

Sustainable Development  
continuedReducing and disposing  
of industrial and commercial waste

Aeroflot places high emphasis on setting up proper industrial waste collection sites and waste sorting. The Company regularly inspects land and sites for temporary storage of industrial waste and tracks industrial and commercial waste volumes and movement. All waste is disposed of in due time. The Company submits all the required environmental reporting documents to environmental authorities.

A total of 10.2 tonnes of paper and cardboard was handed over for recycling in 2019, which helped save 102 trees and reduce CO<sub>2</sub> emissions by 17.4 tonnes. The Company also set up battery collection sites at its facilities in Moscow and Sheremetyevo airport.

No critical industrial spills were registered at PJSC Aeroflot in 2019.

Seeking to raise environmental awareness among its employees, the Company regularly runs environmental workshops and webinars.

## Total waste by hazard class, tonnes

	2015	2016	2017	2018	2019
<b>Total</b>	<b>9,777.2</b>	<b>8,852.8</b>	<b>8,365.7</b>	<b>9,949.2</b>	<b>8,791.0</b>
Hazard class 1	2.2	3.9	2.4	2.2	2.1
Hazard class 2	1.4	4.8	6.4	5.4	3.7
Hazard class 3	2,448.5	2,508.3	2,353.4	3,540.2	2,526.1
Hazard class 4	6,919.6	5,643.7	5,352.1	5,663.2	5,397.8
Hazard class 5	405.5	692.0	651.4	738.2	861.3

## Total waste by disposal method, tonnes

	2015	2016	2017	2018	2019
Recycling	308.5	258.7	262.2	118.3	162.0
Treatment	2,325.6	2,430.1	2,247.7	3,572.6	2,565.0
Landfilling	7,138.4	6,164.0	5,855.8	6,258.3	6,064.0

## Procurement

Aeroflot Group uses modern, competitive procurement practices and works with a wide range of suppliers. The key principles of procurement are bidding transparency, equality, fair treatment of, and non-discrimination against, bidders. The Group works to attract more bidders to achieve maximum economic benefit and cut costs.

Procurement activities at Aeroflot Group comply with Federal Law No. 223-FZ On Procurement of Goods and Services by Certain Legal Entities dated 18 July 2011, PJSC Aeroflot's Regulations on Procurement of Goods, Works and Services, relevant policies of Aeroflot's subsidiaries and other procurement-related regulations adopted by the Russian government.

Our procurement practices are based on:

- information transparency
- targeted, cost-effective expenditures to procure goods, works and services, as well as focus on cost-cutting initiatives
- unlimited access to bidding through eliminating non-measurable bidder requirements
- equality, fairness, non-discrimination, ensuring that no unreasonable and restrictive business practices are applied towards bidders, promotion of fair competition.

Key procurement objectives are to:

- meet the Group company's product and service needs in time and in full
- increase the share of competitive procurement
- increase the share of online procurement
- prevent discrimination and unreasonable restrictions on the number of bidders
- support SMEs.

Procurement highlights of Aeroflot Group<sup>1</sup>

	2018	2019
Total procurement, RUB million*	750,463	606,028
Competitive procurement (by value), %	30.8	46.9
Single source procurement, %	69.2	53.1
Savings on competitive procurement, RUB billion**	7.5	51.1
Average number of bidders	3.0	2.9
Procurement from SMEs, %	78.0	82.5

\* Total procurement is calculated as total payments made during the reporting year under contracts signed as a result of procurement processes. Data for 2018 have been amended.  
 \*\* Savings are calculated as the difference between the initial (maximum) price of the tender and the winning price, excluding tenders where the initial (maximum) price is calculated based on a given rate, tariff or formula.

1. Aeroflot Group procurement data include: PJSC Aeroflot, JSC Rossiya Airlines, JSC Aurora Airlines, JSC Aeromar and LLC A-Technics.

## Sustainable Development continued

### Procurement highlights of PJSC Aeroflot

	2018	2019
Total procurement, RUB million*	544,448	<b>486,490</b>
Competitive procurement (by value), %	40.5	<b>48.0</b>
Single source procurement, %	59.5	<b>52.0</b>
Savings on competitive procurement (excluding aviation fuel), RUB billion**	3.5	<b>48.4</b>
Average number of bidders	3.0	<b>2.9</b>
Procurement from SMEs, %	85.2	<b>86.2</b>
Including SME-focused procurement***	21.4	<b>15.2</b>
Total value of contracts with SMEs, RUB million	20,624.7	<b>18,458.8</b>

\* Total procurement is calculated as total payments made during the reporting year under contracts signed as a result of procurement processes. Data for 2018 have been amended.  
 \*\* Savings are calculated as the difference between the initial (maximum) price of the tender and the winning price, excluding tenders where the initial (maximum) price is calculated based on a given rate, tariff or formula.  
 \*\*\* Minimum required SME participation is 15%.

In 2019, Aeroflot Group's procurement totalled RUB 606.0 billion. Competitive procurement share increased to 46.9% (by value). Savings on competitive procurement stood at RUB 51.1 billion.

