

SUSTAINABILITY REPORT 2019



2020

ABOUT THE REPORT

The Sustainability Report 2019 of airBaltic discloses sustainability information of Air Baltic Corporation AS (joint stock company registered in Latvia, registration number 40003245752) along with its subsidiaries, of which the most important are Air Baltic Training SIA, Loyalty Services SIA, Baltijas Kravu Centrs SIA and Aviation Crew Resources AS (altogether hereinafter – airBaltic, the Group, the Company, airline).

The report covers the period from January 1st until December 31st 2019, and it is an addition to the Annual Report of the Group, published in March 2019.

The present report does not fully comply with any formal reporting guidelines, however, it follows some of the indicators and principles of Global Reporting Initiative (GRI) standards. The report has not been externally assured.

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FOREWORD

As an innovative airline, airBaltic has been driving progress in various fields in Latvia and globally. We have been fully committed to reducing our impact on the environment and promoting diversity within the Company as well as work in other dimensions of corporate responsibility.

I am glad that we have now introduced our very first sustainability report, which provides additional transparency to our stakeholders and the general public.

Since 2013, airBaltic has maintained full gender equality in the number of employees across the Company. In addition, it has been crucial for the Company to increase female participation at management level. Currently more than 40% of airBaltic top management representatives are female. The airline has also maintained 50% proportion among all managers.

airBaltic has a strict zero discrimination recruitment policy and is committed to an environment where the best people work, and in which the respect for the individual is important. We have been recognized as one of the best employers in Latvia for numerous years, showing that the society expects such commitments from any company.

At airBaltic we want to play a leading role in both market share and punctuality and efficiency. It is crucial for a sustainable future of our industry. Throughout the last few years, we have carried out various projects with the aim of increasing fuel efficiency and decreasing CO₂ and other emissions. The airline has introduced a single Airbus A220-300 type fleet. Currently it is the greenest commercial aircraft available, as Airbus A220-300 is the first aircraft with fully transparent life-cycle declaration, helping to reduce CO₂ and NO_x emissions by 20% and 50% respectively. The new aircraft saves up to 22% in fuel.

We understand that, in order to continue our sustainable growth path, we must develop additional projects that would benefit the people around us and the world. Considering how turbulent the recent months have been in aviation, we hope to be able to move forward with new initiatives soon.

MARTIN GAUSS,
CHAIRMAN OF THE MANAGEMENT BOARD
CHIEF EXECUTIVE OFFICER



AT A GLANCE

airBaltic is the leading airline that operates direct flights out of all capitals of the Baltic states – Riga (Latvia), Vilnius (Lithuania) and Tallinn (Estonia). airBaltic is a hybrid airline taking the best practices both from traditional network airlines and low-cost carriers. The top priorities of airBaltic are safety, punctuality and service. Being a network airline allows airBaltic to establish Riga as a connecting hub. Total direct and indirect impact of airBaltic on Latvian economy reached 2.5% of gross domestic product (GDP) and indirectly supported close to 30 000 jobs in 2018 as measured by a Roland Berger study.

VISION: To be the Baltic region's preferred airline and to step outwards to Eastern, Central and Western European markets.

MISSION: To add value to Baltic regional development by ensuring connectivity.

VALUES:



SAFETY - a safe and reliable service is the first priority of airBaltic.

The fulfilment of maximum security standards is the basis of anything airBaltic does.



PUNCTUALITY - stands right next to safety.

airBaltic aspires to achieve the highest punctuality performance indicators among the increasing number of routes.



SERVICE - airBaltic aims for a qualified and well-trained team that

takes an individual approach with each customer where service is required.

BACKGROUND:

1995

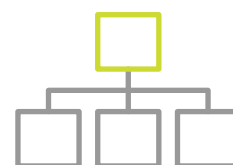
FOUNDED: in 1995

RIGA

HEADQUARTERS:
in Riga (Latvia)

80%

OWNERS: Latvian state (80% of the share), Lars Thuesen through his fully owned Aircraft Leasing 1 SIA (19% of the share), and other minority shareholders.*



MAJOR SUBSIDIARIES:
Air Baltic Training, SIA;
Loyalty Services, SIA;
Baltijas Kravu Centrs, SIA
and Aviation Crew Resources, AS.

* since August 2020 Latvian state (96% of the share), Lars Thuesen through his fully owned Aircraft Leasing 1 SIA (3% of the share), and other minority shareholders.

SCOPE AND REACH IN 2019:

39

39 aircraft in service¹
(2018: 34)

36%

36% market share in the capitals of the Baltics, including **59% in Riga** (2018: 54%), **21% in Tallinn** (2018: 15%), and **9% in Vilnius** (2018: 8%)

80+

80+ destinations operated

6.8 M

6.8 million seat capacity
(2018: 5.6 M)

2.8 M

2.8 million airBaltic Club loyalty programme members (2018: 2.6)

1 716

1 716 employees²
(2018: 1 585)

FLEET:

Fleet plan (at the end of year)	2018	2019
A220	14	22
B733	6	4
B735	2	-
Q400	12	12
TOTAL:	34	39



¹ in the end of the year

² in the end of the year

RESULTS AND FOOTPRINT IN 2019



5.05 M

million of passengers
(2018: 4.14)



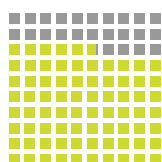
14.8 M

million kg of freight
(2018: 12.2 million kg)



62 748

flights
(2018: 56 261)



75.8%

load factor
(2018: 74.9)



99.6%

regularity rate
(2018: 99.8%)



68.78%

3 MIN punctuality rate
(2018: 71.17%)



86.28%

15 MIN punctuality rate
(2018: 87.52%)



61 097

flight count
(2018: 54 407)



78

index points retention rate
among private customers,
expressing customer
satisfaction and loyalty
(based on survey among
3 200 respondents by
Kantar Emor) (2018: 73)

³EBITDAR - earnings before interest, taxes, depreciation, amortization,
and rent costs as well as before the release of provisions for legal disputes



509 M

million EUR of revenue
(2018: 414)



126 M

million EUR of EBITDAR³
(2018: 93)



9.1 M

million EUR of net loss
(2018: 2.9 EUR of net profit)



66.5 M

million EUR paid in salaries
(2018: 58)



31 M

million EUR taxes paid
in Latvia (2018: 26)



172 178

tons of fuel consumed
(2018: 150 709)



542 360

tonnes of CO₂ emissions
(2018: 474 730)



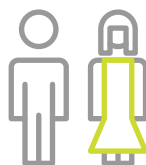
ZERO

serious occupational
accidents / fatalities
(2018: 0)



53 714.90

hours of training provided
for employees in total
(2018: 50 178.48)



53 % / 47 %

share of men/women in the
Group (2018: 51%/49%)

KEY MILESTONES AND DEVELOPMENTS IN 2019

FEBRUARY

- launched 9 new routes and became the largest carrier in Tallinn Airport. The Company's market share reached 19%, an improvement by four percent-points compared to February 2018
- significantly reduced its Boeing 737 fleet and had only four 737-300s and one B737-500 left in its fleet at the end of the year. The management intends to finish the phase out of Boeing 737s by the end of 2020

MARCH

- launched Facebook Messenger chatbot to improve the customer service by making it faster and more efficient, for example, by providing answers to the most frequently asked questions about baggage and booking management, as well as introducing users to airBaltic destinations

MAY

- started codeshare flights with Scandinavian Airlines (SAS), offering convenient connections between Latvia, Scandinavia and beyond. Passengers were able to choose from more than 300 destinations with one stop by using airBaltic partner airlines

JULY

- successfully placed a EUR 200 million issue of 5-year senior unsecured bonds, becoming the largest corporate bond issue originated from Latvia. With the new funding secured, airBaltic had funding to execute its business plan Destination 2025: to become an operator with a single type fleet of at least 50 Airbus A220-300 aircraft

● AUGUST

- honoured the 30th anniversary of Baltic Way with a special gift – three aircraft painted in national liveries of Latvia, Estonia, and Lithuania, and a song dedicated to the event, encouraging to pass on the value of freedom from generation to generation
- Pilot Academy started construction of a new aircraft hangar in Liepāja, and ordered additional three Diamond Aircraft in order to support the continued growth of training capabilities

● OCTOBER

- first 12 students graduated airBaltic Pilot Academy and joined the airline as first officers. The fifth group of 13 students began studies at the Academy

● NOVEMBER

- signed gender diversity pledge of International Air Transport Association (IATA), committing to increase female participation at senior levels by 25% by 2025. airBaltic was among more than 20 other airlines signing the pledge
- became the first airline to obtain full scope maintenance capability for Airbus A220-300 and performed the world's first Airbus A220-300 C check

● DECEMBER

- installed the Airbus A220 full flight simulator - the first new full flight simulator ever purchased by a Latvian company to serve the growing pilot training needs of airBaltic Training
- in 2019 received 8 new Airbus A220-300 aircraft and by the end of the year the fleet included 22 modern A220-300s



RECOGNITION RECEIVED IN 2019

- **ATW AIRLINE INDUSTRY ACHIEVEMENT AWARD AS THE MARKET LEADER OF THE YEAR.** airBaltic received the 2019 ATW Airline Industry Achievement Award as the Market Leader of the Year and became the first airline to win the award two years running. ATW 45th annual Airline Industry Achievement Awards are the most coveted honour an airline or individual can receive to recognize excellence in the air transport industry. The Market Leader of the Year award goes to an airline that has set itself apart from its peers, either in a geographic region or a market sector, or that has created or stimulated a market.
- **CAPA REGIONAL AIRLINE OF THE YEAR.** airBaltic received the CAPA Regional Airline of the Year in 2019. For the second time, airBaltic has been recognized as the leader of the regional aviation sector by CAPA's Aviation Awards for Excellence which is held annually since 2003 with professionals participating from airlines around the world.
- **OAG PUNCTUALITY LEAGUE.** airBaltic has retained its place as the most punctual airline in Europe and is the second most punctual in the world according to the OAG analysts. They tracked the performance of over 58 million flight records in 2018 to create a ranking of the best on-time performance (OTP) for the world's largest airlines and airports.
- **TOP EMPLOYER IN TRANSPORT AND LOGISTICS INDUSTRY IN LATVIA.** For the 8th year in a row airBaltic has been named as the best employer in the transport and logistics sector according to a nationwide survey carried out by the recruitment agency CV-Online Latvia.
- **OPERATING LEASE DEAL OF THE YEAR.** The sale and leaseback of two Airbus A220-300 aircraft by airBaltic to lessor Avation plc in a Skytech-AIC - arranged and structured transaction won the highly-coveted AirFinance Journal "Operating Lease Deal of the Year 2018" award.

