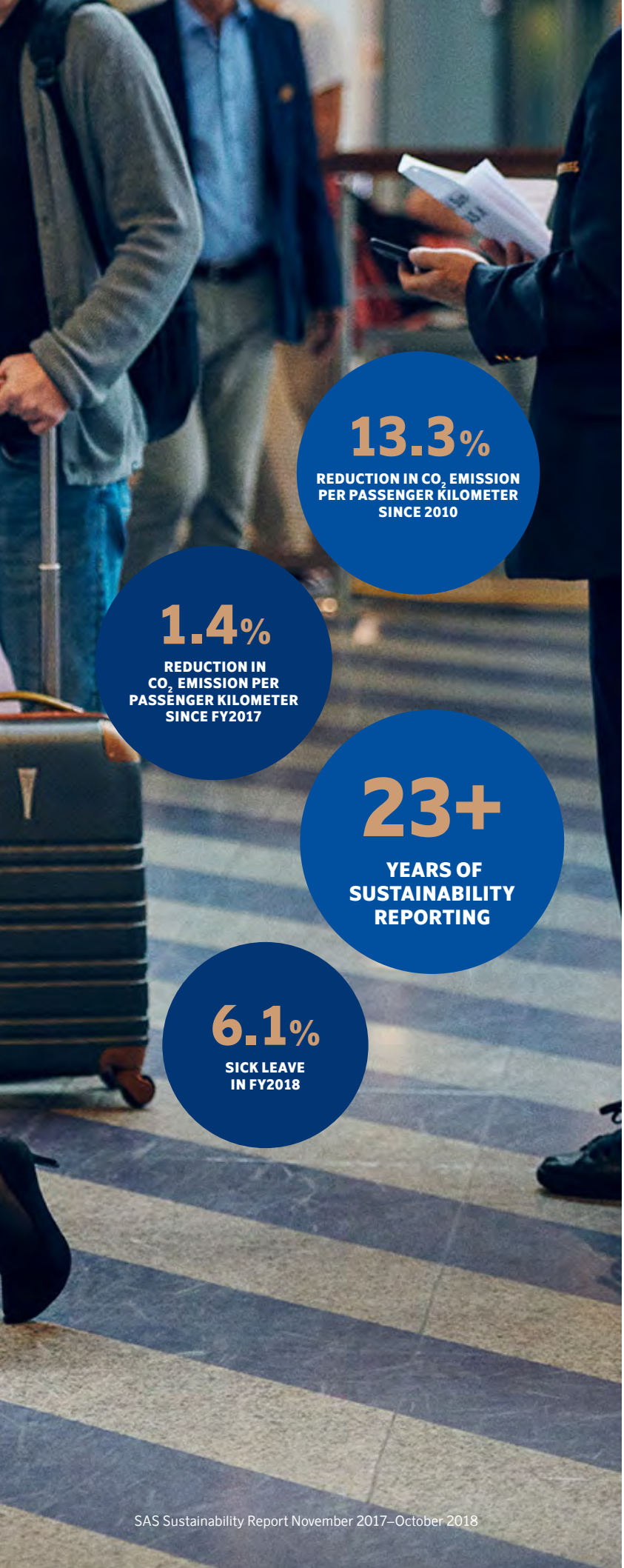
A STAR ALLIANCE MEMBER

SAS SUSTAINABILITY REPORT
FISCAL YEAR 2018
NOVEMBER 2017–OCTOBER 2018

WE BRING HOME PERSPECTIVE

SAS

WE ARE TRAVELERS



As Scandinavia's leading airline for smooth flight connections to, from and within Scandinavia, our vision is to make life easier for Scandinavia's frequent travelers. With this vision comes a great responsibility, both in terms of the environment and of the society.

With SAS you become part of a community that experiences easy, joyful and reliable services, delivered the Scandinavian way.

SAS is the destinations we serve, the aircraft we fly, and the tickets we sell. But most importantly we are the people who choose to be a part of SAS. Our employees, suppliers, partners and passengers are united on a more sustainable journey that enables humankind to grow by making the world smaller.

CONTENT

INTRODUCTION
SAS in summary ..... page 2
Letter from the CEO ..... page 3
How we create value ..... page 4

OUR APPROACH TO SUSTAINABILITY ..... page 6
Materiality and our sustainability focus areas ..... page 6
UN Sustainable Development Goals ..... page 6

ENVIRONMENT ..... page 8
Environmental management ..... page 8
Our Environmental Goals ..... page 8
Greenhouse gas emissions ..... page 9
Other environmental topics ..... page 12

EMPLOYEES ..... page 14
Our approach to employees ..... page 14
Our employee focus areas ..... page 14
Other employee topics ..... page 16

RESPONSIBLE BUSINESS ..... page 18
Business ethics and anti-corruption ..... page 18
Sustainability in our supply chain ..... page 18
Product responsibility ..... page 19
SAS contributes toward economic development ..... page 19
Social investment ..... page 19

SUSTAINABILITY GOVERNANCE ..... page 20

ABOUT THIS REPORT ..... page 23
Scope of the Sustainability Report ..... page 24
GRI Content index ..... page 26
Sustainability terms, definitions and concepts ..... page 28

ASSURANCE REPORT ..... page 29

SAS fiscal year 2018 (FY 2018) encompasses November 1, 2017, to October 31, 2018.

SAS IN SUMMARY

AIRLINE OPERATIONS

SAS offers smooth flights to, from and within Scandinavia. In 2017/18, a total of 31 million travelers flew with SAS. Our operating model now includes three production platforms – SAS Scandinavia, SAS Ireland and Regional Production Partners.

SAS CARGO

SAS Cargo is the leading provider of air freight solutions to, from and within Scandinavia, focusing on world class quality and customer care. SAS Cargo's services are based on the cargo capacity of SAS' network, supplemented by dedicated truck operations.

SAS GROUND HANDLING

SAS Ground Handling is the leading ground services company at airports in Copenhagen, Oslo and Stockholm. Our operations provide passenger and cargo services, ramp services and load control for SAS and other airlines.

SAS MAINTENANCE PRODUCTION

SAS Maintenance Production provides technical maintenance services for aircraft and engines at six airports in Scandinavia for SAS and other airlines.

EUROBONUS

EuroBonus is Scandanavia's largest travel-related loyalty program, and forms the core of SAS efforts to establish a closer relationship with our customers. EuroBonus has over 5 million members and more than 100 partners, which represents a valuable customer database and sets us apart from the competition.

SUSTAINABILITY HIGHLIGHTS IN FY2018

- Total tonne kilometer decreased 0.2% and total CO_2 emissions decreased 1.4%.
- Relative passenger-related CO_2 emissions decreased during the period to 95 grams (96) per passenger kilometer.
- Relative cargo related CO_2 emissions increased during the period to 521 grams (518) per cargo tonne kilometer.
- Introduction of 9 brand new aircraft.
- Order placed of an additional 50 (in addition to the 30 previously ordered) fuel efficient Airbus 320neo.
- Sick leave increased to 6.1% (5.9).
- 100 tonnes of renewable jet fuel used.
- Developed a new supplier Code of Conduct and Strategy & Goals for 2030.
- We supported the 'Christmas flight' for the 32nd consecutive time.

SUSTAINABILITY-RELATED KPIS[1]

	FY2018	FY2017	FY2016
Revenue, MSEK	44,718	42,654	39,459
EBT before nonrecurring items, MSEK	2,127	1,951	939
EBIT margin, %	5.6	5.1	4.8
Number of passengers, millions[2]	31.0	30.0	29.0
Average number of employees[3]	10,146	10,324	10,710
of whom women, %	*37*	*37*	*39*
Sick leave, %	6.1	5.9	6.2
Total number of occupational accidents[4]	67	248	237
Climate index	87	88	91
CO_2 emissions, 000s tonnes	4,313	4,376	4,122
NO_x emissions, 000s tonnes	18.4	18.6	17.8
CO_2 gram/passenger kilometer	95	96	99
Fuel consumption airline operations, 000s tonnes	1,369	1,389	1,309
Fuel consumption ground operations, 000s liters[5]	1,858	1,672	1,669
Water consumption, 000s m^3	49	51	69
Energy consumption, ground, GWh	80	97	110
Unsorted waste, 000s tonnes[6]	0.2	0.2	0.2
Hazardous waste, 000s tonnes[6]	0.1	0.1	0.2
External environment-related costs, MSEK	1,693	1,413	842

1) Accounting policies on pages 24.
2) Includes all passengers, revenue and non-revenue.
3) Source: Note 3 on page 73 in SAS Annual Report FY2018.
4) New definition, please see page 24.
5) Includes only ground vehicle operations at SAS main bases: Stockholm, Oslo and Copenhagen.
6) Includes only ground facilities, including technical maintenance.

OUR CONTINUED FOCUS ON CLIMATE ACTION

At SAS, our holistic approach to sustainability involves working with a broad range of topics, which helps us to optimize our societal responsibilities and mitigate our environmental impacts. However, as an airline, we primarily focus on our climate footprint as it is our most significant impact and an essential part of our customer offering.

I am convinced that aviation in general, and SAS in particular, make a positive difference. We make it possible for businesses to grow and enable for people to meet, experience different cultures and bring them closer together. I firmly believe this can only lead to a more tolerant and better world, but we have a great responsibility to provide for a sustainable aviation industry.

OUR CLIMATE PROGRESS DURING THE YEAR

Significantly during the year, we set a new goal to reduce our total carbon emissions by 25% by 2030 compared to the base year 2005, which goes beyond International Air Transport Association targets. We reckon that around half of these reductions will be achieved through fleet renewal and other improvements, and the rest through the adoption of biofuels.

In 2018, we introduced nine new Airbus 320neos and placed a final order for another 50 (in addition to the 30 previously ordered), which will provide us with a fuel-efficient single-type fleet by 2023. By 2030, we also aim to use bio-based jet fuel equivalent to our total domestic flight consumption. To help facilitate the large-scale development of biofuels, we signed a letter of intent with Preem to potentially supply 10–12% of our total fuel demand by 2023.

Such ongoing measures are resulting in step-by-step reductions in our emissions. Our CO_2 emissions per passenger kilometer decreased by 1.4% during the fiscal year. We have for some time carbon offset our own business trips and in April 2018 we began carbon offsetting all youth tickets. Going forward, we plan to carbon offset all trips made by our Eurobonus members, as well as offer all our passengers an option to purchase biofuel upgrade.

THE IMPORTANCE OF INTERNATIONAL COLLABORATION

During the year, I joined the Nordic CEOs for a Sustainable Future platform, which will enable us to share knowledge and cooperate with like-minded corporate partners on sustainable business strategies. It also enables us to engage with Nordic Prime Ministers on sustainability topics and will help us to fulfill our commitments to the UN Sustainable Development Goals (SDGs). We continue to be a signatory of the UN Global Compact, which demonstrates our alignment with universal sustainability principles. I believe that working for such international initiatives, including the Paris climate agreement, ensures that we fulfill societal expectations.

MORE SUSTAINABLE TRAVEL IN 2019 AND BEYOND

Society is generally appreciative that SAS has taken a clear lead in the transition for a more sustainable travel, which we will continue in 2019 and beyond. This will be evident in various positive changes for the travel experiences of our customers, such as more fuel-efficient aircraft and the greater use of biofuels to reduce emissions. I look forward to adding new Airbus 350 long-haul aircraft to our fleet in 2019 and the ongoing introduction of new Airbus 320neos until 2023.

