme at the following industry universities:

- Saint Petersburg State University of Civil Aviation,
- Ulyanovsk Civil Aviation Institute,
- Moscow State Technical University of Civil Aviation.

Over this period, 206 students signed educational contracts for targeted training. The first students enrolled in the programme will graduate in 2017.

In addition to the targeted training programme, PJSC Aeroflot cooperates with seven civil aviation technical schools and universities under the Personal Scholarship project. Mutual cooperation agreements have been signed with Ulyanovsk Civil Aviation Institute, Saint Petersburg State University of Civil Aviation, Buguruslan, Sasovo, and Krasny Kut Civil Aviation Schools, as well as Egorievsk and Kirsanov Civil Aviation Technical Colleges. For the 2016–2017 academic year, 50 personal scholarships of RUB 10 thousand per month have been allocated. As at 31 December 2016, PJSC Aeroflot employed 63 graduates who received the scholarship as students.

In 2016, Aeroflot signed an agreement on guaranteed employment of top-grade graduates with Krasny Kut Civil Aviation School (a branch of Ulyanovsk Civil Aviation Institute). There are plans to amend the training programme to provide targeted training for students in the types of aircraft operated by Aeroflot.

## Employee Incentive System

PJSC Aeroflot offers competitive remuneration package comprising salary and performance bonuses. The Company's remuneration system takes into account position grades, business unit performance, regional labour market specifics, as well as each employee's personal contribution. The Company's senior management performance assessment is based on key performance indicators approved by the Board of Directors.

Non-financial motivation tools are widely used in the Company to help recognise employees' contribution to the Group's operations and reward high performance.

In 2016, over 1,300 employees of PJSC Aeroflot were recognised with corporate awards, including three employees awarded the Aeroflot Excellence badge

of honour, 523 employees awarded Certificate of Honour of PJSC Aeroflot, and 99 employees awarded the Operational Excellence in Aeroflot badge. 57 employees of the Flight Operations Department were awarded distinctions For Incident-Free Flight Hours.

More than 70 employees received government awards, as well as industry awards of the Russian Ministry of Transport and other agencies.

Best performers in the Group's subsidiaries were also celebrated with corporate awards, industry awards of the Russian Ministry of Transport, and with regional and municipal awards.

## Talent Pool

In 2016, to strengthen its talent capabilities and meet PJSC Aeroflot's need for qualified personnel to fill vacant and new positions, the Company continued leveraging its management talent pools at different levels, targeting level 1, 2, and 3 management positions.

In 2016, the lists of employees included in the talent pools were updated and their total number reached 288. A talent pool for senior management positions was created, its participants passed an independent assessment, and their key areas of development were identified.

Candidates to management talent pools are selected in accordance with the selection criteria set forth in the Regulations, focusing on:

- higher education in line with the profile of the target position;
- at least two years' employment with the Company;
- high level of expertise;
- strong performance in the area of expertise;
- personal and business potential required for further professional development and career advancement.

## HR Policy (continued)

### Social Programmes for Company Employees

Aeroflot has in place a comprehensive incentive system comprising a wide range of social programmes that help create a comfortable environment encouraging employees' professional and personal development. The Company's social policy is based on applicable local internal regulations, including PJSC Aeroflot's Collective Agreement.

#### Occupational pension scheme

The Company runs a pension scheme based on joint participation of the employer and the employee. In 2016, personal contributions of the scheme participants were matched by those of the airline at the rate of 20%; the corporate programme covered 5,800 employees.

The special Golden Anchor pension plan is in place for pilots-in-command. The airline awards annual bonuses to the scheme participants', contributed into personal accounts in the corporate pension fund.

Upon retirement, the airline complements the state-funded pension of an employee participating in the private pension scheme with a corporate pension. As at 31 December 2016, corporate pensions were paid to 4,300 former employees.

The Company runs its private pension scheme in parallel with an incentive scheme to provide mandatory pension insurance through co-financed contributions to the cumulative part of the state-paid pensions.

#### Resort therapy programme for employees and their families

Aeroflot runs a resort therapy programme to improve the health of its employees and their families. In 2016, 2,300 employees were sent to health resorts.

More than 400 children of the Company's employees spent time in the Vita children's holiday camp in Anapa. A health rehabilitation programme for 450 pilots and flight attendants was set up at health resorts in the Czech Republic.

