



**Corporate Social Responsibility**  
summary 2017

# This summary

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# President and CEO review

Our important mission relies just as much on our ability to work responsibly, ethically and efficiently as it does on the quality, competitiveness and innovation of the solutions we provide.



In 2017, Air Astana turned round its performance both in operations and CSR. Total airline revenue grew by 24% to USD 767.54 million and net profit amount USD 39.32 million. Operating profit grew by 67% to USD 63.26 million.

Our people and services are trusted by customers by its safe, reliable, ethical and efficient performances and innovation solutions we provide. Our core values – Hospitable, Efficient, Active, Reliable and Trustworthy – continue to provide a strong foundation for everything we do. Together with an unrelenting commitment to ethical and responsible behaviours our values remain an important element of the high-performance culture we seek to uphold across our operations and activities.

We always invest heavily in service improvements and staff training. A number of service and sales enhancements have been introduced, including on-board Wi-Fi on Boeing 767 aircraft, in-flight entertainment streaming on aircraft without seat-back televisions, premium advance seat selection, and the MyUpgrade Business Class bidding facility.

We were again recognized by Skytrax, which reaffirmed our Four Star status and whose respondents voted us “Best Airline Central Asia and India” and “Best Staff Service Central Asia and India” for the sixth and fifth consecutive years respectively.

We received positive exposure and a welcome traffic boost from Astana’s

successful and enjoyable EXPO 2017, themed “Future Energy” of which we were a principal sponsor.

We continued to train young Kazakhstan nationals to become airline pilots and engineers through our Ab-Initio programmes, so that to date, 209 men and women are either in the programme or in line operations with us.

At the end of the year we opened an all weather-proof double aircraft bay hangar at Nursultan Nazarbayev Airport in Astana, in which we expect to perform light and heavy aircraft checks in the years to come.

We successfully completed the IATA Operational Safety Audit (IOSA) for the fifth consecutive two year period.

This Summary sets out our performance and approach in key areas of Corporate Social Responsibility. It is an important element of our commitment to open and honest dialogue with our stakeholders. We believe that meeting and exceeding the expectations of all our stakeholders is not only the right thing to do, it is also important to the long-term success of our business and development of society we operate in.

# CSR Committee Chairman's review

In 2017 we focused on the continued assessment of our environmental impact and fostering relationships with external charitable causes



Rt Hon Lord Hesketh KBE, PC

During 2017 the Committee focused on the impact of the company's operations on the environment which has developed many initiatives to reduce this including the addition of new Airbus A320 NEO and Embraer E2 aircraft to the fleet. Changes in flight operations, catering and revision of engineering policies have also contributed to reduce the carbon footprint of the airline. Within the company there is increased awareness of environmental impact with several recycling programmes growing in strength in offices including recycling batteries, reusing plastic cups and a general reduction in overall waste.

Support of local charitable causes remains a priority for Air Astana as an active member of the community and this has been prominent during the past year with examples of help to veterans of the Great Patriotic War and also sick children who are unable to receive life enhancing treatment within Kazakhstan.

Recently, the Shareholders agreed that the airline pursues IPO and this has meant several changes to the composition of the Board of Directors, the governing Charter and the structure of Air Astana in preparation for this. Additionally, internal policies and processes are in the process of being updated to accommodate the

requirements for a dual listing company. The Committee has been looking very closely at this and how it impacts on the day to day function of the airline and will continue to do so during 2018.

The continued worldwide economic crisis and the rise in jet fuel have had a large effect on Air Astana. The company continues to drive down costs with a comprehensive cost reduction programme whilst continuing to maintain a strict safety regime and the high standard of service our Customers expect. The coming year will add challenges that the Committee will need to monitor in more depth especially with the agreed expansion of the Business Plan.

The CSR Committee will develop further during 2018 and will be busy changing the way it monitors and reports progress to the Shareholders. There is a revised reporting format and the Committee has amended the areas that are reviewed. Safety remains the critical component in everything the airline does and this has been recognised by the continued success at all operational safety audits and monitoring undertaken by the industry's standards authorities. In addition to this, IPO activities and the environmental impact of day to day operations will also remain key areas for monitoring and reporting on.