The societal aspects of sustainability and the importance of our employees in sustainability efforts cannot be overstated. I have met with many colleagues throughout our business this fall to listen to their thoughts on the future challenges and opportunities for SAS. More sustainable travel emerged as a common theme that our employees are fully committed to and work with daily. I commend them for their fantastic efforts this year – efforts that contribute to more sustainable travel now and in the future.

Stockholm, January 28, 2019

Rickard Gustafson
President and CEO

HOW WE CREATE VALUE

SAS creates value throughout its value chain – from making life easier for Scandinavia's frequent travelers to creating value for our broad range of stakeholders and shareholders.

OUR RESOURCES

SOCIETAL AND RELATIONSHIP CAPITAL

31 MILLION PASSENGERS[1]

and relationships with customers, suppliers, partners and decision-makers, as well as our extensive community with 146 million website hits annually and 1.2 million followers on Facebook.

INTANGIBLE CAPITAL

5.6 MILLION MEMBERS

within the EuroBonus program, over 800 daily slot pairs and a strong SAS brand.

HUMAN CAPITAL

10,146 FTES,

of which 36% are flight crew, 40% ground personnel, 10% technical staff and 14% administrative personnel with extensive experience and highly developed skills.

MANUFACTURED CAPITAL

157 AIRCRAFT

with a market value of about SEK 32 billion, and a number of properties, vehicles, machines, tools and equipment, such as lounges and self-service terminals.

FINANCIAL CAPITAL

SEK 26 BILLION

in capital invested by shareholders, lenders and lessors.

NATURAL CAPITAL

1,369 KTONNES OF JET FUEL,

of which 100 tonnes is biofuel for flight operations, as well as other raw materials, energy consumption, and food and drink for passengers and personnel.

OUR BUSINESS MODEL

WHAT WE DO

SAS makes life easier for people who travel frequently to, from, and within Scandinavia by offering smooth flights for business and leisure travel. We offer more destinations and more departures within Scandinavia than any other Nordic airline, which is the core strength of our business model. We have an attractive product with a high degree of freedom of choice. Through our EuroBonus program, we reward our customers for their loyalty.

HOW WE DO IT

Our travel and cargo services are built on a production model in which SAS Scandinavia, supplemented by SAS Ireland, flies traffic on larger traffic flows with a uniform aircraft fleet, while smaller flows and regional traffic are flown via regional production partners. Aircraft operations are supported by efficient ground handling services, technical aircraft maintenance and sales organizations together with an attractive product.

SAS takes continuous steps to reduce the negative environmental impact of our operations through innovation, smart solutions and major investments in the latest technology without compromising the important role of aviation in our society – enabling people to meet and contribute to value creation and positive growth.

WHAT WE CREATE

31 million journeys[1]

288 routes

>800 daily departures

125 million kg of transported goods

125 destinations and 1,300 via Star Alliance

OUTPUT

FOR SHAREHOLDERS

- Net income for the year of MSEK 1,589
- Common share market capitalization of SEKbn 7.9
- MSEK 79 in preference share dividends

14 ROIC, %

FOR CUSTOMERS

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

70 Customer Satisfaction Index (CSI)

FOR EMPLOYEES

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

55 Employee commitment index

FOR FINANCIAL BACKERS & SUPPLIERS

- Supplier payments of about SEK 37 billion
- Interest expense of MSEK 559
- Lease expense for aircraft of MSEK 3,156

B+/B1 SAS's credit rating[2]

FOR SOCIETY

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

1.6 SEKbn contribution in taxes and duties

FOR ENVIRONMENT

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

1.4% Decrease in total CO_2 emissions

1) Includes all passengers, revenue and non-revenue.
2) Credit rating, Standard & Poor's B+, Moody's B1.

VISION:

TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

OUR APPROACH TO SUSTAINABILITY

Sustainable development is crucial for the society and SAS intends to be at the forefront of bridging the gap to sustainable aviation.

For SAS, sustainable development means continual improvements and responsibilty for all relevant areas of sustainabilty.

Our ambition is to provide maximum societal benefit through our products and services while minimizing their climate and environmental impacts. This involves:

- creating a culture among employees based on strategic decisions and a commitment to environmental work.
- using documented sustainability appraisals as a basis for all decisions.
- engaging in strategic sustainability dialogue with relevant stakeholders.
- promoting tomorrow's solutions through alliances and proactive demands for better sustainability performance from our suppliers and stakeholders.

Our approach involves minimizing sustainability-related risks and drawing on potential opportunities. This enables us to avoid unnecessary costs, achieve financial savings and differentiate SAS. Through our commitment, documented activities and results, we want to be perceived as a company that takes care of its customers, its employees, the environment and society at large.

MATERIALITY AND OUR SUSTAINABILITY FOCUS AREAS

SAS has a well-defined process for continuously reviewing which topics are the most relevant and material in terms of sustainability. The process involves engaging with internal and external stakeholders, and is based on international guidelines such as the GRI, the UN Global Compact, the UN Sustainable Development Goals, global trends, the media, stakeholder dialog, and our own risk and opportunities assessments.

Based on our comprehensive materiality analysis conducted in 2018, the following topics are deemed to be the most material for SAS and its stakeholders:

1
ENVIRONMENT
- Emissions
- Waste
- Noise

2
EMPLOYEES
- Diversity and equality
- Work conditions

3
RESPONSIBLE BUSINESS
- Business ethics and anti-corruption
- Sustainability in the supply chain

The 2018 materiality analysis also identified 'sustainability communication' and 'customer satisfaction' as areas of significant importance to SAS and its stakeholders. We actively communicate on sustainability issues in a transparent manner with our stakeholders, including the publication of this comprehensive Sustainability Report. Customer satisfaction is an essential part of our product responsibility.

OUR MOST MATERIAL TOPIC – GREENHOUSE GAS EMISSIONS

Based on our 2018 materiality analysis, our most important environmental impact is emissions from the consumption of non-renewable fuels. Aircraft operations account for over 99% of our greenhouse gas emissions. We therefore focus on promoting aircraft efficiency and the transition to renewable jet fuels in our ISO 14001-certified environmental management system.

UN SUSTAINABLE DEVELOPMENT GOALS

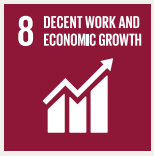
The Sustainable Development Goals (SDGs), or Global Goals for Sustainable Development, are a collection of 17 global goals set by the United Nations General Assembly in 2015. They involve meeting a broad range of global development targets by 2030. The goals encourage businesses to consider how they can best contribute to overcoming global challenges related to economic, social and environmental sustainability.

Beach walk in Denmark.

OUR MOST RELEVANT SDGS

As a leading airline in terms of reducing our climate impact, promoting resource efficiency and creating an attractive workplace, four of the SDGs are closely aligned to our sustainability agenda.

SDG 5 – Gender equality
SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual people review process. Read more about diversity on page 16.



SDG 8 – Decent work and economic growth
SAS directly employs 11,659 people and aims to provide good working conditions, where employees feel engaged, valued and secure. Read more about how we work with our employees on pages 14–17, and how we contribute toward economic development on page 19.

SDG 12 – Responsible consumption and production
SAS strongly promotes the more efficient use of resources and the creation of less waste throughout the travel chain. Read more about how we manage waste on pages 12–13.

SDG 13 – Climate action
SAS works to reduce emissions by focusing on procuring more fuel-efficient aircraft, promoting aircraft and network efficiencies, and through the adoption of biofuels. Read more about our work to reduce emissions on pages 8–13.

ENVIRONMENT

As with all airlines, aircraft emissions are our most significant environmental impact and we work actively to reduce them. The impacts of our ground services, energy use, noise, waste and spillages are also important environmental issues that we work continuously to mitigate.

ENVIRONMENTAL MANAGEMENT

Our approach to environmental responsibility involves complying with all relevant legislation and minimizing our absolute as well as relative greenhouse gas emissions and other environmental impacts.

The SAS Environmental Policy is overseen by Group Management and is applicable to all SAS products and services. The policy, together with its goals and strategies, are reviewed annually at the ISO 14001 management review by Group Management. Activities are followed-up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

The SAS environmental management system has been certified according to ISO 14001 throughout the company since 2010. The environmental management system is continuously evaluated in order to ensure the effectiveness and suitability of the system itself and our ongoing activities. In FY2018, we were certified according to the latest ISO 14001 standard – ISO 14001:2015. The standard is a key part of how we work with our environmental goals and our new 2030 goals.

WHAT ARE OUR RELATIVE AND ABSOLUTE EMISSIONS?

Absolute emissions refer our total quantity of emissions (often measured in tonnes CO_2).

Relative emissions refer to emissions per production unit (often gram CO_2 per tonne kilometer, gram CO_2 per passenger kilometer or gram CO_2 per cargo tonne kilometer).

OUR ENVIRONMENTAL GOALS

We have set comprehensive and ambitious short and long-term environment goals to drive our environmental work.

2020 GOALS

- Reduce flight CO_2 emissions per passenger kilometer by 20% in 2020 compared with 2010
- Reduce noise emissions at take-off by 15% by 2020 compared with 2010
- Regular use of biofuel

2030 GOALS

- 25% lower CO_2 emissions compared with 2005 (absolute emissions)
- 17% biofuel used – equivalent to the total SAS domestic production
- 50% noise reduction compared with 2010
- 100% sustainable materials in the SAS customer offering
- 100% recycling where possible

2050 GOALS

- >50% lower CO_2 emissions compared with 2005 (absolute emissions and more ambitious than IATA ambition)

GREENHOUSE GAS EMISSIONS

Our materiality analysis from 2018 identified our most important environmental impact as emissions from the consumption of non-renewable fuels. We therefore focus on promoting aircraft efficiency and the transition to renewable jet fuels in our ISO 14001-certified environmental management system.

COMMITTED TO INDUSTRY OBJECTIVES

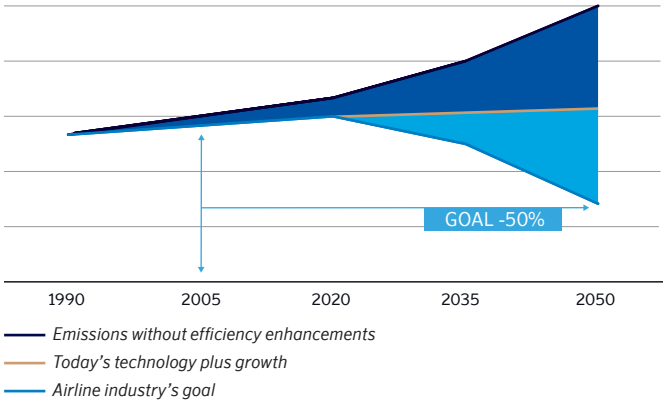
As a long-term societal actor, SAS intends to be part of a long term sustainable society by supporting the International Air Transport Association (IATA) ambition that it will be possible to fly commercially without material climate impact by 2050. The IATA and the airline industry have agreed on the following joint targets:

- Improved fuel efficiency by an average of 1.5% annually from 2009 to 2020
- Carbon-neutral growth from 2020
- 50% reduction in greenhouse CO_2 emissions by 2050, compared with 2005 levels

Source: www.enviro.aero

SAS is fully committed to reaching the IATA targets and our fuel efficiency has annually improved by approximately 2% since 2010. We will realize these targets through a combination of new technology, biofuels, new energy sources, more efficient air traffic management and coordinated action to improve the infrastructure and the conditions under which air transport operates. See the section 'Our work to reduce emissions' on page 10 for more details on how we are actively working to reduce our emissions.