- **SECTOR LEADERSHIP AWARD.** airBaltic Chief Executive Officer Martin Gauss received Sector Leadership Award during the annual Airline Strategy Awards ceremony. This award is granted to the chief executive and management team that demonstrate excellence in leading a carrier and providing strong transportation links within a market sector.
- **TOURISM PERSON OF THE YEAR 2019.** airBaltic Chief Executive Officer Martin Gauss during the annual Latvian Tourism Person of the Year 2019 award ceremony was recognized as the Tourism Person of the Year 2019. Award is honored to a person, who have contributed to the industry growth and created positive added value in the industry.
- **ADDITIONALLY, AIRBALTIC WAS SHORTLISTED FOR IATA DIVERSITY & INCLUSION TEAM AWARD**, which is designed to recognize an airline that has seen a tangible change in their diversity as a result of their work in fostering diversity and inclusion.



REPRESENTATION IN ASSOCIATIONS, ORGANIZATIONS AND UNIONS

Membership in industry associations, unions and organizations ensures the airBaltic representation of interests in the development of national and international policy documents, legal acts, and standards. airBaltic regularly participate in various forums, conferences, seminars and working groups discussing development of the industry and sustainability challenges, obtaining information about current trends, as well as sharing their own position and experience on topics relevant to the aviation industry and business in general.

INTERNATIONAL ORGANIZATIONS AND ASSOCIATIONS



AIRLINES FOR EUROPE



INTERNATIONAL AIR
TRANSPORT ASSOCIATION



ESTONIAN TRAVEL AND
TOURISM ORGANIZATION



ASSOCIATION OF FINNISH
TRAVEL AGENTS



FINNISH BUSINESS
TRAVEL ASSOCIATION



FLIGHT SAFETY
FOUNDATION

NATIONAL ASSOCIATIONS AND PROFESSIONAL ORGANIZATIONS



AMERICAN CHAMBER OF
COMMERCE IN LATVIA



ASSOCIATION OF LATVIAN TRAVEL
AGENTS AND OPERATORS



FINNISH-LATVIAN
TRADE ASSOCIATION



LATVIAN AVIATION
ASSOCIATION



LATVIAN CHAMBER OF
COMMERCE AND INDUSTRY



LATVIAN EMPLOYERS
CONFEDERATION



RIGA TOURISM
DEVELOPMENT
BUREAU "LIVE RIGA"



INSTITUTE FOR CORPORATE
SUSTAINABILITY AND
RESPONSIBILITY

STRATEGY AND MANAGEMENT APPROACH

IN RECENT YEARS, AIRBALTIC HAS DEMONSTRATED GOOD RESULTS THUS STRENGTHENING THEIR ROLE AS THE LARGEST AIRLINE IN THE REGION. IN ORDER TO CONTINUE SUSTAINABLE GROWTH PATH, AIRBALTIC AIMS TO MODERNISE THEIR PRODUCT AND BECOME GREENER, CLEANER AND MORE EASILY APPROACHABLE BY CUSTOMERS.

MEGATRENDS

Additionally, to direct factors that influence the airline sector (e.g. regulatory changes, direct market demand), wider societal megatrends exist that also affect the operations of airBaltic in the longer term. Some of the major tendencies that airlines need to consider in strategic and operational planning:

SUDDEN PANDEMICS LIKE COVID-19

The airline began 2020 on a solid track, continuing the sustainable growth path at the start of the year. However, at the end of February and the following months, the world experienced the largest crisis in aviation history. It also led airBaltic to be forced to suspend flights for 62 days and see a significant reduction in demand for air travel.

Currently the airline is working hard to ensure and continue its operations to Europe and even though the revenue and the number of passengers carried by the Latvian airline airBaltic has significantly decreased, the Company is determined to achieve the best possible results for the year 2020.

GLOBALIZATION

In 2019 the whole of Europe, including airBaltic witnessed increased market growth and competition in the international travel industry. Emerging regions had gained more influence and purchasing power. There was a need to understand new markets better, for example to benefit from the increasing travel volumes of Asian tourists. As a results of global wealth growth, people were spending more on travelling and leisure. The travel and tourism industry in general was expected to grow faster than global GDP. Booming e-commerce and the rise of global supply chains meant new challenges for cargo too.

DIGITIZATION AND AUTOMATION

Digitization and the implementation of new information and communications technology (ICT) solutions is a cross-sectoral trend. On one hand it means developments in the processes and work stages – resulting in efficiency and transparency.

Furthermore, the trend is driven by customer demand for new ways of communication with businesses. As well as, new kinds of expectations for sales and distribution channels, social media, real-time information, comparability of information, e-commerce and other digital business types (e.g sharing models, platforms), self-service opportunities, instant availability of full information and immediate customer service and feedback– these are the keywords. Passengers also expect to be online during the flight. Digitization must simplify the life and mobility of people while also providing tailored services and personalized solutions.

SUSTAINABILITY AND ENVIRONMENTAL AWARENESS

Consumers are demanding more sustainable products and services. They want companies to take actual steps and communicate their progress properly. The airline industry in particular, has witnessed environmental impacts become the major concern among stakeholder groups. Climate-issues are at the top of the debate, but it is also about ethical and socially fair consumption.

Although the willingness to pay more is still low, people are wary of mistakes with social, environmental and ethical issues. Next to the overall growing awareness, small pressure groups can be loud.

DEMOGRAPHIC PATTERNS AND URBANIZATION

European society is facing an ageing population as well as slow population growth or decreases in nearby regions. High migration shapes societies. With more global citizens living and working longer, the need for business and leisure travel will grow. Rapid urbanization brings the need to meet different kind of passenger and cargo mobility demand in and between cities. Aviation depends on surrounding supportive infrastructure – airports, access to and from city centers and transport connections.

STRATEGIC BUSINESS PLAN

Business plan Destination 2025 was originally presented in May 2018, but afterwards restructured and approved in early spring 2019 and relies on expansion of routes from all three Baltic countries – Latvia, Estonia and Lithuania, covering the main European hubs. The strategy also foresees airBaltic achieving a significant increase in passenger numbers and its revenue by 2025. It also expected an increased fleet for the upcoming years, initially operating up to 50 Airbus A220-300 aircraft. The business plan took into account the increased passengers willingness to travel and the increased capacity for the upcoming years. Until the year 2020 it was expected to operate with 38 aircraft: 26 Airbus A220-300 and 12 Dash, but at the end of the year 2025 with the single fleet with up to 50 Airbus A220-300 aircraft.

Business strategy Destination 2025 foresees even growth of airBaltic destination network, it was expected to continue to increase the number of flights from all three Baltic capitals. Some of the new destinations launched in 2019 included the new direct flights from Riga to Stuttgart and Lviv.



Martin Gauss, CEO of airBaltic: “We are truly proud to be the launch operator of the Airbus A220-300 aircraft which, being an integral part of airBaltic’s fleet over the last three years has demonstrated an outstanding performance. To introduce this aircraft was a forward-thinking decision that has most certainly paid off as A220 family aircraft are not only considerably more fuel-efficient and environmentally friendly, but also more convenient for both passengers and staff. The vision of an all-Airbus A220 fleet by 2023 is the backbone of airBaltic’s Destination 2025 business plan and the celebration of our 21st A220-300 aircraft from the newest order marks another step towards the set aim.”

The logo for airBaltic's Destination 2025 strategy. It features the word "airBaltic" in a large, bold, sans-serif font, with the "air" in lowercase and "Baltic" in uppercase. Below it, the words "Destination 2025" are written in a smaller, bold, sans-serif font. The entire logo is set against a background of a white airplane fuselage with several oval windows visible. The text is in a dark grey or black color.

airBaltic
Destination 2025

SUSTAINABILITY IN AIRBALTIC

AS AIRBALTIC IS A MAJOR AIRLINE IN THE BALTIC REGION, THE COMPANY HAS RELEVANT IMPACT ON THE COMMUNITY. GROWING EXPECTATIONS OF STAKEHOLDERS, CHANGING PUBLIC POLICY AND LEGISLATION, AND INCREASING PUBLIC ATTENTION TO THE GREATER ROLE OF THE BUSINESS SECTOR – THIS ALL ENCOURAGES THE COMPANY TO MANAGE ITS SOCIAL AND ENVIRONMENTAL IMPACT MORE CONSCIOUSLY THAN EVER BEFORE. AMONG CONSUMERS TOO, GREEN FACTORS ARE BECOMING MORE DOMINANT CRITERIA NEXT TO SERVICE QUALITY AND PUNCTUALITY.

THE WIDER SOCIETAL ROLE OF AIRBALTIC LIES IN FOUR PILLARS:

1. **CONNECTING ITS HOME MARKETS, BALTICS, TO THE WORLD.**

airBaltic ensures vital connectivity from Latvia and the Baltics to more than 80 destinations worldwide. Annually, airBaltic brings millions of visitors to Latvia, Estonia, and Lithuania, enables developing foreign business relations, provides connections to outgoing travellers, and unites families living abroad. Latvia, Estonia, and Lithuania are geographically rather remote from the heart of Europe – 10+ hours driving from the closest major capitals, without proper railway connections to the rest of the Europe, and nearby to Nordics, but separated from the Baltic sea.

A study by Boston Consulting Group reveals that air connectivity is proportionally more critical for Latvia and the Baltics and air links have a higher direct GDP return than in other countries. The total impact of airBaltic on Latvian economy reached directly and indirectly 2.5% of GDP in 2018 and more than 30,000 jobs indirectly supported in Latvia, as measured by a Roland Berger study. Directly the Company is one of the largest taxpayers in Latvia. According to IATA, Latvian aviation industry, driven by airBaltic, has exceeded 3% impact to the Latvian GDP, which is a contribution of more than one billion euro per year.