# The big picture

Our market environment is ever changing, reflecting geopolitical and rapid technological shifts. We therefore need to be able to respond to current and future customer requirements.

Worldwide air transport contribution to the economy is hard to overestimate:

- Air transportation is the force for economic and social progress
- It unites people, countries and cultures together
- Provides access to the world markets
- Promotes trade and tourism
- Makes connections between the developed and developing countries
- Provides employment of millions of people around the world
- Creates indirect jobs due to the volume of purchases of goods, equipment and other supplies for air transport

It is worth noting that since its creation and start of operations, Air Astana has paid to the state budget 64.8 billion tenge of taxes and other payments (excluding compulsory pension contributions).



In January – December 2017 the government payments were 7.4 billion tenge.

Despite the heavy devaluation of the national currency, increased aviation fuel price and other negative factors, Air Astana took various measures and actions directed at transit traffic promotion and was able to increase number of its passengers for the period of January – December 2017 to 4.2 million compared to 3.7 million in 2016 for the same period.



# Our market

The domestic market still accounts for approximately half of our total traffic. We are also planning to continue our focus on the international market as we double our fleet by 2026. With low costs and a strong financial position, we are able to compete effectively.

The airline commenced scheduled flight operations on 15<sup>th</sup> May 2002 and as of 31 December 2017 operates from hubs in Almaty and Astana a network of 66 routes of which 46 are international and 20 are domestic.

In June 2017 the airline launched a new route from Astana to New Delhi, India. Another new flight was introduced the following month - Oral - Frankfurt. In addition to the new services, Astana to Kiev service was also resumed in July 2017.

According to the summer schedule the number of frequencies in 2017 has been increased on the following routes:

Route	2016	2017	Difference
Astana-Yekaterinburg-Astana	3	7	4
Astana-Novosibirsk-Astana	4	7	3
Almaty-Beijing-Almaty	5	7	2
Astana-St.Petersburg-Astana	5	7	2
Astana-Tbilisi-Astana	2	4	2
Almaty-Antalya-Almaty	6	7	1
Almaty-Tbilisi-Almaty	6	7	1
Astana-Urumqi-Astana	5	6	1
Almaty-Bangkok-Almaty	4	5	1
Astana-Istanbul-Astana	4	5	1
Astana-Omsk-Astana	4	5	1
Astana-London-Astana	4	5	1
Almaty-Seoul-Almaty	3	4	1
Astana-Beijing-Astana	3	4	1
Astana-Antalya-Astana	3	4	1
Almaty-Tehran-Almaty	3	4	1
Astana-Tashkent-Astana	2	3	1
Astana-Bangkok-Astana	2	3	1
Kostanay-Hannover-Kostanay	1	2	1
Astana-Seoul-Astana	1	2	1
Almaty-Astana-Almaty	62	63	1
Astana-Kostanay-Astana	8	9	1

# Corporate Social Responsibility governance

We adhere to the concept of stable development and participate to the fullest extent in the implementation of the state strategy of transportation field development.



## Mission

***From the Heart of Eurasia we are building one of the finest airlines in the world.***

## Goals

1. We implement the highest safety standards.
2. We are and must be the most reliable airline in the region with the highest standards of customer service.
3. We profitably grow and improve our fleet, route network and product.
4. We work to the highest standards of integrity and business ethics.
5. We recruit, appraise and reward staff based on merit and enable them to develop to their maximum potential.
6. We are a socially responsible organisation
7. We are a global ambassador for Kazakhstan.

## Values

- **H**ospitable
- **E**fficient
- **A**ctive
- **R**eliable
- **T**rustworthy



Air Astana, as the national air carrier of Kazakhstan and a joint venture of BAE Systems and the National Welfare Fund "Samruk-Kazyna" JSC, acknowledges its obligations to the state, investors, passengers, employees, business partners and the public. Our activities are in accordance with international principles of business ethics.

Air Astana supports, sponsors and contributes to the activities of charitable/not-for-profit, or other organisations, where the activities are aligned with our principles of responsible business conduct, are in support of the Community Investment Strategy of Air Astana, and where a measurable impact to the community can be demonstrated. This policy mandates the minimum standards applied to Community

# 2017 review

This section describes performance across key areas of our business, our approach and commitments.

