



Air Astana JSC

Corporate Social Responsibility Report

2016





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Company profile

Air Astana was registered in 2001 as a joint venture between Samruk-Kazyna, the National Welfare Fund of the Republic of Kazakhstan and the company BAE Systems PLC (UK), with respective shares of 51% and 49%.

The airline commenced scheduled flight operations on 15th May 2002 and currently operates a network of 65 international and domestic routes from hubs in Almaty and Astana. In June 2016 the airline launched a new route from Almaty to Tehran, Iran.

| The number of frequencies in 2016 has been increased on the following routes: | | |
|---|-----------|--------------------|
| ROUTE | MONTH | FREQUENCY INCREASE |
| Astana - London | June | 3 -> 4 |
| Almaty - Saint Petersburg | July | 4 -> 7 |
| Astana - Saint Petersburg | July | 3 -> 5 |
| Almaty - Kiev | August | 5 -> 7 |
| Almaty - Baku | June | 3 -> 4 |
| Astana - Tbilisi | June | 0 -> 2 |
| Almaty - Bishkek | June | 6 -> 7 |
| Almaty - Shymkent | June | 11 -> 14 |
| Almaty - Kyzylorda | September | 8 -> 9 |
| Almaty - Ust-Kamenogorsk | October | 7 -> 9 |
| Astana - Atyrau | June | 10 -> 11 |

About the company



Moreover, Air Astana's on board services have been internationally recognised making Air Astana the first carrier from Russia, the Commonwealth of Independent States (the CIS) and Eastern Europe to be awarded the prestigious 4-Star rating by Skytrax at its World Airline Awards 2012. This achievement was repeated in 2013, 2014, 2015 and 2016. It has also been named 'Best Airline in Central Asia and India' for the past five years and 'Best Airline Staff Service Central Asia/India' for the past four years.



About the company

Currently the fleet of Air Astana consists of 31 western-made aircraft with average operating age of 7.4 years. Air Astana fleet comprises of Boeing 767-300ER, Boeing 757-200, Embraer-190 and Airbus A320 Family that includes recently received A320 neo.



3 x Boeing-767



5 x Boeing-757



4 x Airbus-321



8 x Airbus-320



1 x Airbus-320 neo



1 x Airbus-319



9 x Embraer-190



In 2011 Air Astana's Board of Directors/Stockholders approved the Company's long term Strategic Plan for the periods of 2011 - 2020. Three different scenarios of growth have been used as a base for Strategic Plan - high growth, medium and low growth scenarios.

The plan envisaged the following major aspects in Company's developments:

- Air Astana has planned to introduce two new high technology types of aircraft during the plan period notably the Embraer E190 jet and the Boeing 787 Dreamliner. These aircraft together with the Airbus fleet will mean that Air Astana will have the most modern fleet of aircraft in the region with an average age of 5 years, after the old aircraft types have retired.
- Air Astana has developed into the leading information technology airline in the region with its website, distribution and revenue management systems, and its corporate application and management information systems.
- The airline will develop a heavy maintenance engineering capability with extensive workshop facilities that will enable the airline to carry out major aircraft maintenance in-house, and provide the base for a centre of excellence in the region, and the ability to maintain aircraft of types similar to Air Astana for other airlines.
- The airline plans to introduce up to 14 new routes domestically and up to 31 new routes internationally.
- The ab-initio pilot training programme will result in a highly qualified and experienced Kazakh pilot workforce comparable to that of any major international operator. The planned recruitment will provide Air Astana with up to 500 pilots by 2020.
- Air Astana wishes to develop Almaty airport as a regional hub for Central Asia as well as being the base airport for Air Astana operations. Astana airport will be developed as the second hub for Air Astana.
- Air Astana is at the forefront of human resource and people development activities. The airline offers an ongoing training programme directed at the development and education of its workforce.
- Air Astana is recognised as having a corporate governance structure in accordance with the best international principles of corporate governance. In addition to this, the airline has an excellent corporate safety structure and record, which it will continue to extend and develop to all areas of its operations.

Contribution to the economy

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, the airline has paid to the state budget 57.4 billion^[1] tenge of taxes and other payments (excluding compulsory pension contributions). In January – December 2016 the government payments were made up at 7.1 billion^[2] tenge.