Shortly, for the last three decades, it has brought together people, businesses, knowledge and ideas, connecting the Baltics to the world and helping the region's development.

2. **DEVELOPING THE SERVICE WITH THE HIGHEST CARE AND ATTENTION.**

Considering the importance of airBaltic provided services in Latvia and the Baltics, the top priorities of airBaltic are safety, and punctuality in service. It is clear that safety and quality of provided services for the passengers and the health and safety of employees are the most important aspects of a business. Only after the most essential requirements of health and safety have been guaranteed, then the responsibility of the Company is to fulfill its promises of regularity and punctuality.

3. THE COMPANY ALSO PLAYS AN IMPORTANT ROLE IN THE DEVELOPMENT OF BALTIC AVIATION INDUSTRY AND INFRASTRUCTURE AS A WHOLE, as it is by far the largest aviation company in the region.

4. REDUCING ITS ENVIRONMENTAL FOOTPRINT, ESPECIALLY IN AIRLINE OPERATIONS.

Climate change is one of the biggest challenges of our time. As the counterbalance to the positive effects of the airline industry, flying does have an impact on the environment – mostly related to the fuel consumption.

The aviation industry produces around 2.5% of all human-induced CO₂ emissions globally. Therefore, it is important to take solid steps in minimizing the footprint of the industry. Being a flexible and innovative airline, airBaltic is strongly committed to reducing its impact on the environment. airBaltic aims to lead the change in the industry - its goal is to become the greenest airline in Europe and become carbon neutral by 2030. However, even though this statement was expressed before the start of the COVID-19 pandemic, the Company will do all it can to achieve the set goal.

As one of the first and most impactful steps, airBaltic has taken the path to modernize its fleet, aiming towards a single Airbus A220-300 type fleet, which at the moment is one of the greenest commercial aircraft in the world.

5. APPLYING RESPONSIBLE BUSINESS PRACTICE IN RELATIONS TO OUR EMPLOYEES AND OTHER STAKEHOLDERS.

Knowing that airBaltic plays a major role in the country's development, it means that employees and their well-being is also a very important aspect that Company takes daily into consideration. By the end of 2019, the Company employed nearly 1800 people and was one of the largest employers in Latvia and in transport and travel sector in the Baltics. It is relevant to make sure that the employees are satisfied and content at their workplace. Similarly, to other airlines, diversity and inclusion are important for airBaltic.

Adding here numerous suppliers and other cooperation partners, airBaltic impacts a wide network of stakeholders. In order to ensure credibility in its relations, the Company is making sure to maintain good governance principles by improving its strategies in a more sustainable and responsible way.



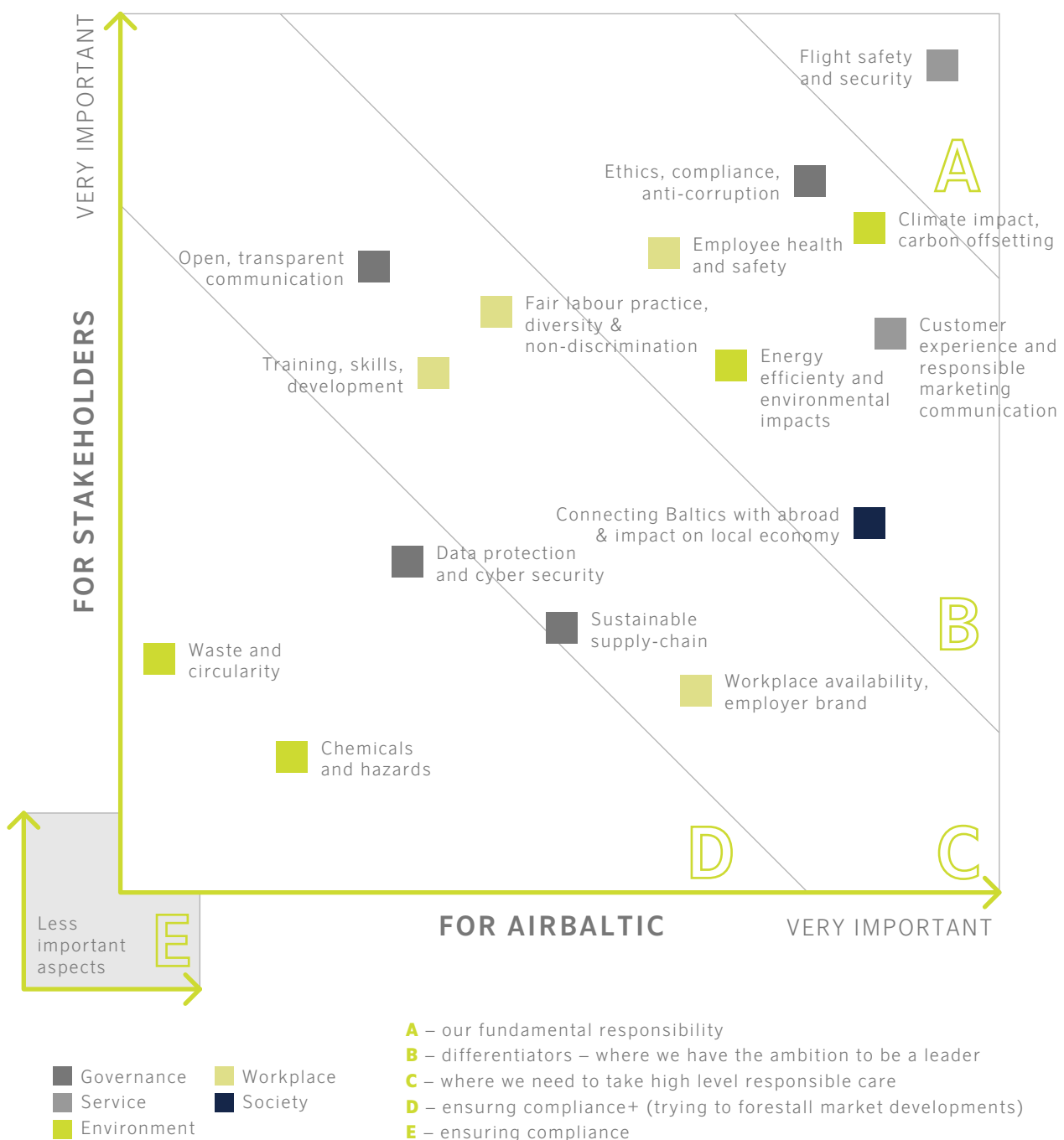
In 2019 airBaltic placed great emphasis on a **CONSCIOUS APPROACH TO SUSTAINABILITY TOPICS**. The Company appointed a sustainability and corporate responsibility coordinator. This newly created position should work closely together with several constitutive departments and also with the Company's management to carry out and further develop airBaltic sustainability and corporate responsibility projects. For several years, airBaltic have implemented different initiatives towards more sustainable business operations. This was a step even further. The Company has a clear growth plan for the future, and sustainability builds an important part of the future development.

SUSTAINABILITY FOCUS TOPICS

In 2019 airBaltic analysed its material sustainability aspects more carefully. The aim of this step was to initiate internal and external discussions around sustainability, dedicate the organization and its partners more to the topic, and find out the expectations and suggestions for improvements from relevant stakeholders.

Through online survey and the meeting of major external stakeholders around 120 corporate customers, suppliers, regulators and policy makers, aviation sector professionals from Latvia and abroad, financiers, NGOs, environmental organizations, and educational institutions were involved. Additionally, labour unions and all employees were invited to share their thoughts through two surveys and a dedicated event – almost 300 contributed. In the end of the analysis the board and management team of airBaltic formed its view based on strategic relevance of sustainability aspects.

As a result of the process, 15 material sustainability aspects were defined. The matrix presents the priority of these for stakeholders and from the point of view of the top management team of the Company.



These aspects define the direction and scope for working with its societal impact and responsibility of airBaltic. Most importantly, the ambition of the Company is carried by the following most relevant aspects of sustainability and responsible business conduct:

- flight safety and security as the fundamental responsibility
- companies internal and external ethics and compliance with legislation
- climate impact and energy efficiency
- employee health and safety
- customer experience and responsibility in the communication with the stakeholders and wider public.

The sustainability report 2019 discloses management approach, guiding principles, and performance data across all of these 15 focus topics.

Through responsible management of all material impact areas, airBaltic aims to make an important contribution to the UN's 17 sustainable development goals by choosing several of them as top priorities in connection with its activities.



FLIGHT SAFETY AND SECURITY



AS SAFETY IS AN INTEGRAL PART OF AIRBALTIC'S CORE BUSINESS, ENSURING SAFE AND SECURE FLIGHT OPERATIONS IS THEIR MOST IMPORTANT PRIORITY. THEREFORE, THE COMPANY'S SAFETY MANAGEMENT SYSTEM, AS WELL AS SECURITY PROCEDURES, ARE DEVELOPED CONSIDERING HIGH-LEVEL SAFETY AND SECURITY OBJECTIVES, FOCUSING ON CUSTOMERS, EMPLOYEES AND SUPPLIERS.

airBaltic makes sure that all flights are to be operated with safe aircraft, safe equipment, by qualified personnel and in accordance with laws, regulations, rules and procedures, as defined both, internally, as well as by the civil aviation authorities of the country in question.

Employees, such as pilots and technicians, go through recurrent training on a yearly basis. Besides this, all employees are obliged to report any non-compliance with adopted standards, rules and norms to ensure that appropriate remedial actions can be taken and to help bring about continuous improvement of safety at work. Reports can also be submitted anonymously in order to ensure timely exchange of information as well as allow the reporter to feel safe.

Recent developments within aviation, that have some similarity to airBaltic operations, are sometimes discussed within weekly meetings to learn key lessons of such events.