Resort therapy programmes are financed using voluntary health insurance coverage and funds from the budget of the Social Insurance Fund of the Russian Federation. Average employees' share of contribution does not exceed 10% of the total treatment cost. Employees exposed to harmful working conditions receive health resort treatment free of charge.

#### Sports events

The Company regularly organises sports events and celebrations. In 2016, Aeroflot's sports teams successfully competed in futsal, volleyball, and table tennis tournaments held as part of the industry Spartakiad to celebrate the Civil Aviation Day; an ice hockey exhibition game with Finnair airline's team; the Crimean Autumn ice hockey tournament for amateurs teams; futsal and volleyball tournaments for the Aviation Industry Cup; a football exhibition game with the Administration of the Khimki Urban District. In addition, corporate volleyball and swimming contests were held.

To improve health and promote wellbeing among the Company's employees, fitness club memberships were offered throughout the year.

#### Housing programme for Aeroflot airline's crew

In 2016, 47 Aeroflot's pilots continued to participate in a housing programme, with the Company subsidising interest payments on employees' mortgage loans.

#### Corporate housing

During the year, the airline's key employees from the regions were provided with company-owned housing close to Sheremetyevo airport, with 1,500 employees on average benefiting from the free lease arrangements.

### Company vehicles and corporate parking programmes

Company vehicles are used to transport Aeroflot's employees to work at the Company's offices located near Sheremetyevo airport and back. In 2016, around 3,400 people benefited from company vehicle transportation on a daily basis. An average of 2,200 corporate parking places were provided to PJSC Aeroflot's employees every day.

### Financial assistance to current and former employees

In 2016, PJSC Aeroflot's Social Policy Commission provided financial support to 183 current and former employees in difficult circumstances.

### Daycare spending compensation programme for employees' kids

During 2016, over 1,800 employees of the Company were provided with daycare spending compensation benefits for their children.

### Medical centre

Aeroflot has set up its own medical centre providing healthcare services to current employees and their families, as well as retired employees of PJSC Aeroflot, including aeromedical assessment and rehabilitation of cockpit and cabin crew, and pre-flight medical examinations. The medical centre also participates in the Company's social programme as regards arranging resort therapy for employees. In 2016, the medical centre's polyclinic reported a total of 230 thousand visits.

### Staff travel benefits

Aeroflot offers special terms for employees travelling on flights operated by the airline. In addition, starting from 2006, PJSC Aeroflot has been a member of ZED/MIBA FORUM, a non-profit organisation uniting over 230 member airlines and regulating the offering of special terms for employee personal and duty travel.

In 2016, Aeroflot airline renewed its agreements on employees' personal and business travel with Air France, Adria Airways, and airBaltic, and reactivated its ZED agreement with Aeromexico; an agreement on employee travel with Lufthansa came into force. As at the end of 2016, PJSC Aeroflot cooperated with 60 airlines under employee interline travel agreements, including with SkyTeam Alliance member airlines.

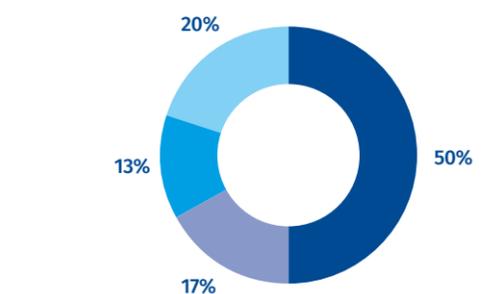
Throughout 2016, about 15,700 employees of PJSC Aeroflot and their families got tickets for partners' flights under agreements on employee personal and duty travel.

## Occupational Health and Safety

PJSC Aeroflot's occupational health and safety system is designed to eliminate occupational injuries and diseases, promote safe behaviours, develop hazard avoidance skills, and continuously improve working conditions. PJSC Aeroflot has a certificate confirming its compliance with regulatory occupational safety requirements. Health and safety aspects are included in the Collective Agreement.