Due to the heavy devaluation of the national currency, the airline's number of passengers in January – December 2016 slightly decreased to 3.7 million^[3] compared to 3.9 million^[4] in 2015 for the same period.

| Total number of passengers (unaudited data) | |
|--|------|
| 2012 | 3.2m |
| 2013 | 3.7m |
| 2014 | 3.8m |
| 2015 | 3.9m |
| 2016 | 3.7m |

However, due to the insufficiency of the Kazakhstan market Air Astana has focused on the growth of its transit passenger traffic. A lot has been done to attract international travelers and development of a so-called 6th freedom programme.

| Number of transit passengers (unaudited data) | |
|--|--------|
| 2012 | 87.8k |
| 2013 | 184.9k |
| 2014 | 202.3k |
| 2015 | 186.3k |
| 2016 | 309.7k |

^[1] – unaudited data

^[2] – unaudited data

^[3] – unaudited data

^[4] – unaudited data



Air Astana takes the responsibility to protect the environment and recognises that environmental concern:

- is one of the main corporate values;
- helps to improve the company profitability;
- means efficient use of resources leads to a reduction in operating costs;
- minimises risks;
- has a positive effect on the company's image.

Basic steps of Air Astana to protect the environment are aimed at reducing the impact on the environment, particularly in areas such as carbon dioxide emissions and waste disposal control.

CO₂ emissions

Methods to reduce emissions for any airline in the world are using effective, modern aircraft, modification of the existing ones, as well as rational flight planning.

As a part of its fleet renewal programme along with the plan to diminish CO₂ emissions, Air Astana has signed a deal at the 2015 Paris Airshow for seven Airbus A320 neo Family aircraft, comprising of two Airbus A320 neo, one A321 neo and four A321 neo Long Range (LR). The new aircraft will be acquired on operating leases basis from Air Lease Corporation of Los Angeles, USA. Air Astana has ordered another four additional A320 neo Family aircraft that will be acquired on operating leases from AerCap Holdings N.V. A., making the number of aircraft on order equal to eleven airplanes in total.

The first A320 neo has been delivered and put into service in November 2016. Air Astana's A320neo is powered by Pratt & Whitney engines, the new engine technology that claims to cut emissions by 15%. Air Astana is the first airline in the Central Asian region and the CIS to put into commercial operation A320 neo aircraft. The new A320 neo will be operated within Kazakhstan and on airline's international network such as China, Turkey, India, Russia and UAE.

The next two A321 neo are scheduled to be delivered in 2017, with the remaining eight aircraft of both orders to be delivered in 2018 and 2019. With delivery of A321 neo LR the airline will gradually replace Boeing 757-200 fleet, allowing Air Astana to retain its leading position of operating the youngest fleet in Central Asia and one of the youngest in the world.

Replenishment of the fleet with new aircraft has occurred simultaneously with the detailed calculated return of some aircraft upon expiry of the operating lease contracts. Effective planning is the critical factor for successful implementation of the renewal and maintenance of a high level of the airline's fleet and reduction of negative impact on the environment.



As a responsible airline that strives to mitigate negative effects of its business on the environment, Air Astana constantly works on reduction of CO₂ emissions. As a result the national air carrier of Kazakhstan was able to cut the emissions produced per flight hour by almost 7% in 2016 compared to 2012. Moreover, the amount of CO₂ per ASK decreased by almost 6% this year compared to 2012 and Air Astana keeps working on reduction of its overall emissions.

Air Astana also implements various programmes directed at 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 Astana and Almaty. In 2016 almost 69^[5] tonnes of paper has been collected. The Company's initiative to replace all lightbulbs with LED lamps has led to considerable energy savings. Another example is the replacement of drinking bottled water with filtered water, which has led to the reduction in costs and optimisation of the supply process.

Moreover, handling of Air Astana's flights annually requires a large amount of resources: food for the passengers, plastic utensils, hygiene products and much more. In order to reduce waste the company thoroughly analyses the resources consumed and based on the results, optimises calculations of corresponding on board aircraft deliveries.