SAFETY MANAGEMENT SYSTEM imposes requirements on occupational health and safety of airBaltic staff and contracting parties. It is integrated across all operational departments and meets the regulatory requirements of the Civil Aviation Authority of Latvia and is subject to regular oversight audits. In addition, the Company's fleet and crew is regularly assessed at its home base and through the European Aviation Safety Agencies Safety Assessment of Community and Foreign Airlines (the "SACA/SAFA") program that provides additional and independent assurance of consistently reliable safety standards.

Through the years airBaltic has been delivering consistently good ratings in regard to safety inspections, providing independent assurance of safe and reliable operations. The Company has not had any passenger, crew or contractor fatality as a result of an accident with any of its aircraft in its 24-year operating history.

To enable convenient partnerships with a range of recognized partner airlines, airBaltic was among the first to fulfil the rigorous operational safety accreditation under the IATA Operational Safety Audit (the "IOSA") program of which airBaltic has been accredited continually, since the IOSA commenced its operations.

The Company also incorporates into its aircraft numerous safety technologies to enhance operational safety, exceeding regulatory requirements. airBaltic has an active flight operations data monitoring program and the Company continues to develop and enhance proactive and predictive hazard identification methodologies.

In addition, airBaltic is an active participant in the global aviation safety community. They engage with industry bodies and organizations including European Union Aviation Safety Agency, various IATA safety collaborations as well as actively participating and contributing into Fuel and De/Anti-Icing Quality Pools, and being a member of Flight Safety Foundation since 1997.

Meanwhile the goal of airBaltic **SECURITY ORGANIZATION** is to implement policies, procedures and systems ensuring that security risks and threats are minimized to an acceptable level using the most cost-efficient manner. The overall responsibility for security of airBaltic operations rests with the Accountable Manager. The Accountable Manager appoints the Head of Security and Emergency Response, who has the authority and responsibility to develop and implement airBaltic's Security Program which shall be approved by Accountable Manager. airBaltic Security Management and Compliance Manual (Security Program) consists of 3 parts:

- Security Operations Program,
- Security Training Program,
- Security Quality Control Program and Annexes.

The development of the airBaltic Security Management and Compliance Manual (Security Program) is based on International, European Union and Latvian National legislation and requirements. Security Program is the key document to refer for security related requirements, processes and procedures. In addition, security related issues are reflected in the respective sector's manuals (e.g., Operation Manuals, Cabin Crew Handbook, Station passenger Manual, Cargo Operations Manual etc.)

EMERGENCY RESPONSE

Business strategy Destination 2025 foresees even growth of airBaltic destination network, it was expected to continue to increase the number of flights from all three Baltic capitals. Some of the new destinations launched in 2019 included the new direct flights from Riga to Stuttgart and Lviv.

airBaltic has developed an Emergency Response Organization - a formation of the Company employees who are aware of Emergency Response Manual and procedures that would take place in case of emergency and possible crisis situation within the Company, which could affect the well-being of the airline, while at same time, permit the continuation of normal operations with minimal disruption.

airBaltic continuously improves the Emergency Response Manual and Emergency Response Procedures with a purpose to serve as a guide for handling any emergency and possible crisis by:

- saving lives and minimizing the trauma to those directly involved, including passengers and crew, their relatives and friends, airline staff and others who are involved with the incident,
- minimizing any negative effect on the image of the airline; and minimizing disruption to the continued day-to-day operation of the airline.

In the event of an aircraft accident, incident or any other emergency situation involving property of airBaltic, it is the Company's policy to:

- Co-operate closely with the authorities and organizations involved, to preserve human lives and the property of airBaltic.
- Release accurate and coordinated information as soon as possible to next of kin (a person's closest living relative or relatives), media and other parties involved.
- Assist all authorities concerned with investigation of the cause of the occurrence.
- Fulfil the Company's obligations towards involved crew, passengers, cargo and postal consignors.
- Limit the economic consequences and allow business to continue. This means that the Company continue its daily operations, except employees who are involved in Emergency Response activities. In case the employee's daily responsibilities involve any managerial or supervisory functions, replacement shall be nominated according to Corporate Manual or management decision.

To ensure the utmost functionality of Emergency Response Organization, training sessions and exercises are regularly organized. Year 2019 can be outlined with several managerial level practical training sessions and joint exercises held together with the Riga International airport and ground handling company.

The main objectives of the joint exercises were to assess existing emergency plan compliances in the following actions:

- providing care to uninjured passengers and their meeters/greeters
- communication and cooperation between airline and airport care teams
- reunion process of uninjured passengers and their meeters/greeters.

SERVICE AND CUSTOMER EXPERIENCE

AIRBALTIC BELIEVES THAT SATISFIED AND HAPPY CUSTOMERS ARE THE KEY OF BUSINESS SUCCESS AND GROWTH. IN 2019 AIRBALTIC RECORDED THE HIGHEST CUSTOMER RETENTION RATE AMONG PRIVATE CUSTOMERS IN THE COMPANY'S HISTORY, REACHING 78 INDEX POINTS. CUSTOMER SERVICE IS ONE OF THE CORE VALUES OF AIRBALTIC, AND DEVELOPMENT AND IMPROVEMENT OF IT (FROM THE FLIGHT RESERVATION UNTIL ARRIVAL AT THE DESIRED DESTINATION) IS ONE OF THE MAIN GOALS OF THE COMPANY.

PUNCTUALITY

airBaltic aims to be one of the most punctual airlines in Europe, in which it has succeeded for many years. In 2019 airBaltic's OAG (on-time performance (OTP) measured by flights that arrive or depart within 15 minutes of their scheduled arrival/departure times) ranking has slightly dropped to fifth place for various reasons: the airport's arrival and departure slots, terminal and apron infrastructure limitations, weather conditions in winter with heavy de-icings and in summer with unexpected thunderstorms all over Europe, as well as air traffic controller (ATC) and other service provider strikes. Not to mention various operational irregularities in flight operational periods, like, technical issues, transfer passenger flows, aircraft swaps and other, which were contributing factors to lower punctuality results in 2019.

Continuous growth of the new Airbus A200-300 fleet comes with additional workload for technical team and crew planning, nevertheless challenges are different. For example, the efforts of the professional flight dispatch team in reducing slots was a great help in maintaining punctuality. However, as mentioned before weather conditions, such as increased snow in Q1 2019 and an unexperienced amount of thunderstorms in Europe during summer caused extra workload with aircraft swaps in order to keep punctuality high.

One of the main targets for airBaltic is to ensure that 99% of all planned flights are performed within scheduled times and good customer service is provided. In 2019 airBaltic cancellation or regularity rate was 99.6% (2018: 99.8%) which is extremely high and a good achievement by the team of airBaltic. 3-minutes punctuality rate was 68.78% (2018: 71.17%), and 15-minutes punctuality rate 86.28% (2018: 87.52%)



Due to different circumstances mentioned above, flight irregularities happen time to time. In order to improve the passenger's experience in those rare situations when their flights are delayed or cancelled, in 2019 airBaltic launched **FLIGHT IRREGULARITY IMPROVEMENT PROJECT**.

A system for automated care and assistance vouchers issuance is already implemented for the Riga hub, while its coverage for outstations will be gradually extended in 2020. In cooperation with Amadeus IT Group, by the end of 2020 it is planned to go live with the automated flight rebooking system, which will significantly reduce passenger handling time during irregular operations. Passengers will receive confirmations of their new flight within minutes after the irregularity is announced.

SERVICE AND CUSTOMER SATISFACTION

airBaltic is committed to transport clients and their baggage to the appointed destinations safely and punctually, ensuring that customers are satisfied throughout the entire service chain. Each day employees are working hard to ensure the best possible service and highest passenger satisfaction rates, focusing on improving passenger experience from the flight reservation until arrival at the desired destination.

In 2019, airBaltic recorded the highest customer retention rate among private customers in the Company's history, reaching 78 index points. The rate is significantly higher than that of the biggest competitors in the Baltic market. The overall passenger experience is continuing to improve.

airBaltic is constantly monitoring customer mood by analysing complaints, feedback in public review portals, e.g., Tripadvisor, as well as via after-flight surveys and a yearly Customer Retention Survey. In order to improve customer service, airBaltic is easily approachable on social media such as Twitter and Facebook for customer service issues.



To further improve the service, in spring 2019 airBaltic became the first airline in the Baltic states to launch its **FACEBOOK CHATBOT SERVICE**. Chatbot is a program designed to simulate a conversation with real users. The airBaltic chatbot provides such services as answers to the most frequently asked questions about baggage and booking management, as well as introducing users to airBaltic destinations. According to the current plan, in the future passengers will be able to check in with a chatbot, as well as receive their boarding passes via Facebook Messenger.

As with any new technology, airBaltic is constantly analysing the performance of the chatbot in order to make the necessary improvements. Also, regular service checks are performed at the airports and during the flights to ensure that passengers are served according to procedures and service standards. These inspections allow to observe directly provided service level from the passenger's perspective in real life and make necessary improvements more effectively.

ACCESSIBILITY

airBaltic is working hard to meet all passenger needs. As a responsible company airBaltic is paying extra attention to passengers with disabilities of any kind and need for assistance during their journey.



- To ensure that passengers are given the best possible experience, it is asked from passengers to make special requests at the time of booking.
- Assistance may include help to get from a designated meeting point in the airport through customs and security to the boarding gate.
- airBaltic also provides connecting flight assistance for ambulatory individuals or those who may need help getting from one departure gate to another.
- If a passenger with disabilities or reduced mobility is travelling with an escort, the airline will do all it can, to ensure that the escort and the passenger with disabilities or reduced mobility are seated next to each other.
- The airline takes all necessary measures to ensure that both ground and cabin personnel are informed of a passenger's special needs.

In addition to the above-mentioned, procedures undertaken to maximize the passenger's comfort and well-being and having taken into account the passenger's requirements for special care and attention, safety procedures – such as coordinating correct seat allocation and informing the staff of the passenger's disability or status – are also implemented.

airBaltic is working in close cooperation with Association of Disabled People and Their Friends Apeirons and Civil Aviation Agency of Latvia. airBaltic Ground staff are trained to work in close cooperation with Passengers with restricted mobility (PRM passengers), with training performed by PRM Assistance Manager Riga Airport. The last training where Ground Operation department attended was Training “How to improve PRM travel experience during flight”. airBaltic crew is trained according to CAA approved program once every 2 years.