In 2016, PJSC Aeroflot's key health and safety performance indicators did not exceed industry averages for relevant types of business activity<sup>1</sup>. During the reporting year, there were 19 accidents of varying severity, including two serious accidents. Human factor played a significant part in all the accidents

### Number of people registered with the medical centre for healthcare services



- Employees of PJSC Aeroflot
- Family members
- Retired employees of PJSC Aeroflot
- Private patients

<sup>1</sup> In accordance with Resolution of the Social Insurance Fund of the Russian Federation No. 72 On Approval of Values for Key Indicators by Type of Business Activity for 2016 dated 26 May 2015.

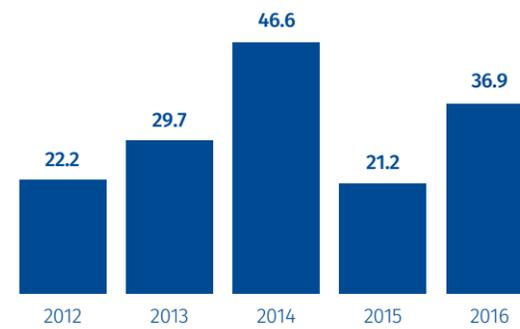
## HR Policy (continued)

In 2016, we continued consistent efforts to ensure safe working conditions, with special attention paid to health and safety training, monitoring the state of health and safety performance and preventing occupational injuries and diseases. Induction training was provided to 2,000 new employees. Health and safety trainings run by an accredited training organisation covered 1,600 managers and specialists of business units; and 473 managers and specialists on business units' commissions were trained and tested in health and safety.

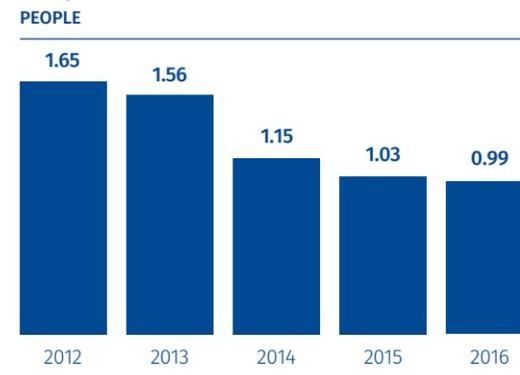
To prevent occupational diseases, 16,700 people passed regular medical examinations.

As at the end of 2016, in accordance with Federal Law No. 426-FZ On Special Assessment of Working Conditions, PJSC Aeroflot carried out a special assessment of 5,835 workplaces, of which 4,249 were found to have acceptable working conditions, and 1,586 were recognised as having harmful working conditions. Workplaces with harmful working conditions accounted for 27% of the total number of workplaces subject to special assessment of working conditions in 2016. A premium of 4% to 24% to the salary is set for employees exposed to harmful working conditions.

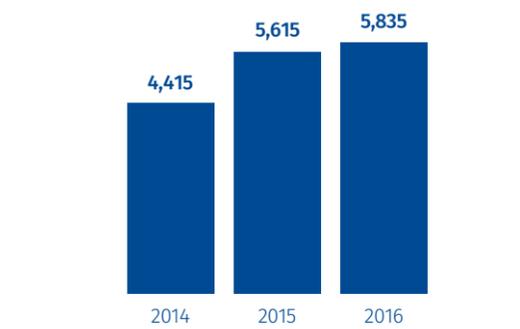
### Lost time incident rate (per injured person) in PJSC Aeroflot



### Number of injuries per 1,000 employees of PJSC Aeroflot



### Number of workplaces subject to special assessment of working conditions



# Charity and Community Initiatives

Aeroflot Group strives to contribute to society, focusing mostly on support for vulnerable social groups. Aeroflot supports charities and a vast number of socially important initiatives.

The Company sees support for children and war veterans as priorities for its charitable efforts. In the reporting period, Aeroflot also ran a number of projects to support and contribute to the country's social and economic development.

## Helping Children

### Miles of Mercy programme

The Miles of Mercy programme, launched in 2008, enables the Aeroflot Bonus programme participants to contribute the bonus miles they earn to charity organisations such as the Give Life charitable fund, the Life Line fund, the Russian Assistance Fund operated by Kommersant Publishing House, and Vladimir Spivakov International Charity Foundation. The miles are converted into tickets for children with serious illnesses and talented children. In 2016, a total of 6,917 tickets and 141,283,961 bonus miles were donated to support the activities of charitable organisations. Since the start of the programme, almost 1 million miles were donated and about 30,000 free tickets issued. In the reporting year, Aeroflot simplified the Miles of Mercy donation procedure: minimum transfer was decreased to 100 miles, with required minimum balance on a personal account reduced from 5,000 to 3,000 miles.