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# Health and safety

The health and safety of passengers and employees has always been Air Astana's core value and the implementation of the highest safety standards is airline's top corporate goal.



The company implements a structured and comprehensive Safety Management System (SMS) committed to proactive and effective risk management and all levels staff are continuously kept aware of their safety responsibilities and duties. Air Astana's SMS compliance to the highest international standards was confirmed by the 6th successful IOSA the operator passed in May 2016. In 2017 the safety performance of Air Astana was marked with incidents reduction, in line with worldwide airline industry figures.

IOSA (IATA Operational Safety Audit) is developed for assessment of the control and operation management systems in airlines. The programme was established in 2003 by the International Air Transport Association (IATA). The first IOSA audit was in 2007, and since then the company has been certified every two years. The next audit is scheduled for 2019. Audit verifies compliance with the IOSA standards in all aspects of air carrier operations: corporate management systems, flight operations, flight management, and the dispatcher service, engineering and ground servicing of the aircrafts, on-board servicing, cargo operations, and aviation safety, as well as procedures and processes that are implemented in everyday operations.



# Our people

We value our 5 079 employees and the contribution they make, and we are committed to creating an inclusive culture where everyone can achieve their best.

Recruiting and retaining the best people from the widest possible talent pool is a key priority for Air Astana. Universum, a leading agency specializing in employer brand-building research and generation of solutions for attraction and retention of talents has issued their traditional rating of the most attractive employees in Kazakhstan. For the second time in a row Air Astana has become the leader of the rating.

The national air carrier also is the best employer according to the specialists with education in the humanities and the professionals with business degrees. The airline has also been included in the top-ten preferred employers according to the graduates in all other sectors. The assessment was based on a survey among specialists and students from 33 Kazakhstan universities.

In 2017, Air Astana launched an extensive “Try on a Dream” campaign aimed at selection, employment, and training of candidates from all over Kazakhstan.

The staff number of the company as of December 31, 2017, was 5,079 persons while the aircraft fleet included 31 aircraft. The company is planning to increase the fleet up to 64 aircraft within the following 10 years. Therefore the staff number is expected to increase by 11% by 2020.



The airline has a demand for new pilots, engineers, mechanics, flight attendants, and handling agents. Air Astana selects candidates that can speak 3 languages, can work in a team, and have skills required in an emergency or crisis situation.

For more information please visit the Training and Careers section at [job.airastana.com](http://job.airastana.com)

# Training and development

Training and development of employees are one of the main priorities of Air Astana. All operational and technical staff of the company is trained in the best Aviation Training Centers worldwide.



The Aviation Training Centre of the company for training of engineers was established in 2015 and certified by the Civil Aviation Committee of the Republic of Kazakhstan (CAC RK) under EASA Part 147. The following training courses were provided by the Aviation Training Centre: In 2017, 29 courses were held for 394 students. The A320 NEO aircraft training (theory and practice) for third parties and engineers of the company.

Full course for Airbus A319\320\321 IAE V2500 B1\B2 (theory and practice).

In 2017, the Civil Aviation Committee approved additional courses "Hazardous Cargoes" for all air staff (over 300 pilots) and ground service (over 700 employees).

Currently, there are 29 training courses in place for the three departments and third parties. The scope of work for development of the training courses is growing: database processing (including CCA system – the company authorization), and preparation of reports for students, issue of certificates.

Good command of English is important in the sphere of engineering and technical maintenance of aircrafts since all documentation is prepared mainly in the industry-specific English language. In this regard a computer English test was held for the certified employees.



The Aviation Technical Centre also provided 89 training places for other companies such as Bek Air, Prime Aviation, Kazaviaspas and others.

The Aviation Technical Centre has successfully passed audits under EASA Part 145, Part 147, CAC, as well as 3 internal audits. The total revenues from the training courses amounted to 14.2 mln KZT.

# Ab-initio

The Ab-Initio programme provides opportunities for a new generation of Kazakh pilots and helps alleviate a shortage of the qualified flight personnel.

The ab-initio pilot training programme was launched in 2008 to help alleviate a shortage of local qualified pilots and provide an opportunity for young people to enter a well-paid profession with a prestigious airline. Since that time, two hundred Kazakhstani cadets have graduated and are flying with the airline as First Officers and Captains. The year-round programme continues to deliver around 20 qualified pilots to the airline every year following training at Atlantic Flight Training Academy in Cork, Ireland and Flight Training Europe in Jerez, Spain.