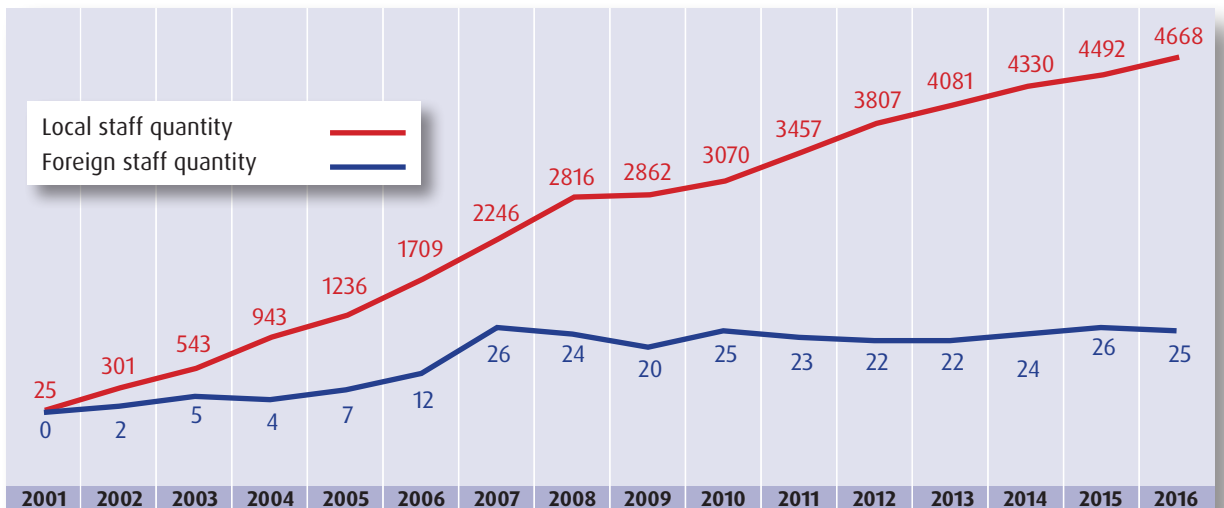
^[5] – unaudited data

Labour-management relations



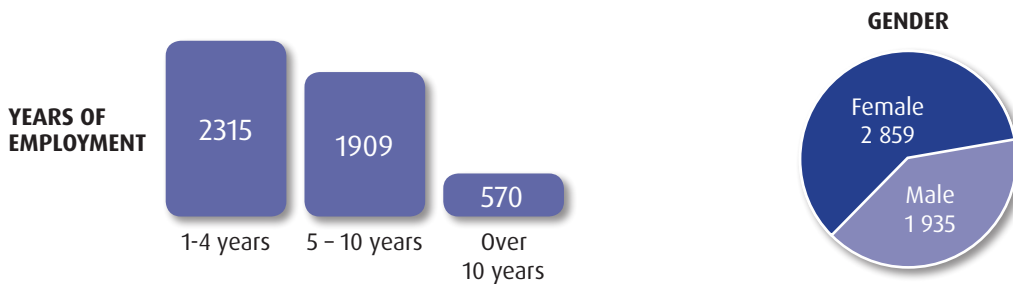
Air Astana is a socially responsible organisation that is subject to all legal requirements, actively cooperates with the trade unions, creates jobs and provides high-level working conditions, as well as the opportunities for development and career progression of its employees.

Over 4 700 job positions created by Air Astana are taken by highly qualified personnel, which mainly consist of local employees with some foreign employees.