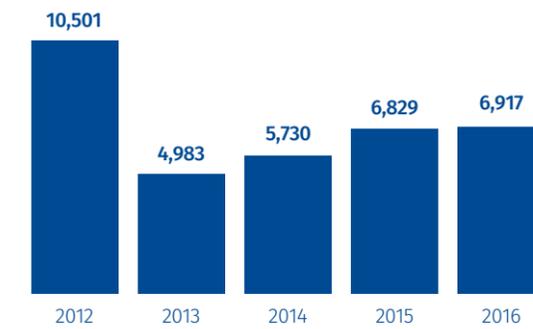
### Train of Hope

In 2016, Aeroflot airline, for the tenth time, took part in the national charity programme, Train of Hope, organised by Radio Russia as part of its Child's Question social project. The Programme helped to adopt about 3,500 orphans. In 2016, nine children found a new family through the Train of Hope Programme. Aeroflot issued 30 free tickets to provide free transportation to adopters travelling from Moscow to Chelyabinsk and back.

### Support for children's homes

During 2016, the Company supported two children's homes: the Pokrov Children's Home in the Vladimir Region and the St. Sergius Boarding School in the Sergiev Posad District of the Moscow Region. In particular, the Company took children to a summer recreation camp, purchased seasonal clothes and footwear, and financed renovation at the Pokrov Children's Home. The Boarding school students saw a performance from a visiting music band consisting of flight attendants and volunteer employees, had a tour of Aeroflot's simulator complex and benefited from a charity craft fair we helped set up for them. A total of RUB 5.9 million were spent on charitable support for children's homes in 2016.

### Tickets issued under the Miles of Mercy programme



## Charity and Community Initiatives (continued)

### Support for children with disabilities

For three years now, Aeroflot has been supporting the Galchonok Charity Foundation for children with organic disorders of the central nervous system. In 2016, the Company became a general partner of Galafest inclusive charity family festival which supports social integration of children with organic CNS disorders. The event was attended by about 7,000 people.

The Company and the Foundation jointly produced unique New Year souvenirs hand-painted by the Foundation's beneficiaries. The Foundation spent the funds it received to pay for rehabilitation courses and devices, as well as to support its inclusive education project for impaired children.

### Targeted aid to children

Aeroflot annually provides targeted assistance to a variety of organisations. In 2016, Aeroflot continued to support the student Aviation Olympiad held by the Moscow comprehensive school with primary pilot training (a non-governmental educational institution). The Company provided support for a New Year gala held in Chelyabinsk for orphaned children and children from low-income or large families.

Aeroflot also supported for the sixth National Festival "The Future of Russia" for talented orphaned children across Russia, held by "The Future" Centre of Spiritual and Moral Unity, by providing free air tickets to children and accompanying persons. In 2016, Aeroflot provided financial support to Aviator aviation-themed children's club.

## Support for Great Patriotic War (WWII) Veterans

### Annual Great Victory Day campaign

In 2016, as part of celebrations of the 71th anniversary of Victory Day, Aeroflot held its annual campaign, launched in 2001, to carry veterans of the Great Patriotic War (WWII), prisoners of Nazi concentration camps, and survivors of the Siege of Leningrad. Rossiya, part of Aeroflot Group, was also involved in the campaign. Heroes of the Soviet Union, Full Cavaliers of the Order of Glory and accompanying persons were provided with business class tickets. Depending on the load factors and availability of seats, Aeroflot Group's airlines made travel class upgrades for other campaign participants and provided access to business class lounges at airports.

Free tickets were provided to over 10,000 veterans and accompanying persons.

### Charitable support to WWII veterans from among retired Aeroflot employees

Aeroflot provides monthly food packages to WWII veterans from among retired Aeroflot employees. In 2016, about 1,600 food packages were provided, worth a total of RUB 7.7 million.