THE GLOBAL AIRLINE INDUSTRY'S 2050 ENVIRONMENTAL GOALS

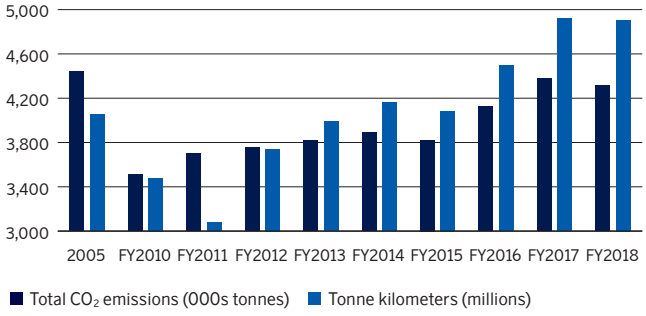


OUR GREENHOUSE GAS EMISSIONS

In FY2018, our absolute CO_2 emissions from aircraft operations stabilized and decreased 1.4% compared with the previous year, while our total production measured in tonne kilometer decreased by 0.2%. The reduction in emissions was largely due to the introduction of 9 new Airbus 320neos and brand new wet-lease aircraft. Our fleet now includes larger and more fuel-efficient aircraft which allows us to carry more passengers with lower emissions. Since 2005, our emissions have decreased 2.9% while our production measured in tonne kilometer has increased 21.1%.

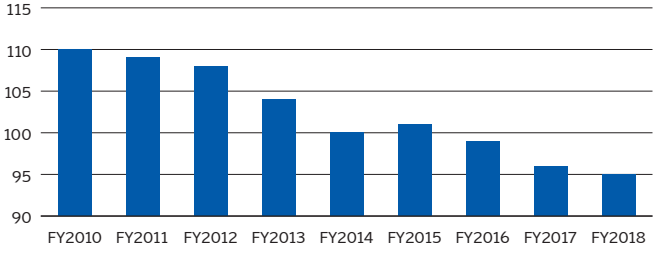
We focus on promoting aircraft efficiency and the transition to biofuels.

SAS FLIGHT OPERATIONS TOTAL CO_2 EMISSIONS AND TONNE KM



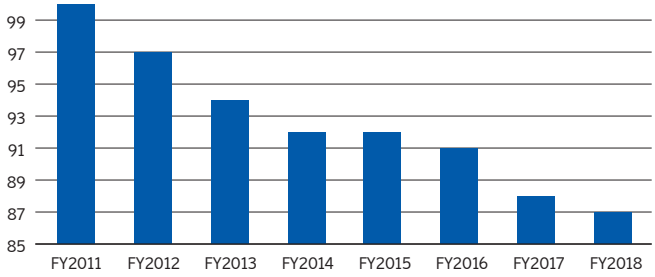
Our CO_2 emissions per passenger kilometer decreased to 95 grams (96) compared with the previous year, corresponding to a 1.4% improvement during the year and a 13.3% reduction since 2010.

SAS FLIGHT OPERATIONS CO_2 GRAM/PASSENGER KILOMETER



SAS climate index improved to 87 (88) at year-end compared with the base year 2011.

SAS FLIGHT OPERATIONS CLIMATE INDEX



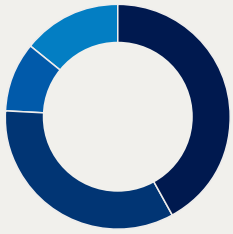
SHARE OF CO_2 EMISSIONS

The following observations were made in an analysis of our total CO_2 emissions in FY2018:

- Flights shorter than 500km were responsible for 14% of our emissions, flights between 500 and 800 km for 10%, flights between 800 and 3,000 km for 34%, and flights longer than 3,000 km for 42%.
- Domestic flights were responsible for 17% of our emissions and international flights for the remainder.
- Swedish domestic flights shorter than 500 km (excl. Gotland) were responsible for 3.0% of our emissions.

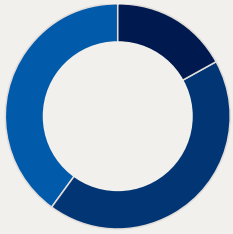
A key point is that most of our emissions result from longer journeys, where air travel is the only feasible means of transport. SAS makes it possible for people to make these long journeys that enable them to play their part in our global society. We are very aware of the negative environmental effects of our airline operations, and we are working actively to reduce them to enhance our overall positive societal contribution.

DISTANCE



- Long: >3,000 km, 42%
- Medium: 800–3,000 km, 34%
- Short: 500–800 km, 10%
- Very short: <500 km, 14%

GEOGRAPHIC



- Domestic, 17%
- EU, 43%
- Outside EU, 40%

OPERATIONS

- Flight Operation, 99.7%
- Ground Vehicle Operation, 0.1%
- Facilities, 0.2%

OUR WORK TO REDUCE EMISSIONS

Our ongoing work to reduce emissions is an integral part of the SAS environmental management system, which is certified according to ISO 14001. Our success as an sustainable airline in terms of environmental issues, helps us to attract employees, customers and investors, and is perceived positively by other stakeholders. Our environmental program covers our entire company and all relevant processes.

The activities in our environmental program are integrated into our production, quality and financial activities and comply with applicable legislation and other requirements. All our activities must meet all applicable legal and safety legislation, and are based on continuous improvement in line with our overall environmental goals.

OUR FOCUS AREAS TO REDUCE EMISSIONS

Our environmental program includes the following emission-related areas, which are all described in more detail below:

- Increase fuel efficiency
- Biofuel & Emerging technologies
- Sustainable Products & Services

INCREASE FUEL EFFICIENCY

Fleet Renewal

Continuous fleet renewal is a vital part of our efforts to reduce greenhouse gas emissions from our aviation operations. SAS' strategy is to ensure long-term profitability through a well-balanced fleet plan. Throughout the years, we has continuously renewed its fleet and by replacing less efficient aircraft with more efficient. For example, SAS started to introduce the Boeing 737NG aircraft in 1998, which initiated the replacement of the MD80. In 2010, SAS signed an agreement with Airbus enabling the more fuel efficient A320neo to replace the B737NG fleet starting in 2016.

By October 31, 2018, we had taken delivery of 21 of the 30 ordered A320neos. In FY2018 we placed an order of additional 50 A320neos. By 2023, we plan to use a total of 80 A320neo aircraft, which will provide us with a single type jet fleet in the 140-200 seat range. Based on performance data, the A320neo aircraft shows a substantial improvement in fuel consumption and noise emissions. The A320neo has 15–18% lower fuel consumption on a typical short-haul flight compared with the previous generation, the A320ceo.

The aircraft we use are either owned, leased or wet-leased. Owned and leased aircraft are operated by SAS Scandinavia or SAS Ireland. Wet-leased aircraft are operated by a number of long-term strategic partners. The majority of the wet lease operators use regional jets and the latest turboprops.

At year end, the SAS fleet consisted of 157 aircraft (16 long-haul aircraft, 101 short-haul aircraft and 40 aircraft flown by wet-lease operators). The average age of the entire aircraft fleet was 9.9 years at year end. In October 2019, the delivery of our first A350 is planned, which will replace less efficient existing long-haul aircraft.

Right sizing
SAS offers a comprehensive network of destinations with varied passenger volumes and distances, which requires a fleet of aircraft of different sizes and ranges. This is where our wet-lease operators come in by optimizing our schedule and aircraft size to optimally meet demand, particularly on regional routes with relatively low demand. This unique capacity to switch aircraft size to meet demand enables us to optimize our fuel use and emissions per seat kilometer. We also draw on our extensive experience to constantly drive efficient aircraft planning.

Fuel efficiency program
We have a comprehensive long-term fuel saving program integrated into our operations. An important aspect of increasing fuel efficiency is to ensure that all employees in SAS airline operations have the prerequisites and knowledge to promote fuel efficiency. Key functions are those responsible for network planning and product & services as well as employees involved in aircraft operations.

Ongoing activities include optimizing operating procedures and support systems to promote fuel efficiency. Any change must maintain the highest level of flight safety standards and balance fuel efficiency with other operational costs, such as maintenance costs and airspace charges.

More efficient air space
Since the early 2000s, we have worked with various stakeholders and made numerous investments to enable and prepare for the introduction of a more efficient European air traffic control system. The process to implement the Single European Sky project is now in the deployment phase and the plan is to revolutionize airspace when fully implemented by optimizing flight paths and significantly reducing emissions.

Collaboration with aircraft and engine manufactures
Through our ongoing environmental work, we engage with various aircraft and engine manufacturers, and producers of interiors and other aircraft installations. Environmental performance and criteria are integrated into all decision-making procurement processes for new aircraft and wet-lease operators.

SAS continuously modernizes its existing aircraft to benefit from advanced technologies, improved aerodynamics or reduced weight.

Initiatives in FY2018 included
- SAS fleet renewal – SAS Scandinavia renewed its fleet and SAS Ireland introduced its fleet, together totalling nine A320neos.
- SAS new order – SAS placed an order of 50 additional fuel efficient Airbus 320neo.
- Regional partner fleet renewal – SAS wet-lease operators continued their fleet renewal by replacing older CRJ900 regional jets with newer aircraft.
- Dry Wash – The detergent being used is biodegradable and involves pretreating the aircraft exterior with a chemical that reduces the amount of dirt that sticks to the aircraft. This promotes aerodynamics, as well as reduces the amount of water used for cleaning by around 98% and allows cleaning to be done at the same time as technical maintenance.
- Lightweight containers – SAS Cargo has chosen to use Unilode's 65kg containers which are over 20% lighter than its existing units and a perfect match for its modern fuel-efficient aircraft fleet. SAS will save over 13,000 tonnes of CO_2 during the five-year term of the new agreement with Unilode.
- Lightweight cabin carpet – as part of cabin refurbishments, lightweight cabin carpets have been fitted. The carpets save approximately 38 kg per aircraft, and more than 2,500 kg for our entire fleet.

BIOFUEL & EMERGING TECHNOLOGIES

For over a decade, we have worked on various activities to promote the development of alternative and more sustainable aviation fuels (SAF or biofuels). It is essential that we develop renewable jet fuels in order to meet our own and the airline industry's environmental and climate objectives, and to secure alternatives to fossil fuels that are expected to become more scarce and expensive in the future.

We continue to clearly indicate to jet fuel producers that we are prepared to purchase more biofuel if the sustainability criteria are in place and the price is competitive. SAS is involved in a number of national and international projects and forums to develop biofuel production in Scandinavia. These include the IATA/ATAG biofuel network, SAFUG, NISA and various Scandinavian interest organizations. SAS also supports the EU's Biofuel Flight Path, which aims to create the preconditions to produce two million tonnes of biofuels by 2020. In order to further develop our customer offering, the possibility for customers to upgrade their fuel consumption to biofuel will be introduced in the online booking flow during 2018/19.

Our main sustainability criteria for biofuels are that their production is sustainable in the long-term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible. According to IATA, depending on production method, biofules reduces the lifecycle CO_2 emissions by up to 80%.