PJSC Aeroflot's procurement in 2019 totalled RUB 486.5 billion. Competitive procurement share increased to 48.0% (by value). Savings on competitive procurement in 2019 stood at RUB 48.4 billion.

In 2019, Russian suppliers accounted for 64.4% of procured materials and goods by value (inventories received by warehouses, including virtual warehouses and into-plane fuelling). The share of Russian suppliers of goods, works and services under the concluded contracts was 32.0%<sup>1</sup>.

### Improving transparency and optimisation of procurement processes

In 2019, the Company implemented a SAP SRM-based solution Procurement Monitoring featuring both procurement data consolidation and easy access to the data. The solution significantly reduced the risks of late posting of procurement data in the Unified Information System by making the process much easier to complete.

In 2019, in order to improve transparency and competitiveness of minor procurement, PJSC Aeroflot started posting procurement notices for items with values of less than RUB 500 thousand in corporate online stores and on the largest certified electronic trading platforms: [B2B-center.ru](http://B2B-center.ru) (Sberbank-AST) and [kim.tektorg.ru](http://kim.tektorg.ru) (TEK-torg). Thus, there are less grounds for single-source procurement.

In 2019, PJSC Aeroflot decided to lease aircraft on a competitive basis and publish the applicable procurement procedure in its corporate system, which reduced single-source procurement and ensured transparency.

The Advisory Board charged with independent audits of PJSC Aeroflot's procurement efficiency continued its activities in 2019. The Advisory Board includes representatives of NGOs, economists, industry scientists and procurement experts. Information on the activities of the Advisory Board, its plan for 2019 and minutes of meetings are published on PJSC Aeroflot's official website at [aeroflot.ru/ru-ru/content/soveshchatelnyi-organ](http://aeroflot.ru/ru-ru/content/soveshchatelnyi-organ).

In the reporting period, PJSC Aeroflot took part in forums, workshops and conferences aimed at developing partnership.

The Company held meetings on aircraft ground handling, maintenance and servicing equipment during Inter Airport Europe and Aircraft Interiors Expo (AIX). The Company also held a strategic IT session in the Republic of Tatarstan on IT growth strategy and import substitution as well as digital transformation of aviation.

### Procurement from small and medium-sized enterprises

Aeroflot Group seeks to support small and medium-sized enterprises (SMEs). In 2019, SMEs accounted for 82.5% of total procurement by Aeroflot Group and 86.2% of total procurement by PJSC Aeroflot, which is one of the highest figures among major federal-level customers. This share far exceeds the target set by Russian Government Resolution No. 1352 On Specifics of Participation of Small and Medium-Sized Enterprises in Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 11 December 2014, recommending that SMEs make up no less than 18% of a company's total annual value of contracts. Overall, this demonstrates that SMEs are given priority in supplier selection with due consideration of Aeroflot's specific business needs.

In 2019, the Company updated its pilot SME partnership programme aimed to facilitate bidding and approved a pilot programme for the partnership of all Aeroflot Group companies. To ensure accurate reporting on procurement from SMEs, the Company implemented a series of initiatives:

- Optimising the list of SME-specific procurement codes
- Working meetings with SMEs
- Expansion of regional SME workshop programme
- Meetings with potential suppliers and members of PJSC Aeroflot's pilot SME partnership programme
- Participating in conferences dedicated to expanding SME access to the procurement processes of Russia's biggest customers.

Aeroflot plans to increase SMEs share in its procurement, first and foremost, of innovative and high-tech products.

### Aviation fuel procurement

The key priority of fuel procurement is ensuring timely and uninterrupted fuel supply to Aeroflot Group's aircraft while maintaining high flight safety and maximising fuel pricing efficiency. Aviation fuel procurement optimisation activities of PJSC Aeroflot are controlled by a standing commission for fuel efficiency, a task force for long-term aviation fuel supply strategy development and an operations control team.

At the Aeroflot Group level, fuel procurement terms are determined by agency agreements. PJSC Aeroflot compiles a consolidated order covering the demand of all the Group companies and initiates fuel procurement processes. PJSC Aeroflot settles accounts for supplied fuel, fuel storage and refuelling directly with its counterparties. This fuel procurement system optimises aviation fuel expenses through large volume purchases.

PJSC Aeroflot's aviation fuel management activities in 2019 included the following:

- Broader use of independent pricing in aviation fuel procurement contracts, including linking to Platts benchmarks
- PJSC Aeroflot's strategy for aviation fuel procurement in Sheremetyevo airport enabled control of volumes through the use of +/- 20% option and redistribution of procured aviation fuel.

The activities proved to be effective and reduced the volatility of effective aviation fuel prices and minimised Aeroflot Group's costs in the existing market situation. The Company continued engaging with governmental agencies and oil industry to develop a global programme aimed at jet fuel price stabilisation and airlines' aviation fuel cost reduction.

1. Including aircraft leasing and excluding aviation fuel supply and fuelling contracts (formula pricing, framework contract price) and banking services agreements.