### Targeted aid to veterans

In 2016, Aeroflot continued to provide individual targeted aid:

- RUB 1.3 million worth of financial support for veterans in need, to mark Victory Day;
- financial support for WWII veterans with serious health conditions;
- seven meetings for WWII veterans to celebrate various holidays;
- financial support for the Veteran Club of Top Managers of the Civil Aviation Industry ("Opyt Club", a non-profit partnership).

## Charitable Activities of Subsidiaries

The Group's subsidiaries strive to contribute to charity campaigns initiated by PJSC Aeroflot and provide targeted aid in the regions in which they operate. The Group's companies make a special focus on veteran support through dedicated campaigns and events held to celebrate Victory Day.

In 2016, the companies continued with their own support programmes for vulnerable groups and local communities. In particular, Aeromar traditionally donated about RUB 700,000 to a church in Khimki.

## Contribution to Social and Economic Development of Russia

In addition to charity and sponsorship projects, Aeroflot pursues a number of other programmes and is involved in initiatives aimed to support and contribute to the country's social and economic development.

### Improving the accessibility of Russia's regions

Aeroflot is committed to supporting the government-sponsored programme of maintaining airline passenger service between the Far East and European Russia, and flights to Kaliningrad and Simferopol, which ensures transport accessibility of these remote Russian regions.

In addition, Aeroflot has extended its "flat" fare programme into 2017–2018 and included the Moscow–Magadan–Moscow flight within its scope. "Flat" fares currently apply also to flights to Vladivostok, Yuzhno-Sakhalinsk, Khabarovsk, Petropavlosk-Kamchatsky, Kaliningrad, and Simferopol.

To maintain transport accessibility of the Far East, the Company increased capacity on these routes and introduced additional flights. In 2016, the fares were adjusted for inflation; however, they are still lower than the costs of flights.

### Support of passenger in need

In December 2015, Aeroflot launched a programme to support passengers in urgent need to get to their destinations fast due to force majeure circumstances. The programme covers higher-demand domestic flights where the least expensive economy booking classes are sold out.

### Employment of Transaero employees by Aeroflot Group

After Transaero discontinued its operations, Aeroflot management resolved to provide employment to Transaero's employees, with 4,300 people filling positions in PJSC Aeroflot and its subsidiaries.

# Environmental Protection Programme

Aeroflot is committed to environmental protection, environmental safety, and sustainable use of natural resources. The Company's management is responsible for compliance with laws and other requirements applicable to environmental aspects of Aeroflot's operations.

Governed by the precautionary principle, PJSC Aeroflot seeks to prevent any potential environmental harm even where there is no definitive science to prove that any particular activity is harmful to the environment. The Company strives to preserve natural resources and, therefore, carries out environmental risk assessments and implements a number of environmental activities to prevent or minimise adverse environmental impacts.

PJSC Aeroflot's environmental policy is aimed at improving the energy efficiency and environmental performance of its operations related to air transportation of passengers, baggage, cargo, and mail. The key focus of this policy is on improving fuel efficiency of the Group's aircraft fleet, which helps reduce its environmental footprint while at the same time cutting fuel costs, a major contributor to overall operating expenses.

- To achieve its environmental policy objectives, PJSC Aeroflot:
- maintains an environmental management system;
  - monitors and analyses its operations and operational processes to identify new opportunities to improve environmental performance;
  - improves energy efficiency of its operations;
  - manages waste with a focus on recycling as the most effective method of waste disposal;
  - upgrades its aircraft fleet;
  - optimises the route network and rolls out new piloting techniques to reduce noise pollution and cut emissions from aircraft engines;
  - selects suppliers based on their environmental performance;
  - raises environmental awareness and promotes waste efficiency among employees.

## Quality Management System

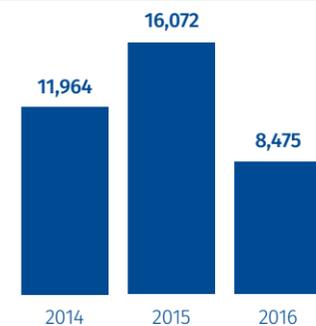
PJSC Aeroflot has in place an integrated management system, the efficiency and effectiveness of which is regularly confirmed by independent external auditors.

The core integration platform for the Company's management framework is its quality management system ("QMS"), which for many years has successfully passed certification audits under ISO 9001 (Quality Management Systems) and registrations under IATA's industry programmes (IOSA – Operational Safety Audit, ISAGO – Safety Audit for Ground Operations).