Electric and hybrid aircraft
There are several development projects ongoing aimed at commercializing electrical propelled aircraft after 2025. The design studies indicate either fully-electrical or hybrid aircraft. Initially, the projects are targeting the 10-15 seat market with a one to two hour flight range. The major aircraft manufacturers anticipate having 100 seat electric aircraft in the market beyond 2040.

We strongly supports this development and are interested in the possibility of introducing 50-100 seat fully or partly electric aircraft when commercially available.

Initiatives in FY2018 included:
- Biofuel use – we used 100 tonnes of biofuels in our daily operations in FY2018. The fuel was used on flights from Stockholm.
- Preem agreement – A letter of intent was signed with Preem to supply SAS with potentially 200,000 m^3 of biofuel from 2022/23, which corresponds to 10-12% of SAS total fuel demand.
- Biofuel development – SAS participates in multiple biofuel projects within Scandinavia with the shared purpose of accelerating the commercialization of biofuels.
- Electric aircraft – SAS supports multiple projects regarding electrical aircrafts.

SUSTAINABLE PRODUCTS & SERVICES

We continuously develop our products and services to make them as sustainable as possible in terms of resources and materials. We have shifted to a lifecycle perspective in recent years, which has enabled us to identify and make the case to use more sustainable solutions. We are also working in together with suppliers and customers to develop more sustainable products

and services throughout the travel chain. For example, we have strategic partnerships with key material suppliers, engine manufactures, fuel suppliers and ground transport suppliers etc. with the aim of developing more sustainable solutions for our customers.

Initiatives in FY2018 included

- Reduced usage of plastic – We begun using a new sandwich packaging that uses 50% less plastic and with a Cradle to Cradle certified print.
- Eco-friendly Dry Clean – In March 2018, we developed a more environmentally friendly dry cleaning method for seat covers in partnership with the contracted laundry facility, fabric provider and seat manufacturer. The dry cleaning company that SAS has contracted is environmentally certified and no perchloroethylene is used in the cleaning process.
- Aluminum can recycling – 80% of SAS flights can now recycle aluminum cans. The remaining 20% is due to lack of inadequate waste management in some airports but is under investigation how to be improved.
- Pre order meal – The concept is expanded and now most SAS flights are within the optimization. The result is less meals loaded on each flight and therefore less waste.
- Youth Traveler Offsetting – in April 2018, we began offsetting all youth travel.

OTHER ENVIRONMENTAL TOPICS

EMISSIONS OF OZONE-DEPLETING SUBSTANCES

Airlines must submit annual reports on their use, consumption, leakage and storage of halon to the authorities. In FY2018, Scandinavian Airlines reported a few instances where halon was used as a fire safety precaution, all according to procedures.

EMISSIONS CALCULATIONS AND CO_2 OFFSETTING

The SAS emissions calculator, which is available on www.sasgroup.net, provides greenhouse gas emission calculations for all SAS flights. We have offered our customers carbon offsetting options since 2005, and the offsetting program today covers almost 4% of our passenger CO_2 emissions by investing in third-party renewable energy projects in Asia. In April, we began providing offsetting for all youth travel, which resulted in offsetting for 135,000 tonnes of carbon emissions by the end of the fiscal year. We are investigating the possibilty of including CO_2 offsetting for additional customer groups. In FY 2019, we will improve the usability of our offsetting solution by integrating it in our online booking flow. We will also include the possibility to upgrade to biofuel.

During the year SAS Cargo provided their customers the possibility to retrieve a CO_2 report on their transported tonnage.

GLYCOL, DIESEL AND PETROL CONSUMPTION

Glycol is used when de-icing aircraft. Due to the cold and extremely long winter Scandinavia had in FY 2018, the consumption of glycol doubled.

We use vehicles to provide maintenance and ground-related services at airports. We follow airport regulations and work toward switching to vehicles with lower environmental impact. At our main bases, all vehicles are leased, and contracts and fuel bills are continuously followed-up. SAS Cargo also monitors CO_2 emissions per cargo tonne kilometer from its sub-contracted ground trucking operations.

Some spillages were reported in conjunction with ground handling during the year and handled according to procedures.

EMISSIONS FROM ENERGY CONSUMPTION IN BUILDINGS

We continuously work to reduce our energy consumption. During FY 2018, our energy consumption decreased due to less building floor space being used. This is mainly due to the substantial reduction of our own operations in recent years.

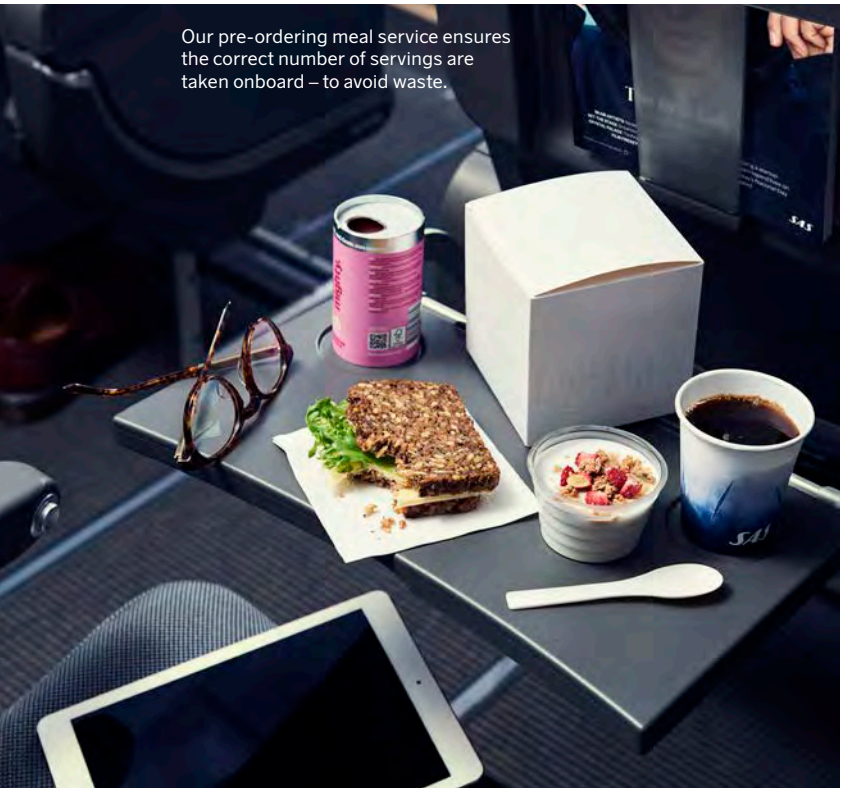
EMISSIONS BY SCOPE

	Unit	FY2018	FY2017	Base year 2010
Scope 1				
Flight Operations				
CO_2 total	1,000 tonnes	4,313	4,376	3,511
as of domestic flights	1,000 tonnes	743	763	
as of flights to/from EU/ETS	1,000 tonnes	1,834	1,860	
as of flights to/from outside EU/ETS	1,000 tonnes	1,736	1,754	
CO_2 passenger share	1,000 tonnes	3,886	3,951	3,244
NOx	1,000 tonnes	18.4	18.6	14.3
HC	1,000 tonnes	0.37	0.46	-
Passenger kilometers	million	40,867	40,960	29,572
Tonne kilometer	million	4,907	4,917	3,480
Departures 1,000	1,000	302	309	279
CO_2/passenger kilometer	gram	95	96	109.7
CO_2 /tonne kilometer	gram	879.1	890.1	1,008.9
Aircraft Noise – takeoff	85 db area in KM2 per dep.	2.17	2.13	2.40
Ground Handling				
Glycol consumption (Deicing fluid)	1,000 liters	3,342	1,620	-
CO_2 Vehicle Petrol[1]	tonnes	53	57	-
CO_2 Vehicle Diesel[1]	tonnes	4,662	4,135	-
Maintenance Productions				
CO_2 Vehicle Petrol	tonnes	37	44	-
CO_2 Vehicle Diesel[1]	tonnes	182	200	-
SAS Cargo Group				
CO_2 cargo share flown	1,000 tonnes	427	425	-
Cargo tonne kilometer flown	million	820	821	-
CO_2 /cargo tonne kilometer flown	gram	521	518	-
CO_2 /cargo tonne kilometer trucked	gram	129	136	-
Scope 2				
Energy				
CO_2 energy	1,000 tonnes	10.0	12.2	24.9
As of CO_2 electricity	1,000 tonnes	4.7	5.7	12.3
As of CO_2 heating	1,000 tonnes	5.3	6.5	12.6
Energy intensity	CO_2 kg/m^2	31	37	-

1) In Sustainability Report FY 2017, data was reported in liters and not converted to CO_2.

NOISE

Aircraft noise is perceived to be the most material impact for local airport stakeholders and strict regulations are in place along flight paths close to residential areas. During FY 2018, noise emissions at take-off increased by 1.6%. This is due to the greater use of larger aircraft on shorter routes.


Our pre-ordering meal service ensures the correct number of servings are taken onboard – to avoid waste.

SAS received a small number of noise violation reports in FY 2018, one of these led to limited financial implications. The number of breaches has declined in recent years as a result of the procurement of quieter aircraft and improvement initiatives, such as specific flight simulator training scenarios flying to and from airports with strict noise regulations.

WASTE

Waste from our offices, ground services and technical maintenance is measured and divided into sorted, unsorted and hazardous waste. We work continuously to improve the recycling of onboard waste, although this is challenging as waste must be handled in accordance with national legislation. The legislation most often implies a treatment that does not enable sorting and recycling.

However, during FY 2018, we improved our processes for recycling onboard waste and began upgrading the infrastructure at some airports, for example to ensure that all aluminum cans can be recycled.

Plastic and food waste have also been significantly reduced by our pre-ordering meal services that ensure the correct amount of servings are taken onboard.

	Unit	FY2018	FY2017	Base year 2010
Sorted waste	tonnes	1,902	2,035	-
Unsorted waste	tonnes	175	173	815
Hazardous waste	tonnes	146	142	302

JET FUEL SPILLS

In FY 2018, no significant fuel leaks were reported when refueling aircraft with SK flight numbers.

ENVIRONMENTAL REGULATIONS AND COMPLIANCE

Besides enhancing resource efficiency and improving environmental performance, our sustainability work ensures that SAS operations comply with all applicable environmental-related laws and regulations. No severe incidents breaching any environmental permits were reported in FY 2018.

Environmental-related costs

In FY 2018, SAS external environment-related user charges and travel taxes amounted to MSEK 1,693 (1,413). These charges and travel taxes comprised environment-related travel taxes and user charges that are often associated with the environmental performance of aircraft and are included in landing fees. New fiscal environmental taxes have been imposed by the Swedish 2018 and the Norweigan Goverments during FY 2017.

The aviation industry pays for its carbon emissions within the EU through the European Union Emission Trading Scheme (EU-ETS), which is an established market-based measure. SAS expensed emission rights related to the EU-ETS amounted to MSEK 110 (55) in FY2018.

We believe that market-based measures should not distort competition but should address emission reduction targets and create incentives for continuous improvement. SAS has supported the development of a global, market-based solution for airline emissions for many years.