Online check-in is available for all PRM passengers, Special assistance can be requested using airBaltic web page, by phone or Ticket office. European Union's Regulation (EC) No. 1107/2006 of the European Parliament and of the Council of 5 July 2006 concerning the rights of disabled persons and persons with reduced mobility when travelling by air is followed in each step of the way.

More information about special assistance is available [here](#).

RESPONSIBLE MARKETING

At airBaltic, relationships with customers and mutual trust are always one of the main focuses. In order to reach over 5 million customers in more than 120 countries, the Company uses a combination of various marketing channels. airBaltic believes it is their responsibility to make sure that communication with customers follows consistent principles and standards.

airBaltic follows the principle that all marketing activities are always legal, decent, honest and truthful.

When advertising the Company's services, the highest possible transparency is applied. It means that airBaltic takes full responsibility for transparent pricing and clear ticket rules, product availability in all of the channels, user-friendly internet booking engine and available customer service both to specify any information the customers might need. Call centre employees speak 7 languages and airBaltic's social media team is available for customers 24/7. Furthermore, all brand managers follow a specific tone of voice to keep the marketing communication friendly, focused and easy to understand.

Within the last couple of years, airBaltic has taken digital marketing to the next level to meet its ambitious business and corporate targets. With a strong presence in home markets (Baltics) and strong need to grow sales and brand awareness outside its core market, airBaltic is using the most modern digital tools, on-demand customer intelligence, and marketing platforms.

airBaltic is one of the most awarded airlines in the region in terms of digital innovation.

airBaltic.com accounts for 52% of all airBaltic flight bookings, thus digital marketing and e-commerce play a crucial role for B2C sales and the Company's revenue stream. 75% of bookings are made on desktop, while 25% on mobile phones and tablets. As customer habits are changing, each year the number of people that purchase their flight tickets on mobile devices grows significantly. To provide a seamless booking process, last June **A NEW MOBILE FRIENDLY VERSION OF AIRBALTIC WEBSITE** was launched. It has helped to increase mobile conversions significantly - 84% increase in the number of mobile bookings in 2019, compared to the year before.



LOYALTY PROGRAMME

To make the customer traveling experience even more pleasant, airBaltic has developed **A LOYALTY PROGRAMME AIRBALTIC CLUB** which allows clients to earn pins and collect stamps while traveling and receive various rewards. PINS is the currency of airBaltic Club that can be earned every time a customer flies airBaltic or uses the services of many other travel and retail partners. For example, up to three pins can be earned for each euro spent on airBaltic tickets and extra services, one pin is earned for each euro spent while shopping on board. The airBaltic Club has three levels suited to the customer's flying habits. If client travels at least five times per year, a free flight with airBaltic Club can be earned.

Besides free flights, airBaltic Club offers different kind of rewards (such as baggage vouchers, flight discounts, bonus pins and a free ticket) for stamps collected. Stamps can be collected by members of airBaltic Club or the PINS loyalty programme. A stamp is received for each one-way flight booked on the airBaltic website.

More information about the loyalty programme is available [here](#).

DATA PRIVACY AND PROTECTION

airBaltic respects the privacy of its customers and is committed to ensuring that personal details and other information provided by clients is processed appropriately. airBaltic pays special attention to appropriate data protection and is working to comply with the applicable regulatory enactments and apply data protection regulations to everyday work. The data privacy policy has been updated due to COVID-19 pandemic (regarding measures for containment of the epidemic or pandemic and/or repatriation flights).

airBaltic is subject to the General Data Protection Regulation No. 679/2016 (GDPR) of the European Parliament and of the Council as well as relevant national regulatory enactments, which impose obligations to ensure appropriate processing and protection of personal data. airBaltic aims to ensure inter alia:

- Transparency – airBaltic aims to become more transparent about data collection and processing so that data subjects have comprehensive information on how airBaltic process their data. This information is communicated with data subjects through privacy policies, which are updated when necessary to reflect topical data processing activities carried out by airBaltic.
- Lawfulness – airBaltic respects data protection and privacy laws and aims to comply with obligation provided by such laws.
- Security – airBaltic aims to protect personal data pursuant to the industry standards, including having access control in place and encryption solutions, as well as updating security measures when necessary to comply with industry standards.

airBaltic has taken organizational measures to ensure the above mentioned. This includes the established Privacy Program, appointed Data Protection Officer, implemented appropriate policies and procedures, and conducting training for its employees on data protection rules to support compliance with the applicable regulatory enactments.

Privacy Program within airBaltic is managed by Data Protection Officer, who reports directly to top management of airBaltic.

airBaltic strongly believes that employees need to be trained and provided with the latest information in the specific field. During 2019, Data Protection Officer organized 14 training sessions for airBaltic employees. The goal for next year is to organize around 12 training sessions.

airBaltic's IT infrastructure is maintained according to the applicable regulations and industry best practices, with regular internal and external audits executed in order to ensure high levels of security. Cyber security culture in the Company is promoted through an on-boarding process for new employees that ensures familiarity with airBaltic IT security requirements and regular IT security trainings.

More information on airBaltic's Data privacy policy is available [here](#).



ENVIRONMENT

ENVIRONMENTAL IMPACT IS ONE OF THE MOST COMPLEX CHALLENGES FOR AIRBALTIC. AMONG THE KEY ENVIRONMENTAL IMPACTS OF THE COMPANY ARE ENGINE EMISSIONS (FUEL CONSUMPTION), NOISE, USE OF CHEMICALS, AND WASTE STREAMS.

AS AIR TRAVEL INCREASED IN THE DECADES BEFORE COVID-19, AIRBALTIC, SIMILAR TO OTHER AIRLINES, AIMS TO FIND WAYS TO MINIMIZE ITS IMPACT. MOREOVER, THE AIRLINE CLEARLY FEELS THE GROWING CONCERNS AND EXPECTATIONS FROM RELEVANT STAKEHOLDERS AND THE PUBLIC AT LARGE. AS A YOUNG AND AMBITIOUS COMPANY, AIRBALTIC CAN AFFORD TO BE FLEXIBLE, AND IS PROUD OF HEADING TOWARDS BECOMING AS GREEN AS AN AIRLINE POSSIBLY CAN.

Air travel connects people all over the world and is crucial to the global economy, but it does have an impact on the environment. Environmental consideration is taken into account in all departments on all levels within airBaltic, resulting in an increased environmental awareness within the whole organization.

Within the framework of airBaltic economic and quality goals, all the activities within the Company shall be performed in such a way that they have a minimal negative effect on the environment. Internally the Company continuously works on implementation of production methods that are environmentally sound, minimize energy consumption, facilitate re-cycling processes and have a lowest possible emission.

The key points of airBaltic's environmental strategy that support more sustainable procurements are:

- Protection of the environment,
- Prevent pollution at all levels,
- Minimize the waste,
- Reuse or recycle as much as possible,
- Minimize greenhouse gas emissions focusing on ground support equipment (GSE) replacement and fuel consumption, introduction of new Airbus aircraft
- Encourage the use of alternative means of transport and car sharing,
- Encourage the adoption of similar principles by our suppliers and other stakeholders.

The airline is committed to deliver a sustainable future in line with the Paris Agreement and the ambitions of the European Union Green Deal.

GREENER AIRCRAFT TYPES

The Company's priority is to reduce the emissions, and significant achievement was reached by introducing the new aircraft type – **AIRBUS A220-330** in the operational fleet. As of 2020 airBaltic is using only Airbus A220-300 aircraft – one of the world's greenest commercial aircraft in the skies. The A220-300's advanced aerodynamics combined with specifically-designed Pratt & Whitney PurePower PW1500G geared turbofan engines contribute to an aircraft that delivers 20% lower fuel burn per seat than previous generation aircraft.

After the full switch to one type fleet of Airbus A220-300 airBaltic would become the greenest airline in Europe. Compared to the previous generation aircraft of similar size, the new planes feature a 20% reduction in CO₂ emissions, 50% less NO_x emissions, and a 4x smaller noise footprint.

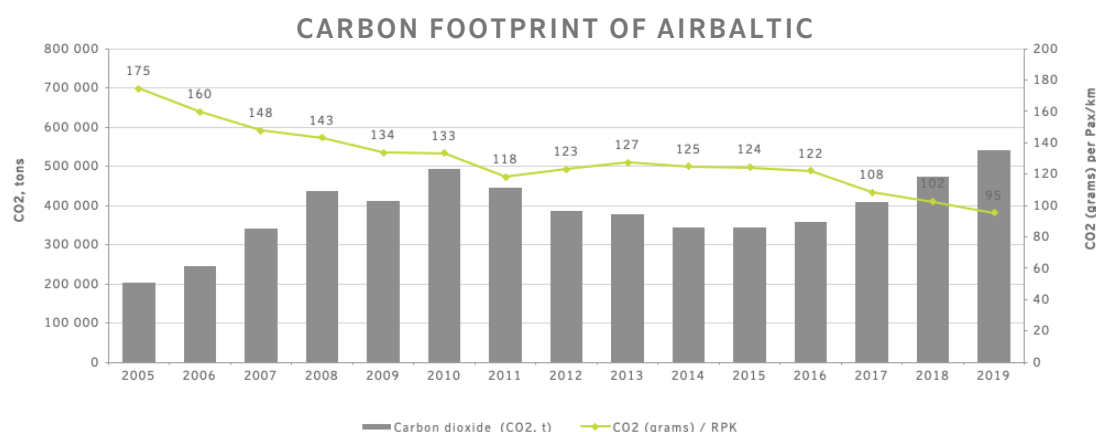
Also, Airbus and Bombardier fleets have modern navigational equipment, which allows the Company to precisely navigate into airports avoiding highly populated areas (where required by authorities).

FUEL EFFICIENCY

Fuel efficiency is ensured using KPIs for two groups that affect fuel efficiency – Dispatchers and Pilots. Various analyses are being performed too to track new aircraft fuel consumption compared to values provided by the aircraft manufacturer. airBaltic also evaluates new potential saving initiatives such as use of Sustainable Aviation Fuels, Acceleration Altitude Reduction and others.