The training course lasts up to 18 months and costs approximately USD 100,000 per cadet. The airline makes 100% prepayment for training, with the cadet only required to reimburse half of the amount throughout their employment with Air Astana.

In 2017 eleven people completed their training. Overall 242 cadet pilots have participated in the programme since 2008 when it was first launched. Graduates of the programme have been certified to fly Boeing 757/767, Airbus 320, and Embraer.

Citizens of the Republic of Kazakhstan, aged between 18 and 34, who speak good English, as well as those with knowledge in the field of physics and mathematics, are eligible to apply for the programme at [job.airastana.com](http://job.airastana.com)



The company invested  
**4.2 billion KZT**  
in implementation of the programme since its launch.

# Our community

With the spirit of professionalism, devotion and dedication, Air Astana provides its best services to the society. Paying taxes with integrity, protecting the environment, actively fulfilling our social responsibilities and contributing to the Community are significant priorities along with our business performance.



## Free flight tickets

In 2017 we provided 3,914 flight tickets to the veterans of the Great Patriotic War for traveling around Kazakhstan and to the CIS as well as 124 flight tickets provided to severely ill children and their accompanying parents totalling 38 mln KZT.

## Donations

In 2017, 1.1 mln tenge was raised through the donation boxes installed in the ticket offices in Almaty, Astana, and Atyrau in support of the charity project of Ayala Foundation aimed at provision of modern equipment to the children's units of the intensive care at the infectious diseases hospitals of Kazakhstan. In total 13.4 mln KZT has been raised since 2010 when the campaign started.

In 2017, we purchased equipment for the Republican Children's Clinical Hospital in Aksai to the amount of 888 040 KZT.

Together with Ayala Foundation we arranged a tour to EXPO-2017 for the children living in SOS village. The children visited the stand of the national airline, where they met a pilot who shared insights of the pilot's job.



## Sponsorship

Air Astana supported a visit of 36 local students and 6 teachers from Nazarbayev University to Cranfield University (UK) to attend the 7-day aerospace technology seminar.

In association with the British Council in Kazakhstan we arranged a meeting in London for Isaak Mustopulo, a 15-year-old school student with cerebral palsy, with theoretical physicist Professor Stephen Hawking. Issak won a special prize in the national STEM Innovation Competition for people with disabilities with his The Theory of Harmony video describing the process of power generation for spacecraft. In his video, Isaak mentioned the late Stephen Hawking as his role model.

# Trust and integrity

Air Astana strives to implement highest business ethics standards and be a recognised leader in business conduct. We want our employees and shareholders to take pride in what we do and how we do it.



Our philosophy is in staff education that we believe helps us to prevent unwanted cases rather than try finding solutions for them. Staff training also helps us to embed rigorous standards on business ethics across the company.

In 2017 Air Astana Training Centre introduced a special course to address the risk and minimize number of cases involving violation of the business ethics. Registered under Human Resources Risk Management Action Plan the course "Violation of the Business Ethics and Standards of Business Communication" teaches on a number of preventive and detective actions developed and applied to ensure that all Air Astana employees are aware and follow Code principles.

Over 4 500 employees were enrolled to complete the annual online course of Business Ethics via Learning Management System. The course is offered in Russian and English languages. Almost 90% of all employees have undertaken and successfully completed the course to date.

In addition all newly hired staff undergo through a special part directed to build up Business Ethics Code as a part of their mandatory induction seminar.



# Resource efficiency

Reducing our company's environmental impact is an indispensable element of our sustainable development.

Our environmental protection programme includes the following key priorities:

- Resource management, including the development and implementation of technologies to ensure efficient use of natural resources;
- Taking steps to avoid contributing to man-made climate change and paying suitable compensation for any environmental damage caused;
- Monitoring the environmental impact of our business operations;
- Ensuring environmental protection in line with international standards.

As part of our overall Policy on Health and Safety Management, we conduct regular audits to ensure stringent compliance with international standards on atmospheric emissions.

We are able to keep our emissions at low levels by focusing on our fleet: in addition to operating young and efficient aircraft whenever possible, we are also taking steps to modify older aircraft that do not meet current emissions standards.