Aeroflot Group's efforts to improve its QMS are aligned with activities to further improve the assessment framework for KPI-based evaluation of performance and progress on the implementation of internal and external QMS standards applied both by IATA and SkyTeam, and Aeroflot Group. In particular, all our subsidiaries successfully pass regular IATA–IOSA operational safety audits and demonstrate strong safety and quality levels.

## Total environmental protection costs

RUB THOUSAND



PJSC Aeroflot is committed to further develop and improve its QMS through driving innovation in management, improvement and optimisation of internal processes.

In 2016, as part of supervision of Aeroflot Group airlines' preparations for IOSA compliance certification audits, PJSC Aeroflot's experts provided advisory support and auditing services to Aurora airline. Non-compliances revealed by the audit were promptly remedied, allowing the airline to successfully pass the independent IOSA certification audit.

To minimise vendor inspection costs across the route network, PJSC Aeroflot maintains membership of the following IATA pools:

- IFQP (IATA Fuel Quality Pool),
- DAQCP (De-Icing/Anti-Icing Quality Control Pool), and
- ISAGO (IATA Safety Audit for Ground Operations Pool).

As part of the activities carried by the above pools, during the year, the airline's employees conducted a number of vendor audits and follow-up assessments to verify the completeness and adequacy of corrective actions, thus ensuring supplier operations monitoring across the route network. The Company's relevant committees and business units have developed and are implementing risk mitigation actions to address all identified risks.

In 2016, PJSC Aeroflot's integrated environmental management system successfully passed an external compliance audit. The audit was carried out by TÜV SÜD Russia, a branch of the world's leading certification agency, and looked at compliance with ISO 9001:2008 (Quality Management Systems) and ISO 14001:2004 (Environmental Management Systems). The purpose of such comprehensive audits is to obtain independent assurance of compliance and an objective assessment of the efficiency and effectiveness of actual integration of the airline's Quality Management and Environmental Management Systems within its unified corporate governance structure.

The compliance audit revealed no instances of non-compliance and confirmed that PJSC Aeroflot's integrated management system met the international standards ISO 9001 and ISO 14001. The auditor also made recommendations and highlighted areas to improve the management systems, which the airline will take into account in its future operations.

## Fuel Efficiency

During 2016, to mitigate environmental impacts and achieve other objectives, the Group's airlines continued implementing existing programmes to improve fuel efficiency and shift to more advanced aircraft.

Fuel-efficiency initiatives at Group airlines focus on:

- analysis of route options to select the best flight routes between destination and departure airports;
- optimisation of fuel consumption during ignition and taxiing;
- use of optimal approach and landing procedures;
- minimising the variance between the projected and actual revenue loads in departure airports;
- centre-of-gravity control;
- optimal use of airborne auxiliary power;
- use of ground systems for pre-flight air conditioning of aircraft cockpit and cabins;
- improving aircraft aerodynamics through quality, full aircraft surface washing;
- improving aircraft engine efficiency through gas/air duct cleaning;
- reducing fuel consumption through monitoring and reduction of water supplies on-board; use of updated weight estimates for kitchen equipment and in-flight meals.

Over the past five years, specific fuel consumption across Aeroflot Group decreased by 9.1% to 286.4 grammes per tonne-kilometre (TKM) in 2016.

Throughout 2016, efforts were taken to implement the roll-out plan for a fuel and lubricant cost reduction system covering the fleets of special-purpose vehicles operated by PJSC Aeroflot and its subsidiary airlines.

For energy consumption by Aeroflot Group airlines in 2016 see Appendix to this Annual Report.

## Environmental Protection Programme (continued)

### Air Quality Initiatives

Aeroflot Group has in place a CO<sub>2</sub>-emissions monitoring and measuring system to ensure compliance with Russian and European requirements for monitoring, reporting and verification of greenhouse gas (GHG) emissions. This system is in particular used at Aeroflot and Rossiya airlines.

CO<sub>2</sub> emissions are fully monitored and recorded throughout the route network in line with the methodology adopted by the EU Emissions Trading System (EU ETS) and the national system for monitoring, reporting and verification of GHG emissions.