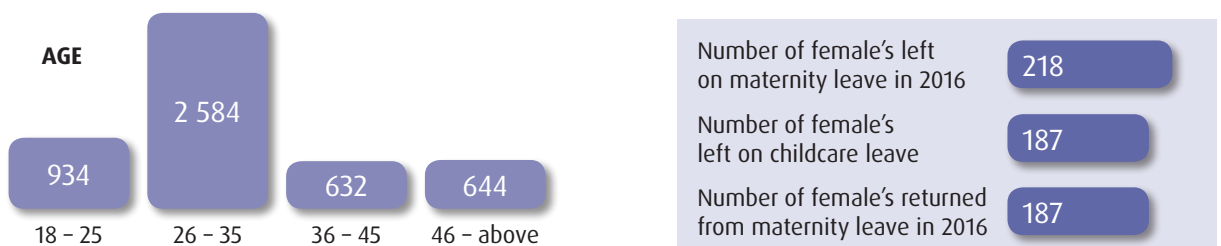




Air Astana was recognised as the most attractive employer in Kazakhstan according to the rating composed by Universum, the global leader in employer branding. Air Astana won first place in the categories of Business/Commerce, Humanities/ Liberal Arts and Education. The ratings are based on research collected by interviewing almost 10,000 Kazakhstani professionals from all over the country between November 2015 and August 2016. Research results can easily be proved by the following statistics – over 560 employees have been with the airline for 10 years or more, and almost 2 000 employees – between 5-10 years.



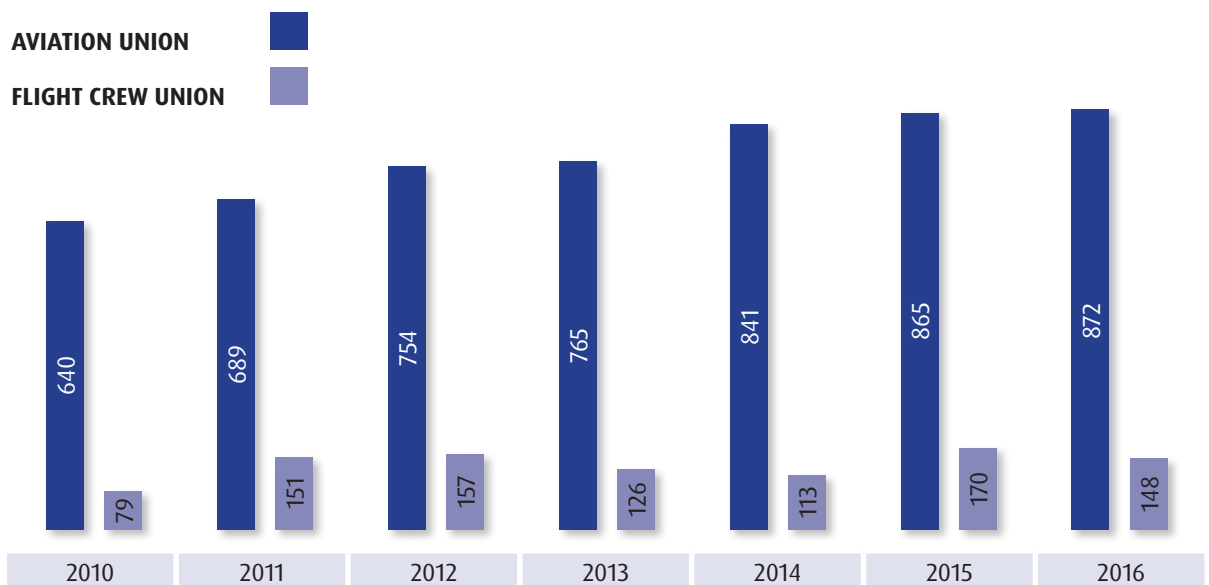
It is also important to mention that the majority of Air Astana staff consists of young people, which might serve as an evidence to the fact that younger generation is attracted by the Company and opportunities that it provides for career growth. This majority of staff aged from 26 to 35 years is, however, under a wise supervision of 644 experienced professionals of 46 years and above.



Labour-management relations



In 2005 Air Astana has registered its trade union. Currently, it consists of over 800 employees. The union offers various compulsory payments in such cases as birth of a child, medical treatment, death of a close relative, etc. On average the union provides such payments to over 60 union members annually.



In May 2016, the Human Resources department introduced a new staff benefit programme, the Corporate Pension Plan. It was launched in addition to the existing governmental pension plan and is offered to all employees in Kazakhstan. The goal of the project is to keep key employees within the company, as well as to develop responsible attitude towards personal financial wealth amongst the company's personnel.