Since the introduction of European Union ETS in aviation sector airBaltic annually complies with the scheme. The amount of produced emissions is reported, verified and surrendered according to the governing regulation.

In 2019 the direct amount of CO₂ emissions from airBaltic's traffic was approximately 540 000 tonnes (approx. 480 000 tonnes in 2018). Modernisation of the fleet and optimisation of landing procedures has allowed to reduce the amount of carbon emissions released per passenger km flown by 33% compared to 2008.



airBaltic uses LIDO flight planning system provided by Lufthansa Systems. LIDO system calculates the most suitable route for each flight based on all flight-related data, weather conditions and the current airspace situation including any restrictions. LIDO enables us to lower our fuel consumption and thus our costs.

airBaltic uses such Fuel Efficiency practices as Idle Reverse, Single-Engine Taxi-In, Continuous Descent Arrival, Take-off in Direction of Flight and others to reduce the amount of fuel burned.



IDLE REVERSE is the practice of using the least engine power amount to slow the aircraft down during landing roll. It increases comfort of the passengers as well as the engine life, saves fuel, reduces emissions and noise levels.

REDUCED FLAPS DURING TAKE-OFF AND LANDING allows the use of the lowest amount of flaps to ensure safe take-off, climb and approach, landing performance. airBaltic uses Performance Calculation tool located on each pilots Electronic Flight Bag (EFB) that takes this into account by planning the lowest flap setting when aircraft performance allows to do so. Thus, aircraft drag is reduced allowing for fuel to be saved and emissions to be reduced.



TAKE-OFF IN DIRECTION OF FLIGHT is a saving initiative that airBaltic only uses at Riga International Airport (home base). When performance allows, pilots are encouraged to request the runway that ensures the most direct route to destination. This reduces the fuel amount spent and saves times.

In April 2019 airBaltic fully implemented the **E-GEN PROJECT** launched in September 2015, which has been aimed to further improve its green flying, as it sets out to reduce emissions and improve efficiency. The project has enabled airBaltic to upgrade the satellite navigation systems on its Bombardier Q400 NextGen fleet. As a result, airBaltic has implemented the highest precision approach procedures, improving its fuel efficiency and permitting landings that are more environmentally friendly.

By using these saving practices, airBaltic saved more than 300 tons of fuel and thus 900 tons of CO₂ were not released.

To further increase efficiency, airBaltic pilots receive quarterly reports on their performance and are provided with training. For example, for new pilots a Conversion Course has been developed. During this training, a fuel efficiency analyst, in cooperation with instructors, highlights key saving initiatives, shows current adherence and presents future plans (such as the introduction of fuel efficiency application), as well as answers the questions of trainees.

Pilots are also invited into discussion about fuel efficiency and encouraged to provide inputs or suggestions. These training sessions occur once a month or each time a large group of new pilots joins the airline. Training is usually provided for a group of 6 to 12 pilots, and so far, there has been 6 such training sessions.

WASTE MANAGEMENT

Waste in the aviation industry is considered to be any type of “unwanted or useless” products, materials and substances that are no longer usable and have been produced or disposed during the preparation of the flight or during the operated flight. Waste management, therefore, is a complex process, considering that it comes from not only from office, but mostly from aircraft (domestic/international), tenants, maintenance activities, aircraft and ground vehicles operations. Therefore, an important aspect need to be considered: dealing with the different requirements of these different types of waste.

Company Facilities Environmental controls are generally imposed under Latvian Law. At Riga International Airport, airBaltic operates on land controlled by Riga International Airport (RIX). Planning permission for airBaltic facilities is granted in accordance with both the zoning and planning requirements of Riga International Airport. Latvian environmental legislation contains applicable European Union directives and regulations, to which airBaltic adheres.

INFLIGHT WASTE

The current management approach of inflight (e.g. food and other items) waste recycling and utilization are the following:

- tertiary (transport) & secondary packaging – agreement with packaging agent who organizes and coordinates the management of packaging waste including recycling
- primary packaging – agreement with packaging agent who organizes and coordinates the management of packaging waste including recycling
- foodstuff – agreement with agent who organizes and coordinates the management of waste including proper utilization
- hazardous waste – agreement with agent who organizes and coordinates the management of hazardous waste and its utilization in accordance with legislation.



Catering supplier LSG Sky Chefs Latvia performs purchasing, storage and operations of goods on behalf of airBaltic, therefore following action plan is created:

- primary packaging – three years substitutions plan has been launched in the framework of plastic substitution project that includes:
 - procurement approved only for sustainable packaging
 - facilitating the reduction of the volume of packaging materials but not changing either the intended or existing functions therefore promoting the reuse of packaging
 - determining the requirements for the packaging permitted for placing on the market in Latvia.
- foodstuff – long shelf life: principles of reusing of unopened packaging and other
- inflight service (in cooperation with airlines) – service level is oriented to exact passenger needs (pre-orders).

An approach, which aimed to reduce the inflight waste, was to increase the selection of the pre-order meals and therefore to advertise more this service, which proved to be very successful. During the 2019, the number of airBaltic passengers who chose to pre-order their meal from a menu of over 70 different fresh meals, increased by 49.5%, while the popularity of inflight meals grew by 19.8%. Also in the future airBaltic aims to follow the industry trends and will update the pre-order menu once a year. It is important for the Company to offer fresh options to our passengers and cater to a large variety of dietary needs. Our new approach, as well as the launch of pre-order menu in Tallinn, has helped for the service to grow more popular.

Worth to mention is that single-use plastics are particularly important when it comes to serving passengers on board. Starting with 2020, airBaltic will be carrying out a new strategy regarding single-use plastics on board. Plastic items will be gradually replaced by nature-friendlier alternatives such as paper packaging, wooden cutlery, and biodegradable materials.



“In 2020 we aim to continue to gradually replace single use plastics in our on-board service and work on more environmentally-friendly packaging. We are evaluating our suppliers more thoroughly, prioritizing those that can fulfil our sustainability requirements,” Zane Pabērza, airBaltic Inflight Services Manager.

HAZARDOUS WASTE

airBaltic Technical Department carries out the sorting of hazardous waste, which includes several categories that are sorted separately according to the law. In total 158.5 m³ of construction waste, 0.28 tons of end-of-life tyres, 0.42 tons of fluorescent lamps and 22.5 m³ of oxerosins, oil and used absorbent were utilized in 2019.

The management system also includes the training of employees about waste sorting, conducting tests and internal checks to make sure that all involved staff understand and follow the procedure on a daily basis. In the Technical department, where employees are working with a wide range of chemicals and other materials, in addition to the above-mentioned sorting, the sorting of hazardous waste takes place.



In October 31, 2019 in airBaltic Environmental management working group was established. The aim of the working group is to develop and implement a hazardous waste management system in daily procedures that fully complies not only with legal requirements but also with environmentally friendly waste management principles.

HOUSEHOLD AND MIXED PACKAGING WASTE

There are several categories of waste sorting at airBaltic offices. In regular office space, employees are able to sort:

- household waste
- mixed packaging waste
- batteries
- electronic devices.

Evaluating this factor in relation to the total number of employees and its growth, the amount of municipal waste has been decreasing over the last three years. In 2017, on average one airBaltic employee produced 0.42 m³ **HOUSEHOLD WASTE**, compared to 2018 when one airBaltic employee produced 0.38 m³ and 2019 of a result of 0.35 m³ per one employee, per one year.

Often the household waste amount is reduced by starting the sorting of paper and packaging. In the case of airBaltic, waste sorting has already been active and a decrease has been reached over the last three years.

In 2017 on average one airBaltic employee produced 0.35 m³ of **MIXED PACKAGING WASTE** (cardboard, paper, plastic), in 2018 the amount decreased to 0.33 m³ and in 2019 to 0.30 m³ per employee, per one year.

This positive waste reduction is due to various internal initiatives and processes, such as ceasing the use of plastic water bottles for meetings. Introduction of more and more electronic documents with electronic approval systems such as SharePoint system for agreements, finance investments and purchase requisitions, where necessary approvals can be received electronically, and also the introduction of SafeQ print system (documents printed out only when employee confirms it on the device thereby reducing the number of forgotten printouts).

In addition to everyday paper waste sorting, airBaltic destroys sensitive documents, which also goes to paper recycling. Data shows that in 2018 airBaltic destroyed 855.5 kg of paper, while in 2019 – 1179.2 kg.

In addition to all the above-mentioned types of waste, airBaltic is handing over also light bulbs, batteries, electronics, and other recyclable waste separately, for utilization processes.

CARBON FOOTPRINT OF AIRBALTIC

Waste type	Utilized amount, kg
Monitoring and control tools	104
Consumer equipment, e.g. TV's, radio devices, audio amplifiers etc.	882
IT and electronic devices	215
Galvanic elements and galvanic batteries, small household appliances, IT and electronic devices	105
Electronic tools	51
PC monitors	108

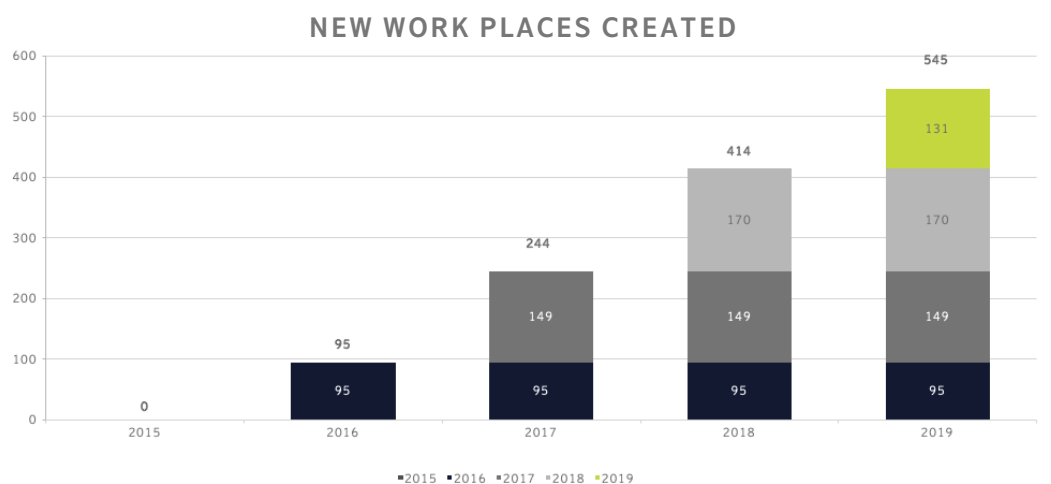
EMPLOYEES

TOTAL NUMBER OF THE GROUP EMPLOYEES IN 2019 HAS REACHED 1716, WHICH FOLLOWS THE GROUP'S BUSINESS GROWTH PLAN. AIRBALTIC FOCUSES ON THE DIVERSITY AND INCLUSION IN THE WORKPLACE, KEEPING GENDER EQUALITY CLOSE TO 50/50 ACROSS THE ORGANIZATION SINCE 2013. MOREOVER, CURRENTLY THERE IS 50/50 PROPORTION ON ALL MANAGERIAL LEVELS AT AIRBALTIC AND 59/41 PROPORTION AMONG THE TOP MANAGEMENT.