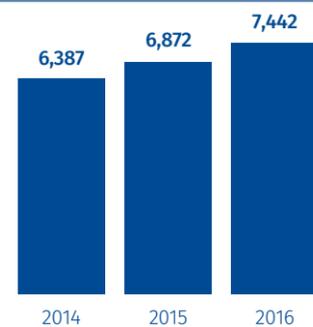
The Company takes efforts to reduce CO<sub>2</sub> emissions under its Fuel Efficiency Programme and the Energy Saving and Environmental Performance Programme until 2020.

Aeroflot airline's entire fleet complies with ICAO standards for noise levels and atmospheric pollution.

To reduce the environmental impact of ground vehicles the Group's airlines carry out regular fine-tuning of instrumental controls and fuel system to ensure compliance with permitted toxicity and smoke levels.

As part of the Carbon Offset Programme, PJSC Aeroflot has introduced an Online CO<sub>2</sub> Emissions Calculator developed in line with the best industry practices and using ICAO and IATA methodologies.

#### PJSC Aeroflot direct GHG emissions tonnes CO<sub>2</sub>



The Online CO<sub>2</sub> Emissions Calculator is currently available on Aeroflot's official website to give passengers an idea of their individual carbon footprint for the journey as they select their flight. Going forward, this environmental initiative will give passengers an opportunity to offset their carbon footprint by donating to green projects focused on reducing GHG emissions (tree planting, protection of forests against bark beetles, clean energy initiatives, clean-ups of water bodies, etc.).

In 2016, the Company took part in testing DAO IPCI platform, designed with support from Microsoft. The platform records green projects, commitments and reductions and is based on smart contracts and blockchain technology, giving each passenger a chance to offset his/her carbon footprint as per the Online CO<sub>2</sub> Emissions Calculator.

### Water Resource Management

In the reporting year, PJSC Aeroflot set up a framework to monitor the quantity and quality of waste water discharged by Melkisarovo office building treatment facilities. A total of 316 treated waste water samples were tested. The results suggest that all relevant standards are met.

The water protection and water resource management activities to monitor the morphometric characteristics of the Klyazma River enabled the Company to successfully secure a relevant official Decision to Grant a Water Body for Use and obtain a Permit for Wastewater Discharges.

#### Water consumption by PJSC Aeroflot THOUSAND CUBIC METRES

	2015	2016
Total:	22.0	24.1
from public water supply network	22.0	24.1

#### Water discharge by PJSC Aeroflot THOUSAND CUBIC METRES

	2015	2016
Total:	19.4	19.3
including: treated water (surface drains from the site of the office building complex, facilities and structures)	2.2	1.2
passed to other companies for treatment (sewage)	17.1	18.1

### Reduced Generation and Disposal of Production and Consumption Waste

Consistent efforts to reduce production and consumption waste disposed to landfills and grow the share of recycled waste sent for disposal to specialist recyclers are among PJSC Aeroflot's environmental priorities. In 2016, 73.3% of the total waste generated by PJSC Aeroflot were recycled.

Throughout 2016, PJSC Aeroflot regularly inspected waste storage sites and maintained monthly records of generation and movement of production and consumption waste across its business units.

#### Total waste of PJSC Aeroflot by hazard class TONNES

	2015	2016
Total:	21,385.9	23,127.5
including: hazard class 1	2.2	3.9
hazard class 2	1.4	4.8
hazard class 3	2,448.5	2,508.3
hazard class 4	18,528.3	19,918.5
hazard class 5	405.5	692.0

#### Waste of PJSC Aeroflot by disposal method TONNES

	2015	2016
Recycled (transferred for recycling)	2,066.6	250.6
Landfilled	7,138.4	6,164.0
Other disposal method (transferred for neutralisation)	12,180.9	16,713.0

PJSC Aeroflot collects and recycles de-icing fluid used for treatment of own aircraft and aircraft operated by other airlines.

### Environmental Fees

In accordance with the applicable environmental laws, PJSC Aeroflot pays fees for negative environmental impacts from its business operations.

Environmental fees totalled RUB 3.6 million in 2016.

No fines or non-monetary penalties for non-compliance with the applicable environmental laws were imposed on the Company in 2016.

#### Total environmental fees paid by PJSC Aeroflot RUB million