Employee volunteers trained to international standard OHSAS 18001: 2007, carried out 90 internal audits, including 57 conducted in operational subdivisions, 27 in office and 6 in partner organisations (suppliers). Also, internal audit was held in Air Astana's branches in Kyzylorda, Aktobe, Ust-Kamenogorsk, Pavlodar, Shymkent, Uralsk, Kostanay, Taraz and Karaganda. The audit reports with description of all observations, recommendations and incompliances were submitted to the senior management of each department.

In June 2016, Air Astana has successfully passed Inspection (Supervisory) audit of the Occupational Health and Safety Management System OHSAS 18001:2007, with only two findings and 10 reported observations.

Audit goals:

- to estimate possibility to expand management system application in terms of its compliance with Standard requirements;
- to examine management system efficiency and its ability to achieve goals;
- to examine system's compliance with legislation and contract obligations in the subdivisions of the Company located in Pavlodar and Aktobe;
- and to conduct supervisory audit in subdivisions of the airline in Almaty, Astana and Atyrau.

19 work related incidents were investigated during the period of January 1st till December 31st, 2016.

1807 employees and 1383 pilots and cabin crew passed mandatory medical checks. Regular mandatory pre-shift (pre-flight) medical checks are conducted for drivers of cars and special vehicles. Health care staff keep records for each employee.

The Airline randomly checks the use of unauthorised substances (alcohol, drugs). 866 operational employees were checked in 2016, including 377 drug tests and 481 alcohol tests. During 2016 there were 8 tests on the use of unauthorised substances because of suspicion, 2 tests confirmed the use and appropriate action was taken.

In order to improve the level of knowledge 99 managers of industrial departments have passed certified trainings on health and safety online in English and Russian languages. All company staff, including office workers were remotely tested on occupational safety knowledge through e-Oracle ERP system. Every year OHSAS organises free first aid courses for company staff. In 2016 252 workers were trained.

Programme on Culture safety that runs under the slogan "Think safe, Act safe, Stay safe" ("Think, Work, Live Safely") supplemented with 10 golden safety rules that company staff must ensure guests and contractors comply with. While receiving a pass card regardless of the time spent in the company, there is a Safety Card issued, where the 10 basic rules of safe behavior are reflected.

The Company continues to collect paper and household batteries for recycling. Since the start of this practice, more than 96 tonnes of paper and 30 kilograms⁽⁶⁾ of household batteries have been handed over. Collection of waste paper and batteries develops culture of respect for the environment among company staff, which can then help to change the attitude of the whole society to this issue.



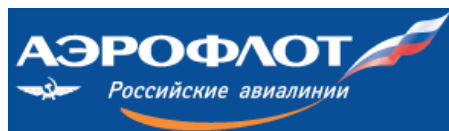
With the development of the aviation market, more airlines have begun operations to Kazakhstan and the amount of transit flights has also increased. The international air carriers need companies, which are capable of providing high quality line maintenance services in Kazakhstan.

Today the engineering sales department coordinates requests of third-party airlines on technical maintenance, logistic and customs clearance services, services in handling and storage of materials, and also supervise services in organisation and provision of aviation training. Moreover, aviation training is the new product, which the airline has introduced at the beginning of 2016 and it's already proved a success that brings Air Astana a good profit.

The services include:



Air Astana clients (Skytrax rating 4 and above)
for technical maintenance:



Air Astana clients from Kazakhstan:

KAZAIRJET, QAZAQ AIR, BEK AIR, SCAT, Prime Aviation, Flyjet.

Other international clients:

Yakutiya, Czech airlines, Comlux, CHC Helicopter, ROSSIYA, Vim airlines, Kam Air, Flydubai, TAG, Pobeda, S7, Cargolux, Air Arabia.

Hangar in Astana



Currently, Air Astana is building its own technical centre with the purpose to allow the airline to conduct routine checks and maintenance of its fleet (Airbus, Boeing & Embraer) in Astana. Air Astana's technical centre will consist of up to 3^[7] hangars built for various E&M purposes.

The first stage includes construction of the hangar that will allow Air Astana to carry out maintenance for the aircraft up to Boeing 787 size, office and warehouse block, pre-hangar area and necessary airfield infrastructure. The next stage is to provide a construction of an identical hangar and corresponding increase of the base platform for its infrastructure (boiler room, fire extinguishing tanks, external electricity network on hangar base). The cost of the first stage construction is about 21.6 million US dollars. The budget of the remaining two phases is approximately 20.7 million US dollars.