PERSONNEL

airBaltic has a strict zero discrimination recruitment policy and is committed to an environment where the best people work and where respect for the individual is important. airBaltic values participation of all employees in the development and success of the Company. At the end of 2019, the Group employed over 1700 people, an 8% growth over previous year. Currently the Group employs people of more than 30 different nationalities; average age of employees – 35.

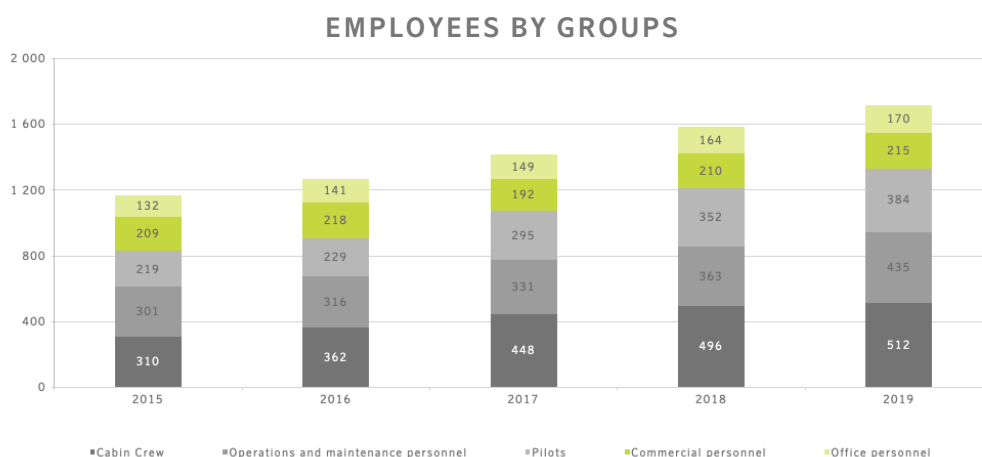
The respective growth trend shows an average increase of the number of employees by 10% has continued for several years in a row, which follows the Group's business growth plan. In the past 5 years the Group growth has created 545 new workplaces.



During 2019 in total 398 employees joined the Group. There were 211 internal promotions and approximately 40 interns had their long-term internship (longer than a month). airBaltic cooperates with Universities to provide extensive practical experience and internship provision for engineering students in the maintenance area, hence around 30 technical apprentices have been onboarded in 2019.

Five main employee groups identified within the Group, i.e. Cabin Crew, Pilots, Operations and maintenance personnel, Commercial and Office employees. Depending on the business function they are involved, their work routine and working time differs.

Almost 80% of the Group employees are directly involved in the operations of flight performance and fleet maintenance. These employee groups have seen the highest employee number increase in the past years, and it is projected to continue in line with airBaltic volumes expansion.

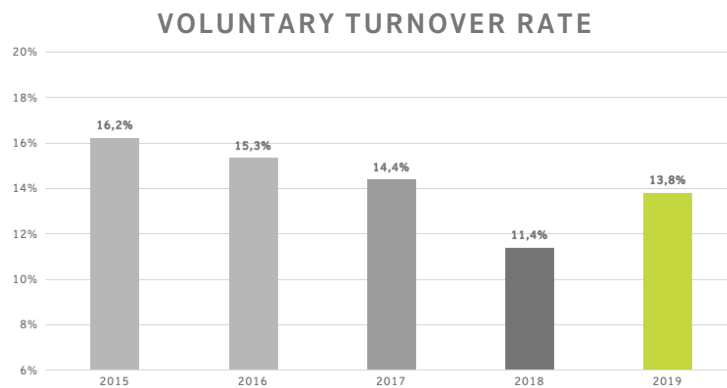


Average tenure of employees at the Group is 6 years. On average approx. 2% of employees in 2019 have been employed on temporary contract conditions on project base or as a replacement for the employee on temporary leave, such as parental leave. On the contrary, a relatively high proportion of pilots (8%) have been employed on a temporary basis on a Boeing aircraft type until the Boeing phase-out process ends.

Based on employee initiative, part-time work is more popular among parents with kids below age of 14. The Group employs 10% of Cabin Crew on part-time, however, in other employee groups the percent is significantly lower, from 1% in Pilot group up to 5% among Office personnel.

In 2019, on average 5 employees per week left the Group due to voluntary and non-voluntary reasons. In 2019, voluntary turnover in Cabin Crew increased and drew overall rotation up by 2.4% due to labour market dynamics, which airBaltic addressed with the immediate action of salary system improvements and new recruitment approaches to ensure sufficient resources.

Since 2015 the Group operated with the positive voluntary turnover reduction rate and kept it below 15% level for 3 years in a row. airBaltic is proud that the airline has been named as a Top Employer in Transport and Logistics industry in Latvia for 8 years in a row.



EMPLOYMENT POLICY

The major central document guiding employee related matters is **PERSONNEL HANDBOOK**. It states various principles and agreements, for example about business ethics and corporate culture, working time, leaves and absences, compensation and benefits, insurance, occupational health and safety policy etc.

Each new employee is provided with First Day Info training, Personnel Handbook and Administrative handbook, where internal working regulations are described. Also, a special training for new employees called “Know airBaltic” is provided twice a year where the structure and internal rules of the Company as well as the main values are once again emphasized. A tour visiting all the buildings of airBaltic is organized as well.

airBaltic Business Ethics and Corporate Culture is based on generally accepted norms of ethics, legislation, core competencies and the Company values. Service orientation is one of the main values of the Company, therefore service-mindedness strongly characterizes the work environment. Employees are expected to behave in a service oriented, positive and forthcoming manner.

airBaltic operates according to **MULTI-FUNCTIONAL WORKFORCE CONCEPT**, which foresees employees being prepared to take up additional duties within their scope of competence, either in their own department or within the Company during their working hours, if such operational need arises. Taking into account the qualification of the employee and upon mutual consent, the employer may assign additional and/or different duties to employee according to the multi-functional workforce concept. Duties in line with the multi-functional workforce concept can be carried out only during the working time of employee, and there is no additional payment provided.

airBaltic values participation of all employees in the development and success of the Company.

DIALOGUE AND COMMITMENT INDEX

airBaltic is engaged in Collective agreement with 4 trade unions since 2009. The Group applies collective agreement conditions to all employees. Within the Group, a significant number of employees in Cabin Crew, Pilots and Maintenance personnel groups are members of the unions. airBaltic Group keeps an active dialogue process with all unions through the monthly meetings on actual topics and through the dedicated Employee representative coordination person on a daily basis.

The Group carries out a continuous listening strategy and runs regular employee commitment surveys since 2013, as well as collects feedback on other specific activities, changes etc. The **COMMITMENT INDEX** is an aggregated measure that demonstrates state of employee satisfaction, engagement, retention, loyalty and motivation at work.

On overall the Group employees demonstrate moderately high commitment level, resulting in 61 points in 2019.

As of 2019 employee commitment surveys are carried out on a quarterly basis to be more dynamic and take prompt decisions in case of deviations.



DIVERSITY AND EQUAL OPPORTUNITIES

In all recruitment, human resources development, staff promotion and other interactions, airBaltic acts on the basis that all persons have equal worth. No one working for airBaltic may be discriminated on the basis of age, gender, ethnic background, religion, sexual orientation, physical disability, political conviction or marital or parental status. No physical, psychological, verbal or sexual harassment is acceptable at the Company.

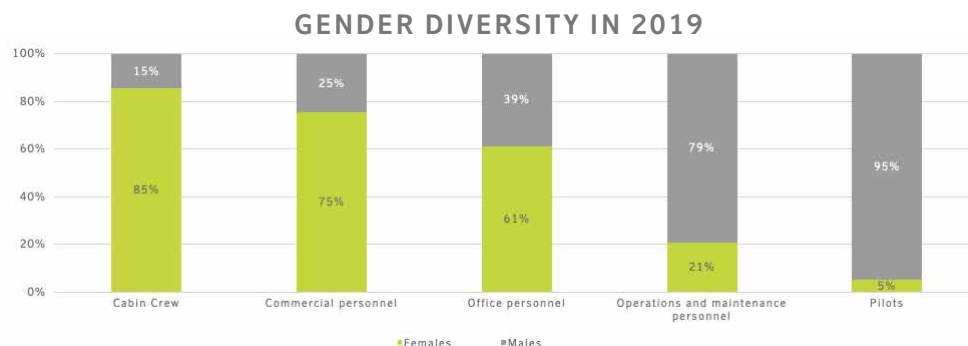
*The Group keeps gender equality close to 50/50 across the organization since 2013.
In 2019 the proportion between men and women was 53/47.*



In 2019, airBaltic together with more than 20 airlines joined the initiative and signed an International Air Transport Association (IATA) **25BY2025 GENDER DIVERSITY PLEDGE**, committing to increase female participation at senior levels and in underrepresented groups, such as pilots and maintenance, by 25% by the year 2025.