The UN aviation organization, the International Civil Aviation Organization (ICAO), has decided on a global market-based measure for implementation by 2021 – the Carbon Offsetting and Reduction Scheme for International Aviation (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, SAS is prepared to report its emissions but no tools are available that enable us to calculate the potential costs associated with CORSIA.

There are a growing number of environment-related taxes being introduced for passenger air transport, including a new Swedish Air Travel Tax introduced on 1 April 2018.

SAS fully supports the Polluter Pays Principle and takes responsibility for its emissions but opposes the mechanism behind these taxes as they do not address the actual CO_2 emissions and are introduced in addition to EU-ETS or the soon to be introduced CORSIA. The result is a patchwork of economic measures without incentives to reduce CO_2 emissions. For example, a passenger onboard an A320neo with 50% biofuel pays the same tax as a passenger onboard an aircraft two generations older, despite having approximately 65% lower emissions.

Environment-related liabilities

SAS has no known major environment-related liabilities or contingent liabilities, such as contaminated land.

Environment-related investments

According to SAS guidelines, our investments are to be both environmentally and economically sound. This ensures that they contribute to our profitability and help ensure we can meet future environmental requirements.

During FY 2018, no significant environment-related investments were conducted. This is because our preferred solution is leasing, rather than investing in aircraft, vehicles, computers, etc.

EMPLOYEES

We work to secure the right capabilities to ensure that every employee can make a difference with their competence and experience. Competition in the airline industry in Europe is fierce, and employees play a key role in creating added customer value.

OUR APPROACH TO EMPLOYEES

As an employer, our responsibility is to ensure decent working conditions in the work environments that are shaped by our operations, mainly in the Nordic region. SAS is also responsible for providing personal and professional development opportunities. The SAS Work Environment Policy, Leadership Policy, Personnel Policy and Diversity Policy apply to all employees at SAS, and Group Management is ultimately responsible for the policies. The policies are reviewed annually and activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.
We have a zero-tolerance policy toward all forms of harassment, and work continually to counteract harassment through various activities. This is regulated by our Code of Conduct, and a web-based training of the Code is mandatory for all employees.

OUR EMPLOYEE FOCUS AREAS

Each of our employees has an important role to play and it is essential that we have the right capabilities throughout our business. We do this by working systematically with four priority areas:
- Strengthening employee engagement
- Excelling in leadership
- Developing our competences
- Making SAS an attractive workplace

STRENGTHENING EMPLOYEE ENGAGEMENT

Engaged employees are more committed, satisfied and motivated, which are prerequisites for satisfied customers and better business. Our employee culture is distinguished by an incredibly strong commitment and loyalty to SAS and our customers. This

Each of our employees has an important role to play.

is particularly apparent in the event of unforeseen flight irregularities when SAS employees show an extraordinary desire to step up and make sure our customers reach their destinations.

Initiatives in FY2018 included:
- *Employee survey* – the &frankly employee survey to increase employee engagement enables us to regularly identify how employee satisfaction can be promoted in different departments.
- *Employee engagement workshops* – workshops based on the &Frankly survey results where we deep-dived into how to improve employee engagement were held in 2018, which resulted in the foundation for the work with 'One SAS – a great place to work'.
- *'One SAS - A great place to work'* – aims to make SAS an even more attractive workplace with highly motivated and engaged employees. Many initiatives have been launched, and investments made throughout the company, including the introduction of internal ambassadors and competence days within flight operations.
- *2017 SAS Awards* – the fourth year of the awards showcased SAS role models in the categories of: SAS Person, SAS Leader, SAS Team Achievement, SAS Improvement Initiative of the Year, SAS Team of the Year and SAS Safety. In 2018 a Sustainability category was added.

EXCELLING IN LEADERSHIP

Leadership is essential for our future success as it ensures our managers have the capabilities to make sound strategic decisions and run well-managed teams. The development of our leaders is therefore something that we continuously work with through several initiatives. SAS has approximately 510 managers of whom 30% are women at different levels in the organization.

Initiatives in FY2018 included:
- *SAS Executive Program 2018* – the program delivered together with Duke Executive Education, enhanced the leadership skills and strategic business decision-making of 70 of our most senior executives in 3x3 day modules in 2018.
- *Networking* – the Forum50 network engages 50 leaders each year to develop projects in small teams that are presented to group management – including a proposed 'EuroBonus Kids' scheme in 2018 to build loyalty with future travelers.
- *Mentor programs* – eight senior leaders were mentored by members of group management, and our cross-functional Grow mentor program involved 20 participants with the aim of transferring knowledge and developing skills.

DEVELOPING OUR COMPETENCES

Our annual people review process aims to ensure the right competences by systematically reviewing what specific skills we as an organization need to develop in order to meet our future business requirements.

In order to retain and develop employee skills, extensive training programs are carried out each year. In FY 2018, SAS employees attended approximately 460,000 hours of training, which equates to an average of 39.4 hours per employee. Flight crews 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). On average, pilots trained 79 hours per year and cabin crew 25 hours per year in FY 2018.

Most SAS employees have access to over 100 different online courses. E-learning cannot always replace classroom learning, but due to its greater flexibility and availability, more courses can be offered at a lower cost.

Initiatives in FY 2018 included:
- *People review process* – the annual review identified the need to strengthen skills in business control, digitalization, automatization, project management, vendor management and contract management.
- *Succession and career planning* – we are working to develop succession and career planning toward our objective to fill 80% of senior positions through internal recruitment.
- *SAS Aircraft Management program* – the internal trainee program provided six participants with a 12-month placement including three months in four different business units: Business Control, Strategic Sourcing, Continuous Airworthiness and Fleet.
- *Pilot mentoring program* – recently employed pilots were mentored by more experienced colleagues to share their skills and experience.

MAKING SAS AN ATTRACTIVE WORKPLACE

We constantly work to become a better and more attractive employer. To be able to attract the right people requires that we have a strong employer brand, which offers the opportunities to grow both professionally and as a person. We operate in a competitive employee market, where most major airlines are recruiting pilots. SAS is regarded as an attractive employer that takes care of both employees and customers. We have actively recruited large numbers of new colleagues in recent years, and during 2018, we attracted 344 new cabin crew and 46 new pilots to meet the growing demand for our services. We promote gender equality, for example, through conducting wage mapping, to ensure that men and women have the same salary for the same work. In 2018, SAS was rated among the most attractive employers in Norway – particularly among students.

Initiatives in FY 2018 included:
- *Company-wide roll-out of the Make Work Easier project* – the adoption of Office365, apps, team sites and cloud-based internal social media tools such as Yammer have created new opportunities to network, exchange experiences, share information and interact, with the objective of creating more efficient day-to-day operations and strengthening our competence as an organization.
- *Individual development* – annual employee reviews have been replaced with regular employee performance development engagement that strives for continuous individual development and performance feedback.
- *Wellbeing* – having succeeded in lowering sick leave to a stable level, we are now working proactively with the health and wellbeing of our employees by promoting fitness opportunities and providing health-related information and tools for self-assessment.
- *Employee healthcare allowance* – has been introduced during the year to promote employee health and wellbeing.

OTHER EMPLOYEE TOPICS

LABOR PRACTICES AND DECENT WORK

The aviation industry is moving toward new and reformed employment models that reduce costs and increase flexibility, and in recent years SAS has worked with unions within its existing employment model. We uphold our employee obligations regardless of employment model or where employees are based. Employees based in Scandinavia are covered by Scandinavian employment terms, work legislation and tax regimes.

ORGANIZATIONAL DEVELOPMENT

During FY 2018, work was concluded to establish our new production platform – SAS Ireland – with crew employed on local terms at bases in London and Malaga.

RECRUITMENTS AND REDUNDANCY

Redundancies in FY 2018 were handled through negotiations with labor unions in compliance with national laws and agreements.

COOPERATION WITH LABOR UNIONS

Day-to-day collaboration with labor unions is mainly carried out nationally with unions that have collective agreements with SAS. Collaboration 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. 99.9% of all SAS employees are covered by collective bargaining agreements, with the main exception of senior management at Group level.

CONTRACT NEGOTIATIONS AND DISPUTES

SAS conducted negotiations and discussions with various unions during FY 2018. This was part of ongoing negotiations to reduce costs and increase the flexibility of existing union agreements. There were no reported strikes in FY 2018.

SICK LEAVE

Sick leave is a significant expense for society that can be caused by physical and mental issues. Our own calculation costs for sick leave amounted to approximately MSEK 212 (209) in FY 2018. SAS works actively to prevent short and long-term sick leave.

A standardized reporting method is implemented for all three Scandinavian countries, and sick leave is reported according to Swedish legislation. Managers, supported by HR, have early follow-ups with sick employees, which have reduced long-term absence.

For crew, special sick leave follow-up teams work in close collaboration with external occupational health and aeromedical specialists. Early contact with employees and support for medical health care and rehabilitation programs shorten periods of illness.

Short-term sick leave is reported, and employees are offered medical advice from nurses when reporting illness. In cases of frequent short-term sick leave, SAS requires "a first day doctor's note". Temporary workplaces and special work schedules are offered for better and faster rehabilitation.

During FY 2018, total sick leave at SAS increased to 6.1% (5.9%). Long-term sick leave, more than 14 days, accounted for 4.0% (3.8%) of the total sick leave at SAS.

OCCUPATIONAL ACCIDENTS

Efforts have been made to reduce the number of occupational accidents by prioritizing preventive action. Examples of efforts are improved processes for systematic follow-up and educational activities. These efforts take place in collaboration with safety representatives, supervisors, HR and labor-management joint safety committees that cover all employees in each country.

Ground handling has the highest frequency of occupational accidents within SAS. Examples of occupational accidents are straining or crushing incidents in connection with baggage handling. The number of occupational accidents leading to absence at SAS was 67 in FY 2018.

COMPANY HEALTH SERVICES

Our health services or health and work environment (HWE) function that supports the entire organization, offers services through in-house or outsourced resources including 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 throughout the organization in various health-promoting activities both in the workplace and during leisure time.

SAS	DK	NO	SE	Total
No. of employees October reporting fiscal year (head count)	3,906	3,422	4,331	11,659
No. of women	1,270	1,302	1,767	
of whom, women, %	33	38	41	
Total sick leave, %	4.9	8.3	5.6	6.1
Long-term sick leave (more than 14 days), %	3.1	5.8	3.5	4.0
Total number of occupational accidents with one day sick leave or more	24	28	15	67
Occupational injury frequency lost time-to-injury rate (H-value)	3.8	5.5	2.0	3.6

DIVERSITY AND EQUAL OPPORTUNITIES

The SAS Diversity Policy promotes the equal treatment of all employees and job applicants. Work with equal opportunities includes promoting diversity and equality in all its forms. In FY 2018, gender distribution in SAS was 37% women and 63% men.

At SAS, there is a traditional split between female-dominated professions and male-dominated professions. Pilots (4% women), technicians and aircraft maintenance staff (5% women) are traditionally male-dominated, while cabin crew (74% women), check-in and gate personnel at the airports (64% women) are typically female-dominated.

SAS Group Management comprises of 25% women, the SAS Board of Directors comprises of 50% women and SAS Cargo Leadership Group comprises of 37% women.

SAS works actively to promote equality in traditionally gendered roles and in management by encouraging gender equality and diversity through its recruitment policy and annual people reviews. The SAS recruitment policy states that the best candidate for a particular position is chosen, with the SAS diversity aims in mind. During fall of 2018, an initiative was launched to recruit more female pilots.