In October 2015, the airline has signed the contract for construction services under the general contract with the consortium of STS Genpodryad and Migalit LTD.

By the end of 2015 the base platforms under the hangar and garage buildings (hangar infrastructure) were fully completed. At the moment, preparatory works for assembly of walling as well as construction works of infrastructure elements are being conducted.

On the 6th of November 2015 a milestone decision was made by the Ministry for Investments and Development to grant Air Astana a duty-free import of the metalwork from Canada. With application of mentioned privileges on payment of import customs duties, customs clearance of the metalwork was successful and the assembly is scheduled to set off very soon.

Air Astana has signed a contract with Champion Doors for delivery of the recently produced hangar gate. There are plans to transport the gates from the factory in Finland.

In December 2015, Air Astana has signed a contract with EBRD for partial financing of Hangar construction project. The first stage of carrier's technical centre in Astana is scheduled to be completed in summer 2017.

^[7] – 2 additional hangars are subject to Board approval



In 2011 Air Astana jointly with the Academy of Civil Aviation of Almaty launched a training programme for aviation engineers from amongst the final-year students of the Engineering Faculty of the institution. Currently the dual training programme continues, the selected students closely combine study with a practical part of the programme: learn technical English; master mechanical, machine, measuring practice and radio equipment installation; they are trained directly in shifts under the supervision of mentors from amongst the experienced engineers, etc.

Air Astana has opened a training centre for engineers in Almaty, with certification to EASA P147 standards by both the Kazakh and European aviation authorities. The training programme offers 26 specialties in various engineering disciplines, together with a full maintenance course on Airbus A320.

The new training centre eliminates the need for Air Astana to send engineers overseas for training and welcomes candidates from other carriers, from both Kazakhstan and the CIS. The centre is the unique in its type in Central Asia and one of only five centres in the CIS to be certified by European aviation authorities.

The opening of the centre marks another important step towards Air Astana opening an Aviation School in Astana in the future, which will offer training courses for engineers at all levels.

The airline management also focuses on the continued education of its staff. In 2016 Air Astanalogy seminar was improved and re-launched. Its goal is to improve loyalty of the employees and to help them understanding the strategy and focusing their efforts in order to reach the company's goals. During the seminar staff are briefed about the airline's latest achievements and struggles, as well as ongoing and future projects. Air Astanalogy is not a training programme, but a discussion panel. This seminar is offered to all employees of the company.

In 2016 the Learning and Development subdivision of HR has continued the introduction of the two main training programmes for the company's management staff: "Communication for Results" and "Building A High Performance Team". These programmes are compulsory for each manager and supervisor of the company. The core behind the trainings lies in corporate values and demonstrates the importance of a flexible and adaptive communication style and trust in empathy. The newest training programme "HEART Manager or People Management Fundamentals" is the product of the company's internal development. The purpose of this programme is to establish basic principles of human management, to demonstrate how the educated use of these principles leads to the effectiveness and involvement of the personnel.

Another special interactive seminar "Onboarding Talks 2.0" was developed and introduced to all employees with working experience ranging from 4 months to 1 year. The purpose of this seminar is to help new employees to adjust their behavior to the standards set by corporate culture and values of Air Astana. During the seminar, employees analyse their actions at work and discuss what changes to their behavior can help them becoming successful and effective in the future.



Ab-initio

Air Astana carries out its activities in accordance with high standards and engages suitable candidates for the respective positions in the airline. For those wishing to go into flying, Air Astana provides an opportunity to complete professional training under the initial training of pilots Ab-initio programme.

To participate in this programme Air Astana invited citizens of the Republic of Kazakhstan between the ages 18 to 34, with excellent knowledge of physics and mathematics and fluent in English. Selection of participants is carried out on a regular basis and includes several steps. Applicants, who successfully pass all selection stages, have a chance to study in the best flight schools of the world.

Since the launch of the programme in 2008, 222 pilot cadets have begun the programme. 183 cadets completed the programme.