# Resource efficiency

Reducing our company's environmental impact is an indispensable element of our sustainable development.



## CO<sub>2</sub> emissions

As a responsible airline that strives to mitigate the negative effects of its business on the environment, Air Astana constantly works on reduction of CO<sub>2</sub> emissions. Air Astana's programme to acquire new aircraft and simultaneously phase out older ones is part of a number of major factors that contributes to the reduction of overall CO<sub>2</sub>. Thus, we were able to reduce by 4.53% the amount of CO<sub>2</sub> emissions from 0.08 tCO<sub>2</sub> per ASK in 2012 to 0.07 tCO<sub>2</sub> per ASK in 2017.

## Waste reduction

The airline management puts effort in educating its staff to reuse and utilise materials. Good examples are the points of scrap paper and batteries collection situated in the offices of Almaty and Astana. The programme started in 2015 and initial amount of scrap paper was 8 670 kg. However, the amount of paper collected in 2017 is 9 times more than 2015, which is 80 874 kg.

In addition to scrap paper collection, the airline also started battery collection and utilisation programme back in 2016. In 2017 220 used batteries and 155.5 kg of battery jars have been collected through the Almaty and Astana offices.

The company continues to diversify its 'green' programmes and in November 2017 special containers for collection of plastic bottles were placed in the Almaty offices each with a capacity of 2 700 litres recycling.

## A young fleet

Our company is the only airline in Kazakhstan operating aircraft from the Airbus A319/320/321 family. In addition to offering passengers a high level of comfort, all of these aircraft are also very environmentally friendly, ensuring the best fuel economy and lowest levels of emissions and noise footprint in their class. The Airbus A320 NEO features innovative Pratt & Whitney engines that are 15% more fuel-efficient than their predecessors.

Air Astana's first Airbus A320 NEO was delivered and put into service in November 2016. The A320 NEO operates on domestic flights, as well as international flights to China, India, Russia, Turkey and the United Arab Emirates.

Our company also operates a number of Boeing 757-200 aircraft, which feature innovative technologies enabling excellent fuel efficiency, low noise levels, a high level of comfort and excellent operating performance.

In 2017 Air Astana signed a lease agreement for five Embraer E2s. Deliveries will commence in late 2018 or early 2019. The E2 offers greater range and operational efficiency.

## Aircraft modifications

Modifying aircraft through the addition of winglets (Boeing) or sharklets (Airbus), provides two benefits: first, they enable greater fuel efficiency; and, second, by improving aerodynamics, they make more rational flight routing possible.



# Our suppliers

Most of our work in 2017 was aimed at achieving cost savings and concluding timely contracts.



In terms of any procurement processes and management approach, Air Astana is governed and regulated by Procurement Manual approved by the Board of Directors. The manual provides strict regulation on procurement processes that includes business ethics and antifraud framework.

It also provides complete guideline on procurement procedures, starting from purchase planning, where it describes the process till the last step of contract signing.

In addition, it also includes contract management and aspects on the relationship with supplier including ethical and transparency principles.

Air Astana executes procurement of goods, works and services in accordance with the following principles:

- publicity and transparency of procurement;
- optimal and effective use of funding assigned for procurement;
- procurement of goods, works and services of high quality;
- arrangement of equal opportunities for all potential suppliers for participation in procurement process taking into account support for handicap organizations (individuals – persons with disabilities engaged in entrepreneurial activity) fair tender among potential suppliers;

- control and responsibilities for decisions taken;
- minimizing intermediaries involvement in the procurement process;
- effective implementation of investment strategic projects.

Following the rules and guidelines of the manual help the airline to maintain the reputation of responsible, cost effective and transparent business partner aimed for sustainable business performance.

The manual is updated every year mainly to reflect both operational and legal changes allowing us to move closer to best industry practices from year to year.

Based on a historical experience, as every year a tender season takes place for renegotiating majority of expiring contracts with exception to long term ones, a pool of weak points or gaps in processes or legislative requirements are carefully analyzed and then discussed internally, proposed required amendments are brought and presented to Board for approval. Before that both Shareholders thoroughly check the proposed amendments and change where necessary.

# Contact US



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