	Age			
Legal gender	<30	30–49	>50	Total
Women	9%	12%	16%	37%
Men	11%	21%	31%	63%
Total	20%	33%	47%	

“The SAS Diversity Policy promotes equal treatment of all employees and job applicants.”

RESPONSIBLE BUSINESS

SAS takes its responsibility seriously by promoting business ethics in its own operations, assuming high standards of product responsibility and verifying its supply chain meets SAS sustainability standards.

RESPONSIBILITY IS PROFITABLE

Long-term economic profitability is closely related to our responsibility to make environmental improvements and promote societal benefit. In many ways, our work on sustainability issues increases our value and competitiveness, for example by using resources more efficiently and minimizing risk.

Major portions of our revenue, expenses and essential industry specific earnings measurements are relevant from an environmental and/or societal perspective. Crucially, the highest possible financial return is generated by the best possible resource utilization and most efficient management of the company's human and material assets. For example, aircraft fuel efficiency and optimizing passenger and freight capacity reduces fuel consumption and costs. Reducing sick leave also has strong financial incentives.

BUSINESS ETHICS AND ANTI-CORRUPTION

Our management approach is to take an active stance against all forms of corruption and anti-competitive behavior.

The SAS Code of Conduct, Legal Policy and SAS Anti-bribery Policy are applicable to everyone who act on behalf of the SAS Group. The SAS Board of Directors has overall responsibility for implementing the Code of Conduct and monitoring compliance. Compliance is monitored throughout the management system and through internal audits.

Regulations relating to bribery and other improper actions are particularly strict. An example is the ongoing "Competition Law Compliance Program" that covers all entities within SAS. The program addresses the most material risks connected to corruption and employees that are exposed to corruption risks in their daily work.

During the year, SAS conducted employee anti-bribery training related to the purchase of goods and services and interaction with customers. We also worked to ensure compliance with the EU General Data Protection Regulation (GDPR) legislation, and we appointed a dedicated SAS employee to ensure compliance.

SUSTAINABILITY IN OUR SUPPLY CHAIN

We have close to 6,000 suppliers that provide products and services. Our supply chain is centered around aircraft operations and the associated services. It includes:

- aircraft and engine manufacturers
- airport and air navigation service providers
- fuel suppliers
- catering suppliers
- IT suppliers
- technical maintenance suppliers
- wet-lease operators
- financial services

Our suppliers are primarily situated in the geographical areas where SAS routes are flown. In line with our operational model, we are increasingly outsourcing ground handling, wet-lease, customer services and accounting functions to external suppliers. SAS continuously reviews supplier specifications and identifies the most critical suppliers. In connection with this, we are consolidating our supplier base, which contributed to a 3% reduction in our total number of suppliers in FY 2018.

SUPPLY CHAIN RESPONSIBILITY

SAS requires that all employees have decent terms of employment regardless of where they are based and that they are free to join trade unions. The SAS Code of Conduct and the SAS Purchasing Policy cover all purchasing activities within SAS. Group Management is responsible for the Purchasing Policy, which is reviewed annually. Activities are followed-up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

SAS is responsible for ensuring that sustainability issues are addressed appropriately, regardless of which supplier provides the product or service.

SUPPLY CHAIN GOVERNANCE

Our established governance model clarifies supply chain responsibilities, risks and improvement areas as well as how potential deviations are handled. Responsibility for continuously following up our critical suppliers is centralized and standardized. All SAS suppliers are required to meet our sustainability and social responsibility requirements, our purchasing policy, and the general terms and conditions of the UN Global Compact and other specific sustainability requirements.

The criteria depend on the type of product or service and where it is produced, but may include energy efficiency, waste handling, collective agreements, human rights, child labor, etc. Criteria are reviewed and managed in the procurement phase and during the agreement period.

PRODUCT RESPONSIBILITY

We assume our responsibility for maintaining the highest standards of product responsibility and follow strict policies and the applicable legislation concerning health and safety, environmental impact, IT security and food safety. We also have a responsibility to deliver products and services that are reliable, and are produced under decent conditions. The SAS Quality Policy is applicable to all SAS products and services and is overseen and annually reviewed by Group Management. Activities are followed-up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

Flight Safety is highly regulated and SAS is regularly audited both by external parties, partners and customers. The relevant authorities review working conditions for airline personnel regarding areas such as working hours, which help to promote flight safety.

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, which is highly valued by SAS customers.

IT security and integrity are increasingly important and SAS has an extensive program to ensure the high level of IT security required. In our ongoing efforts to remain a customer-centric organization, it was natural to commence GDPR compliance planning at an early stage. This work is performed by a GDPR steering committee, jointly led by IT and legal with representatives from all affected departments. The project ensured that SAS was fully GDPR compliant by May 2018 when the law came into force.

SAS CONTRIBUTES TOWARD ECONOMIC DEVELOPMENT

Our operations benefit society by directly and indirectly creating economic value and social welfare in the countries and communities where we operate.

We promote significant direct economic benefit as an employer and a purchaser of goods and services. In FY 2018, SAS paid wages and salaries totaling MSEK 8,907, which included social security expenses of MSEK 1,244, and pensions of MSEK 783. SAS endeavors to achieve market pay for all employee groups.

SAS creates economic value by providing the necessary infrastructure to enable smooth passenger journeys and cargo transport to, from and within Scandinavia. Air transport pays the costs for the infrastructure it needs to operate, such as airports, air traffic control and security. In FY 2018, these costs amounted to SEK 9,893 million for Scandinavian Airlines. Of this cost Scandinavian Airlines payed SEK 1,438 million in security costs and SEK 1,693 million in environmental related costs, which are financed by taxes.

During the exercise Barents Rescue, a Boeing 737-800 was converted into an air ambulance in six hours. The work was carried out by SAS Technical Services.

SOCIAL INVESTMENT

We support social initiatives that are directly related to our airline operations. We do this by offering our aircraft and related capabilities for societal benefit.

PREPAREDNESS FOR AIR AMBULANCE OPERATIONS

SAS has a commercial agreement 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 the event of a national emergency. A similar 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, and a second aircraft within 48 hours if necessary.

CHRISTMAS FLIGHT

In December 2017, we supported the Norwegian 'Christmas flight'. The Christmas flight is an aid campaign carried out by SAS employees together with other volunteers throughout the year to collect goods and contributions from various partner companies and private individuals. We provide an aircraft with full operational support, while pilots and crew volunteer in their free time and the fuel is sponsored by a fuel supplier. The Christmas flight was also conducted in December 2018 with SAS support.

SUSTAINABILITY GOVERNANCE

The SAS governance model is outlined on pages 49–56 in the SAS Annual Report FY 2018.

BOARD OF DIRECTORS

The work of the SAS Board of Directors 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 to ensure that they receive all necessary information. At its meetings during the year, 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 is comprised of seven members (two women and five men), including the President. Group Management normally has documented meetings on a weekly basis. Group Management's governance 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.

SAS Group Management decides on SAS strategies. The strategic focus areas are disclosed in the SAS Annual Report FY 2018 on pages 13-27. Sustainability topics are an integral part of the strategies.

ENVIRONMENT & CSR STAFF UNIT

As a strategic support and driving force, SAS has a central department for sustainability topics (Environment and CSR) that reports to senior management. The department's tasks include developing, driving and maintaining the SAS sustainability agenda and supporting the management of sustainability-related matters, both internally and externally. The department is also responsible for maintaining and developing fuel-efficiency activities, compliance with EU-ETS/MRV, ISO 14001 certification, coordination of biofuel activities and support with sustainability issues.

SAS MANAGEMENT SYSTEM

SAS has integrated sustainability into its management system. The system encompasses all activities at SAS and is based on airline operational standards, shared environmental and sustainability policies, the Code of Conduct, the UN Global Compact, the UN Sustainability Development Goals, Lean and ISO 14001. The system provides guidelines for the ongoing cycle of planning, implementation and evaluation, as well as the improvement of processes and activities to meet operational and sustainability targets. SAS also has control mechanisms with allocated follow-up systems and resources in order to ensure compliance with all applicable international and national legislation.

CODE OF CONDUCT

The Board of Directors has issued the Code of Conduct to summarize and clarify SAS stated priorities, promises, policies and other regulations. The Code applies to all employees regardless of their role or type of employment. To underscore the Code's importance, an extensive training program supports the implementation of the Code and all personnel regularly participate. The Code is available at www.sasgroup.net. There are also clear rules and structures for reporting and addressing suspected violations through the management system or the SAS whistle-blower function. The Code's whistle-blower function was used on 12 occations in FY 2018. One case was dismissed without further action and 11 led to some investigations and actions.

RISK MANAGEMENT

SAS has a precautionary risk management approach and the work is focused on minimizing sustainability-related risks and capturing potential opportunities. The risks and opportunities are assessed and strategically dealt with within the management system and are integrated into our comprehensive risk management. Risk control measures are crucial to managing risks.

SAS works to manage risks and certain opportunities that offer tangible business potential. An example is our work with mitigating our environmental impact through the certified environmental management system. The system provides us with operational control and the capacity to quickly deal with changing requirements in the business environment.

A summary of SAS risks are disclosed in an table on page 21 and the comprehensive description is disclosed on pages 41–46 in the SAS Annual Report FY2018.

The most material sustainability related risks (2. Employee risks and 4. Sustainability risks) from the comprehensive description are also disclosed on page 22 in this report.

SAS also annually discloses its risks and opportunities related to climate change to the CDP. The most material risk and opportunities are related to our possibilities to conduct aircraft operations in a changing climate and customer perception regarding SAS as a more sustainable alternative for fast and efficient travel over longer distances. The detailed disclosure is available on www.cdp.net.