50 ab-initio graduates were type rated for Boeing 757/767,

87 ab-initio graduates were type rated for Airbus 320,

44 ab-initio graduates were type rated for Embraer,

2 to undergo type rating in the nearest future.

In 2016, 15 cadets went through ab-initio training. Currently, there are 14 cadets, who are undertaking the programme. The plan is to train 24 cadets each year.

Since the foundation of the programme the airline spent 23 912 860^[8] US dollars on the programme.



Social initiatives

Air Astana takes an active role in the life of community providing continuous support to charity organisations and facilitating socially significant events. In 2016 Air Astana continued the implementation of social support programmes in a number of priority areas.

The airline social projects includes three aspects, which are based on providing a non-repayable or reduced-fare transportation:

- programmes of social transportation service;
- affiliate programmes;
- one-time support of individuals and legal entities.

Annual event “Visiting Places of Military Glory”

In 2016 the national air carrier provided veterans of the Great Patriotic War with the opportunity to visit their front-line comrades in different cities of Kazakhstan and the CIS countries. 2 500 free tickets had been given during this period.

20 food baskets were received by veterans on Victory day.

With care for children

For several years Air Astana and the volunteer society “Miloserdnye” support seriously ill children and help them find highly qualified physicians. The airline offers transportation services for children with severe cardiac diseases and cancer. These children come from different regions of Kazakhstan seeking medical treatment and surgery operations in foreign healthcare centres.

In 2016 over 200 seriously ill children and their accompanying parents took advantage of a free flight that would otherwise cost 70 239 166 tenge.

1,692,600 tenge were collected via donation boxes set out in Air Astana ticket sales offices in Almaty, Astana and Atyrau through the joint project with the charity fund Ayala in 2016. All funds were directed to implementation of the project “Breathe Life”. The foundation is planning to provide modern medical equipment to the intensive care units for children of infectious diseases hospitals in Kazakhstan.



In 2016 Air Astana has also participated in the implementation of the following charity projects:

- Air Astana initiated a charity project with Dara Fund by presenting Gross simulators equipment to psycho-pedagogical correction cabinets in Karaganda, Kokshetau and Aktobe. At the moment approximately 250 children in each city on a monthly basis have the opportunity to use the simulator. Gross simulator helps sick children with cerebral palsy to learn how to move. Also, it helps to restore the mobility after severe spinal injury, stroke and various malfunctions of the musculoskeletal system.
- Air Astana equipped children's room with furniture in Aksai hospital, employees assisted with hospital's decoration.
- Air Astana produced a documentary film "On the Wings of a Dream" about Kazakhstan women in aviation. Participants: Capitan of IL-18, Tamara Pavlenko, Flight instructor, Gulzhamal Eltcova and Ab-initio programme graduates: co-pilot of Embraer 190, Elvira Nurmuhambetova and co-pilot of Airbus A320, Natalia Linchenko. All heroines share their experience and discuss trends of aviation development. Air Astana organised a celebratory lunch in honour of women in Kazakhstan Aviation on International Women's Day.
- Sponsorship of "Development and Correction" conference held by the Association of Therapists and Speech pathologists.
- Project dedicated to career development guidance for children of SOS Village in Astana.

Sponsorship

In 2016 Air Astana supported the following sponsor projects such as the Opera Ball in Almaty, "The Spirit of Tengri", contemporary ethnic music festival, Eurasia international film festival, "Children are Painting the World", UNESCO project for children.

Abbreviations table



| | |
|----------------|--|
| ASK | Available Seat-Kilometres |
| CIS | The Commonwealth of Independent States |
| EASA | European Aviation Safety Agency |
| E&M | Engineering and Maintenance |
| EBRD | European Bank for Reconstruction and Development |
| ERP | Enterprise Resources Planning is the integrated management of core business processes, often in real-time and mediated by software and technology. |
| FAA | Federal Air Transportation Agency |
| HACCP | Hazard Analyses Critical Control Points |
| IATA | International Air Transport Association |
| ICAO | International Civil Aviation Organisation |
| IOSA | IATA Operational Safety Audit |
| ISAGO | IATA Safety Audit for Ground Operations |
| LR | Long Range |
| OHSAS | Occupational Health and Safety management System |