	Risk area	Risk	Risk level	Risk control measures fiscal year 2018
1	MARKET RISKS	**1.1** Macro-economic trend	🟠	Continual adaptation of SAS' capacity offering and production.
		1.2 Market and competition trends	🟠	Implementation of SAS' streamlining program and a more flexible production model.
2	EMPLOYEE RISKS	**2.1** Right skills	🟢	Annual people reviews and successor identification.
		2.2 Processes and systems	🟢	Follow-up of low and high-performing individuals. Documentation of internal processes.
		2.3 Commitment	🟠	Strengthened leadership, skill days, increased internal communication and transparency.
		2.4 Strikes	🟠	Strengthen dialogue and relationships to increase consensus with the unions. Prioritized meetings for dialogue and negotiation in 2019 with the aim of securing long-term agreements.
3	OPERATING RISKS	**3.1** Safety activities	🟢	Continuous internal monitoring and reporting to the Board.
		3.2 Suppliers	🟠	During 2018, SAS focused on closer collaboration with strategic suppliers, as well as the monitoring of quality levels and efficiency.
		3.3 Competitive costs and efficiency	🔴	SAS has a cost differential compared with newly-started competitors. In FY 2018, the efficiency enhancement program delivered slightly more than SEK 0.7 billion earning gains.
4	SUSTAINABILITY RISKS	**4.1** Environmental directives and requirements	🟢	Structured environmental work certified under ISO 14001 and containing measures for improving climate and environmental performance, and ensured observance of applicable laws and regulations.
		4.2 Anticorruption	🟠	Implementation of a training program for employee groups at the greatest risk of corruption.
		4.3 Human rights	🟢	Ongoing requirement updates and monitoring of subcontractors.
5	LEGAL AND POLITICAL	**5.1** Political and regulatory risks	🔴	SAS conducts active dialogue with the political systems and industry organizations (IATA) to obtain early information about regulatory changes and to influence decisions. Together with the industry, SAS has promoted air travel's importance for business and society. SAS is analyzing the legal, financial and commercial effects of Brexit, and is collaborating with decision-makers nationally and in the EU. The UK is an important market for SAS, and it is crucial to the entire airline industry that a transition period or a new air traffic agreement with the same conditions as the current one is in place before the UK's exit in March 2019.
		5.2 Legal and insurance risks	🟠	Development of policies and training to ensure compliance with various rules and laws. Continual monitoring of laws and policies. Legal counsel and participation in contract processes for minimizing contractual risk. Securing complete insurance protection of operations and employees.
6	FINANCIAL RISKS	**6.1** Liquidity risk and refinancing	🟠	Follow-up and forecasting financial preparedness. SAS has issued common shares of a value of SEK 1.3 billion and bonds for a total of SEK 2.3 billion. Continuous discussions with banks and financial backers aimed at managing maturing borrowings and leases.
		6.2 Jet-fuel price and emission rights	🟠	Jet-fuel hedging in line with SAS' financial policy and monitoring the jet-fuel price trend.
		6.3 Exchange rates	🟠	Currency hedging in line with SAS' financial policy and monitoring the currency market.
		6.4 Interest rates	🟢	Fixing rates in line with SAS' financial policy and monitoring the interest-rate market.
		6.5 Counterparty losses	🟢	SAS' counterparty risks are managed in line with SAS' financial policy.
7	IT	**7.1** IT	🟠	Continual improvement of incident and problem-handling procedures. The focus in FY 2018 was reducing IT problems that affect the SAS website, planning system, and management of cyber attacks.
8	OTHER EVENTS	**8.1** Extraordinary events	🟠	Increase cost flexibility to reduce costs in the case of reduced demand.
		8.2 Brand and reputation	🟠	Monitoring information pertaining to SAS.

🟢 Low risk 🟠 Medium risk 🔴 High risk

2. EMPLOYEE RISKS

2.1 RIGHT SKILLS

Both the airline industry as a whole and SAS in particular are undergoing major structural changes, which set new requirements for the organization and its compiled competence. For example, we have increased the degree of sourcing and developing services together with business partners where this is relevant. Increasing digitalization is also setting new demands on organization, management, and competence. SAS actively promotes access to the right skills and resources, and utilizes processes and systems to leverage internal resources and to identify any faults.

To ensure efficient succession, the senior managers have identified short and long-term successors for 51% of all positions. With time, the aim is secure succession to 80% with internal successors and to 20% through actively seeking external competence. During FY 2018, we introduced the Aircraft Management Program to secure competence and to make the industry attractive for young engineers.

Moreover, we introduced various programs to raise competence, which included Leading Change for leaders and the SAS Executive Program for our senior leaders. Both of these programs will contribute to managing our changing operating environment and to raising competence to secure long-term succession.

2.2 PROCESSES AND SYSTEMS

SAS uses systems and processes for efficient personnel management and to support securing skill needs and the succession order. We are gradually implementing Lean principles in our processes with clear action plans based on shared targets, which are categorized under SQDEC (Safety, Quality, Delivery, Employees and Cost), and which can be followed up throughout our entire operations. We conduct an annual analysis of internal skills with the aim of leveraging the greatest talents and making adjustments where improvements are needed. The annual process has identified talents and many employees have over time been given new positions or increased responsibility.

2.3 COMMITMENT

We continuously measure employee commitment and motivation. 2018 was the first fiscal year that a new measurement system for employee commitment was used. Use is steadily increasing and the response rate is rising, which is very positive.

The system enables SAS to check employee commitment on a quarterly basis. This enables problems to be identified earlier and to be taken care of, and local teams can work on issues and activities that are relevant to them, and directly affect their work situation, in order to strengthen commitment. Average employee commitment totaled 55 in 2018, which is 2 points lower year-on-year. The results vary between employee groups. The trend in 2018 was primarily negative among aircraft crew, while other employee groups noted stable or rising commitment. SAS can clearly see how business-strategic decisions and operational challenges affect employees differently, and can then implement the correct improvement measures more quickly.

To strengthen commitment, SAS works with the strategy One SAS – A great place to work, which focuses on reducing distances between different employee groups, building faith in the future, strengthening relations with operational employee groups, becoming a more sustainable employer and ensuring that our leaders have the right prerequisites. In conjunction with this, three major projects have been started that focus on Flight Operations, Ground Operations and Maintenance Production. These are centrally coordinated and locally driven.

During 2018, all senior leaders participated in the SAS Executive Program. SAS also organized forums such as Forum 50, Learning Lunch and the SAS Awards, where exceptional performance is rewarded.

SAS uses clear targets and employee influence in performance development, which aims to develop employee commitment and future leaders, and to boost our continued attractiveness as an employer.

2.4 STRIKES

Historically, the airline industry has been severely affected by labor market disputes. Through transparent and open dialogue with all labor unions and groups of employees, SAS endeavors to increase understanding of the shared challenges and the need to secure more efficient operations and, thereby, a safe and stimulating work environment.

SAS was not subject to any strike in FY 2018 caused by our own employee groups. However, SAS and other airlines' activities were affected on a number of occasions by small local labor conflicts in other countries. In 2018, we signed two agreements with cabin crew unions in Norway. We also modified its agreements with the cabin crew unions in Denmark and Sweden. The agreements will enable SAS to achieve efficiency targets, set in the cost program currently being implemented, relating to these important labor groups. During 2017, we agreed three-year collective agreements with the pilot unions in Denmark, Norway and Sweden. The agreements permit termination after two years, which was notified by the unions in June 2018. Negotiations will start in the first quarter of 2019 with the aim of having a new agreement in place by 31 March 2019, when the existing agreement expires.

4. SUSTAINABILITY RISKS

SAS has integrated its sustainability work into its management system, which has structured processes for mitigating all risks and possibilities in the field of sustainability.

4.1 ENVIRONMENTAL DIRECTIVES AND REQUIREMENTS

Different laws and regulations impose requirements for reduced climate and environmental impact, including through restrictions on noise levels and greenhouse gas emissions. All laws and regulations in the field of the environment and climate are handled by the SAS management system which, in environmental terms, is ISO 14001:2015 certified.

SAS works continuously with sustainability issues to ensure compliance with national and international requirements. SAS measures factors such as its eco-efficiency using the key ratio CO_2 emissions per passenger kilometer, which fell 1.4% to 95 grams (96) in the fiscal year. The improvement is mainly a result of aircraft fleet renewal and ongoing efficiency efforts.

4.2 ANTI-CORRUPTION

During the year, SAS conducted a number of activities to prevent potential risks that may exist. The most material risks are connected to employees in departments such as for example sales and supply chain management handling contracts and agreements with substantial value. The preventive activities includes, for example, training programs for prioritized employee groups and control measures aimed at addressing the requirement that all employees observe the SAS Code of Conduct as well as applicable laws.

4.3 HUMAN RIGHTS

SAS is a major purchaser of products and services from a large number of subcontractors. SAS is a UN Global Compact signatory, which places a number of requirements that all subcontractors share the SAS perception and requirements regarding human rights, for example. The most material risks are connected to employment terms and working conditions at SAS subcontractors and SAS for eample requires that employees at subcontractors have proper market-based employment terms and the right to organize into unions. SAS prioritizes subcontractors that share the basic principles of the UN Global Compact.

ABOUT THIS REPORT

This is the 23rd SAS Sustainability Report, which has been subject to third-party review since 1997. This Sustainability Report describes SAS' most essential environmental and societal aspects during fiscal year 2018 from November 1, 2017, to October 31, 2018.

The Annual Report and the separate Sustainability Report have been prepared in accordance with the GRI Standards: Core option. The UN Global Compact, UN Sustainability Development Goals, ISO 14001 and the CDP were also taken into consideration in the preparation of this Sustainability Report. The SAS Sustainability Report has been prepared in accordance with the SAS Accounting Policies for Sustainability Reporting.

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, SAS has chosen to establish the statutory Sustainability Report separately from the Annual Report. This Sustainability Report FY 2018 is published in connection with the Annual Report and can be found at www.sasgroup.net.

This Sustainability Report is a key part of our commitment to communicate transparently with stakeholders. Our 2018 materiality analysis identified "sustainability communication" as an area of great importance to SAS and its stakeholders.

The SAS Group is referred to as SAS in this Sustainability Report.

EXTERNAL REVIEW: MATERIAL SUSTAINABILITY INFORMATION AND EU-ETS

All material sustainability information in the Annual and Sustainability Reports for FY 2018 has been reviewed by PwC. The Auditor's assurance report on the Sustainability Report can be found on page 29.

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

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STAKEHOLDER DIALOG

We have a long tradition of ongoing dialog and cooperation with a wide range of stakeholders and involvement in sustainability-related issues. We apply the principle that all stakeholders seeking contact with SAS are offered the opportunity of dialog with the company.

An illustration with examples of stakeholder groups engaged by SAS is disclosed at www.sasgroup.net.

In recent years, sustainability issues have gained greater importance for our stakeholders, which is evident in the increased number of sustainability-related questionnaires from corporate customers and requests for on-site audits. From a sustainability perspective, we prioritize cooperation and collaboration with customers, authorities and suppliers in order to create the prerequisites for developing solutions to improve our own or the aviation industry's sustainability performance. Examples are the development of air navigation services and efforts to accelerate the commercialization of biofuels.

We also prioritize dialog with parties that seek knowledge, drive change or support SAS in different ways, for example employees, partners, experts, NGOs, researchers and the media. Examples of key topics and concerns raised by SAS corporate customers, investors and shareholders include issues related to product responsibility, anti-corruption, greenhouse gas emissions and working conditions. NGO and the media often address issues related to aviation's impact as an enabler for globalization or various views on our environmental performance. Media attention on aviation's environmental impact is a challenge for the entire airline industry, and we have chosen to take a leading role in the debate. Schools and educational institutions most often seek a deepened knowledge on our goals and strategies to reduce greenhouse gas emissions.

We see stakeholder dialog as an opportunity to initiate further engagement on these relevant topics and as input to develop the SAS customer offering and sustainability agenda. As an effort to create greater understanding of the aviation industry, we also participate in various industry and employee organizations.

EXTERNAL INITIATIVES

We have been a member of the UN Global Compact since 2003 and participate in the Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update – the Communication On Progress (COP). The most recent update of SAS information was completed in June 2018. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

We have also chosen to use the UN Sustainability Development Goals (SDGs) as a tool to structure our strategic sustainability agenda. See pages 6-7 for more on our approach to the SDGs.

Examples of organizations related to sustainability issues where SAS is a member:

- Member in Star Alliance, the world's largest airline network.
- Participation in three national industry organizations: NHO Luftfart in Norway; Föreningen Svenskt Flyg in Sweden; and Dansk Industri in Denmark.
- Member of the IATA and a member of the IATA's Environmental Committee.
- Active in the Nordic working group for environmental issues in aviation (N-ALM).
- Member of the Nordic initiative Sustainable Aviation.
- Member in Nordic CEO for a Sustainable Future.

ACCOUNTING POLICIES FOR SUSTAINABILITY REPORTING FISCAL YEAR 2018

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

For FY 2018, 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).
- 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. Scope 1
- Ground handling in SAS Ground Handling (SGH). SGH conducts ground handling for Scandinavian Airlines and other customers, such as other airlines. Scope 1.
- 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. Scope 1.
- Freight and mail services within SAS Cargo Group A/S (SCG). Scope 1
- Facilities owned or leased by SAS. Scope 2.

SAS continues to hold an interest in Air Greenland but this is not disclosed since we are no longer a majority shareholder and are divesting the current holding. The SAS organizational structure is presented on page 50 in the SAS Annual Report FY2018.

MONITORING SUSTAINABILITY-RELATED DATA

SAS monitors relevant sustainability key performance indicators (KPIs) on an ongoing basis. SAS uses various parts of the Lean methodology and follow-ups 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' sustainability agenda.

SCOPE OF THE SUSTAINABILITY REPORT

The SAS Sustainability Report should contribute to the evaluation and understanding of our operations. The report is an overview of our structured sustainability work. The goal of the SAS Sustainability Report FY 2018 is to disclose all information necessary to provide the reader with a comprehensive overview of our environmental, societal, and financial responsibilities. SAS Annual Report FY 2018 includes an integrated general overview of our sustainability efforts and sustainability information.

The ultimate responsibility for our sustainability aspects, and their integration in operational activities, lies with Group Management. The Sustainability Report was reviewed by SAS Group Board of Directors and SAS Group Management in January 2019. The SAS Group Board of Directors submitted the Annual Report FY 2017 and Sustainability Report FY 2017 in January 2018.

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 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 with regards to 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 societal 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 definition of 'occupational accident' in the H-value calculation has been changed. For recent years, SAS has reported on occupational injuries. From FY 2018 we report on occupational accidents. An occupational accident is due to a sudden, unforeseen and external event.

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 PK calculations uses 100 kg for any person with hand luggage and checked luggage transported. This does not include active crew.
- Cargo and mail, actual weight is used.
- Fuel density (kg per liter):
  - Jet A/A-1[1]: Actual density or 0.8
  - Diesel: 0.84
  - Petrol: 0.73
  - Heating oil: 0.84
- CO_2 factor (per weight unit of fuel):
  - Jet A/A-1[1]: 3.15
  - Diesel: 3.17
  - Petrol: 3.12
  - Heating oil: 3.17
  - Electricity: 125.5 (grams/kWh based on Nordic energy mix)
- 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-1[2] Between 0.00694 and 0.0193[2]

1) Fuel density and CO_2 factor for Jet A/A-1 is calculated according to approved MRV plan.
2) Varies per aircraft/engine combination.

CARBON EMISSIONS PER PASSENGER KILOMETER AND CARGO TONNE KILOMETER – SCOPE 1

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.

Total Passenger Fuel Usage	=	(Total Passenger Weight/ Total Weight) x Total Fuel Used
Where, Total Weight	=	Total Passenger Weight + Total Freight/Cargo Weight
Total Passenger Weight (kg)	=	(Number of Seats x 50 kg) + (Number of Passengers x 100 kg)

The calculation method allocates 50 kg per seat as a prerequisite 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. This may include 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 – SCOPE 1

SAS has chosen to construct a climate index for flight operations. The most recent base year is the full-year 2011, which is used to follow up progress related to activities implemented since this year. 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, which provides basic data to IPCC, on www.sasgroup.net under the heading Sustainability. This gives a ratio of two parts carbon dioxide to one part other greenhouse gas emissions such as nitrogen oxides, water vapor and particulates. Nitrogen oxides have been chosen as a non-CO_2 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 CALCULATING EXTERNAL AND OTHER ENVIRONMENT RELATED COSTS

Where possible, environment 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.

PRINCIPLES FOR REPORTING AND CALCULATING EMPLOYEE DATA

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

OCCUPATIONAL ACCIDENTS (H-VALUE)

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

$$\frac{\text{No. of occupational accidents with a minimum of one day absence x 1,000,000}}{\text{Total number of performed working hours per year}}$$

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. The statistics include employees with 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 the number of employees multiplied by the number of 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 the total sick leave.

GRI CONTENT INDEX

GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	GENERAL DISCLOSURES			
GRI 102: General disclosures 2016	102-1	Name of the organization	Back cover.	
	102-2	Activities, brands, products, and services	Page 2.	
	102-3	Location of headquarters	Back cover.	
	102-4	Location of operations	Page 2.	
	102-5	Ownership and legal form	Annual Report FY2018 (AR18) page 49.	
	102-6	Markets served	Page 2.	
	102-7	Scale of the organization	Pages 2,10,16 and AR18 page 64.	
	102-8	Information on employees and other workers	Pages 14-16.	SAS only report total worforce, not by employment type and contract. SAS will report this next year.
	102-9	Supply chain	Page 18.	
	102-10	Significant changes to the organization and its supply chain	Page 16.	
	102-11	Precautionary Principle or approach	Page 20 and AR18 pages 41-46.	
	102-12	External initiatives	Page 23.	
	102-13	Membership of associations	Page 23.	
	102-14	Statement from senior decision-maker	Page 3.	
	102-15	Key impacts, risks, and opportunities	Pages 20-22	
	102-16	Values, principles, standards, and norms of behavior	Pages 6-7,15 and 20.	
	102-18	Governance structure	AR18 page 50.	
	102-40	List of stakeholder groups	Page 23.	
	102-41	Collective bargaining agreements	Page 16.	
	102-42	Identifying and selecting stakeholders	Pages 23.	
	102-43	Approach to stakeholder engagement	Page 23.	
	102-44	Key topics and concerns raised	Pages 6-7 and 23.	
	102-45	Entities included in the consolidated financial statements	Page 2,24 and AR18 page 50.	
	102-46	Defining report content and topic Boundaries	Pages 23-24.	
	102-47	List of material topics	Pages 6-7.	
	102-48	Restatements of information	Not applicable.	
	102-49	Changes in reporting	Page 24.	
	102-50	Reporting period	Front cover.	
	102-51	Date of most recent report	Pages 1 and 24.	
	102-52	Reporting cycle	Page 24.	
	102-53	Contact point for questions regarding the report	Page 23.	
	102-54	Claims of reporting in accordance with the GRI Standards	Page 23.	
	102-55	GRI content index	Pages 26-27.	
	102-56	External assurance	Page 29.	
	ANTI-CORRUPTION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Pages 18 and 20-21.	
	103-3	Evaluation of the management approach	Pages 18-20.	
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	Page 18.	
	ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Pages 18 and 20-21.	
	103-3	Evaluation of the management approach	Pages 18-20.	
GRI 205: Anti-competitive behavior 2016	205-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Page 18.	
	EMISSIONS			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Pages 8 and 20-21.	
	103-3	Evaluation of the management approach	Page 8 and 20.	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Page 12.	
	305-2	Energy indirect (Scope 2) GHG emissions	Page 12.	
	305-4	GHG emissions intensity	Page 12.	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Page 12.	

GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	EFFLUENTS AND WASTE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Pages 12-13 and 15-16.	
	103-3	Evaluation of the management approach	Pages 8 and 20.	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Page 2 and 13.	
	SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Page 18.	
	103-3	Evaluation of the management approach	Pages 18-20.	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Page 18.	
	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Page 16-17.	
	103-3	Evaluation of the management approach	Page 16.	
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	Page 16.	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 16.	
	TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Pages 16-17.	
	103-3	Evaluation of the management approach	Page 16.	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Page 15.	SAS training records don't include gender. SAS will report this next year.
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 15.	
	DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Page 16-17.	
	103-3	Evaluation of the management approach	Pages 13 and 16.	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Page 16 and AR18 pages 58-60.	
	SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Page 18.	
	103-3	Evaluation of the management approach	Pages 18-20.	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criterias	Page 18.	
	CUSTOMER HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 6-7 and 23-24.	
	103-2	The management approach and its components	Page 19.	
	103-3	Evaluation of the management approach	Pages 18-20.	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Page 19 and AR18 page 41.	

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 financial reporting. Sometimes the term FTE (Full Time Equivalent) is used.

Biofuels – are solid or liquid fuels of biological origin. Liquid fuels for vehicle/ship/aircraft engines. They are considered carbon neutral to various degrees. 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.

CDP – is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Read more at http://www.cdp.net.

Carbon dioxide (CO_2) – is a colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO_2 emissions are being reduced due to the switch to more fuel-efficient aircraft, something that is also desirable from a financial standpoint since lower fuel consumption reduces 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 bromide. A class of stable chemical compounds mostly known under the trade names Freon or Halon. Their manufacture is prohibited by the Montreal Protocol because of their depletion of the ozone layer. Aviation has an exception for use under a critical use clause due to the lack of approved alternatives. Research for alternatives is ongoing.

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

CO_2 – Carbon dioxide (see definition).

CO_2 passenger or cargo share – is the amount of carbon emissions from passenger or cargo transport.

Code of Conduct – is the ethics rules and guidelines of a particular business.

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 NOx, 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 CO_2 charges in Sweden and 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 that provides companies and organizations with a global sustainability reporting framework and thereby allows 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 human use of fossil fuels is causing global warming. Carbon dioxide is formed in the combustion of all fossil fuels, but burning biofuels only emits an amount of carbon equal to that absorbed during growth, producing no net emissions. However, the 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. www.iata.org

In-air fuel dump – is used if an aircraft has to land prior to its total weight has reduced to below 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.

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 CO_2 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 – (NOx) Formed during combustion in jet engines. The high temperature and pressure in aircraft engines cause the atmospheric nitrogen and oxygen to react with each other. This mainly occurs during take-off and ascent when the engine temperature is at a maximum.

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

NOx – Nitrogen oxides (see definition).

Occupational accident – is the number of injuries employees incur by accident due to a sudden, unforeseen and external incident, 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.

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 – involves satisfying current human needs without limiting 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 km^2 that is subjected to a noise footprint of 85 dB(A) or more in connection with take-off.

INDEPENDENT AUDITOR'S COMBINED ASSURANCE REPORT AND OPINION ON THE STATUTORY SUSTAINABILITY REPORT

To SAS AB (publ), orgn. nr 556606-8499

INTRODUCTION

We have been engaged by the management of SAS AB (publ) to undertake an examination of the SAS Sustainability Report for the year 2017/18. The company has defined the scope of the sustainability report on page 24, which also constitutes the statutory sustainability report.

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 including the Statutory Sustainability Report, in accordance with the applicable criteria, and the Annual Accounts Act. The criteria is explained on page 24 in the Sustainability Report, and are the parts of the GRI Sustainability Reporting Standards 2016 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 and to provide an opinion on the statutory Sustainability Report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our engagement in accordance with ISAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. 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. We have conducted our review regarding the statutory Sustainability Report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. The procedures performed in a limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit 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. We are independent in relation to SAS AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

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, the limited assurance and the review according to RevR12 will be presented in separate sections.

Our reasonable assurance engagement includes the following:

a. Financial indicators (except environmental-related costs) found on page 2,
b. Jet fuel and carbon dioxide (CO_2) emissions related to SAS flight operations on page 2 and 12

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.

A statutory Sustainability Report has been prepared.

Stockholm, 28 January 2019

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant

Isabelle Hammarström
Expert Member of FAR

NARVA

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