Currently there is 50/50 proportion on all managerial levels at airBaltic and 59/41 proportion among the Top Management at airBaltic in the result of zero discrimination policy in all people management processes within the Group. Male and female proportions in major employee groups have remained stable since 2015.

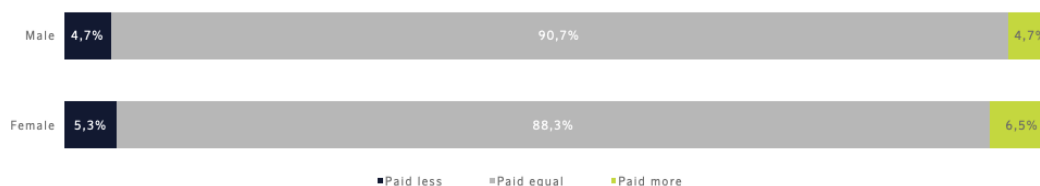
“As a company advocating sustainable development, we want to change both public perceptions of certain professions and, in the long term, increase the proportion of women in the pilot profession, emphasizing the importance of diversity for the growth and success of every company and industry.” - Alina Roščina



The Group is working continually on society perception change and fighting stereotypes to attract more females into historically masculine positions and roles.

The Group has implemented proper remuneration policies in the bigger employee groups which are based on employee performance, experience and qualification and avoid any pay gap. Based on the rough comparison of same positions holders, if the position has both male and female position holders, not taking into account seniority, performance, previous experience and other deviation for proper equal pay measurements, the Group has concluded that in those 4.7% of cases males are less paid in average by 11%. In 5.3% cases, when females are paid less, the difference is by 14% in average.

BASE SALARY COMPARISON BY GENDER



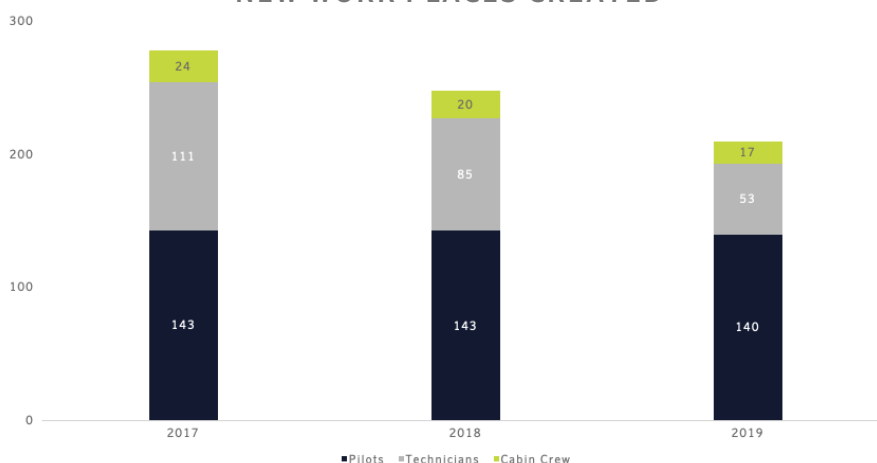
The Group continues to work on compensation system improvement and any pay gap elimination in cooperation with an external consultant. Started in 2019, airBaltic is looking forward to re-evaluation of job grades to be finalized in 2020.

The average age of the Group employees is 35 years (34 years in 2018) and it is slowly increasing throughout the years, which can be explained by Latvia's demographic situation and trends. Nevertheless, the diversity in age groups is wide in different employee groups, where operations and maintenance personnel integrate all generations.

TRAINING AND DEVELOPMENT

The Group supports aviation professionals to obtain required qualifications to work as Cabin Crew. In 2019 almost 130 newcomers passed the program. airBaltic also provided training and examination for the employed mechanics to get Technician B1 or B2 categories.

NEW WORK PLACES CREATED



The aviation industry is heavily regulated in terms of the maintenance of employee qualifications. In addition, Cabin Crew, Pilots and Technicians are going through different recurrent training programs on an annual basis. The biggest part of the training programs in the past years was related to the fleet modernization program and the new aircraft in operation, hence the training hours are reducing due to more employees having requalified for Airbus A220 aircraft operations. On top of that, training becomes more efficient by reducing instructor's workload by implementing more digital solutions.

Each year a number of activities and events are organized to attract top talents. Once a year Career Days take place at airBaltic, welcoming everyone interested in pursuing a career in aviation industry. Open Door Days are regularly organized as well. To inform students about career options at airBaltic, the Company actively cooperates with local universities and schools by organizing guest lectures and other events.

To strengthen employer branding, airBaltic officials often join different public events as speakers to share the experience and knowledge in the fields of business and human resources.

PILOT ACADEMY

Also, the Group has invested significant resources into the Pilot Academy development that was launched in 2018 which provides full pilot training in 18 months. Students do not need any previous aviation education or experience to join the academy and all successful graduates undergo a selection process at airBaltic.

The Pilot Academy has been an immediate success – it received, on average, 10 applications for one pilot training spot.

Pilot Academy utilizes aircraft especially designed and produced for training purposes. They are fitted with the latest generation digital avionics, eco-engines, integrated flight instrument systems with synthetic vision and advanced safety features. These systems are not on the minimum certification requirement list but bring the training closer to the standards of modern commercial aviation. Likewise, both the single and twin-engine aircraft will ensure a common cockpit environment that will in-turn facilitate the learning process.

Students are trained by professional instructors who are actively flying at airBaltic, and those who are well known specialists in this field. Ensuring the necessary focus on the actual requirements and working conditions of a commercial airline pilot.



In 2019 airBaltic Pilot Academy had seven training aircraft – six Diamond DA40 and one Diamond DA42. Another three Diamond Aircraft will be delivered to airBaltic Pilot Academy in 2020 – the additional order represents the strong development of Pilot Academy as a reliable and modern pilot training institution.

The entire first group of 12 students successfully finished the academy and joined the airline in October 2019, a few months earlier than planned.

“The first group of students have set a very high standard for the next groups. They showed very strong commitment and excellent results, which now will help them to become professional in aviation. The first graduation is a significant milestone for our pilot academy, which now has enrolled over 50 students with more to come during coming years.” - Pauls Cālītis, airBaltic Chief Operations Officer, Board member.

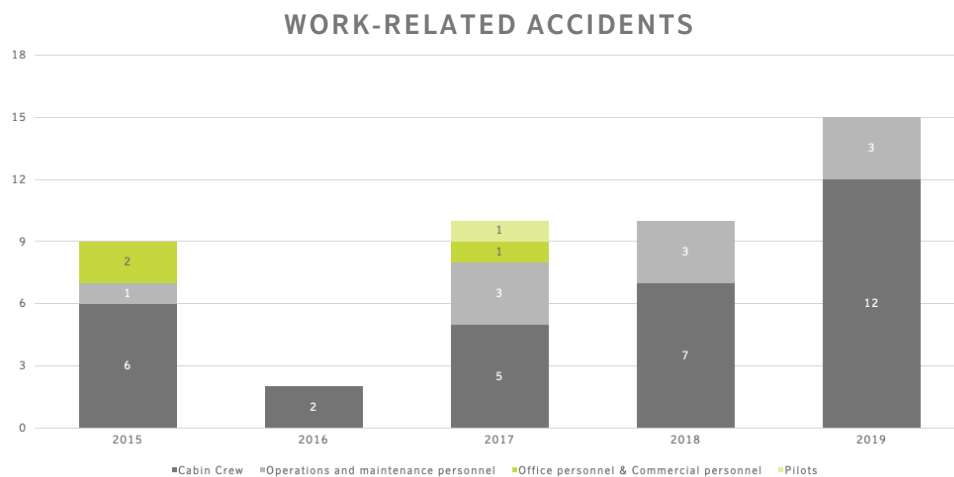
More information on the Pilot Academy available [here](#).



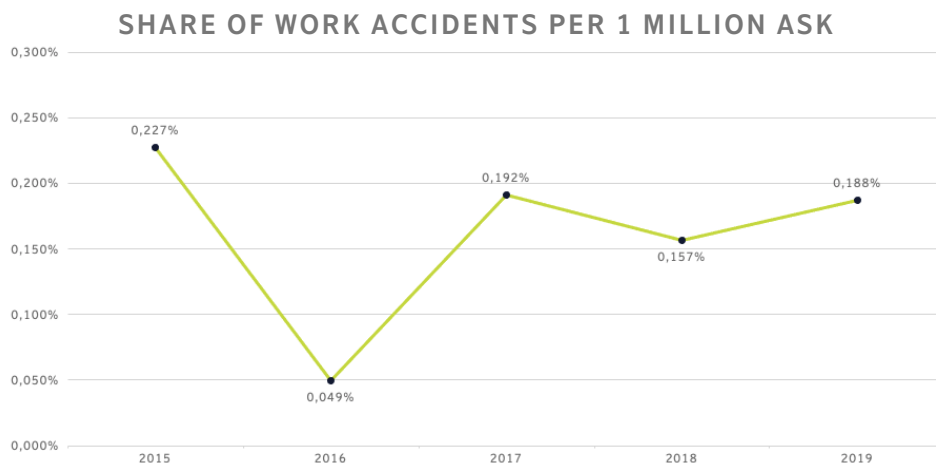
OCCUPATIONAL HEALTH AND SAFETY

In 2019 the Group registered 15 job accidents. 9 of 15 happened due to employee inattention or incorrect working methods applied.

Respective accidents are always addressed in the regular job safety training sessions to employees to avoid similar mistakes in the future. Also, a practical training on safety at work during which employees have to act in accordance with the safety instructions (for example, evacuating from the building, providing first aid) is organized at least once a year. To make this training even more effective, all activities are recorded, and video is later analyzed together with the trainees to discuss the mistakes made.



The majority of accidents occur with Cabin Crew members which is driven by an increase of respective group and flight volumes. Accidents per million available seat kilometers (ASK) has not fluctuated significantly in the past 3 years as indicated below.



The Group ensures **HEALTH INSURANCE** coverage for all employees and **ACCIDENT INSURANCE 24/7**, as well as covers costs of the regular medical checks and provide compensation for optical expenses. Pilots are also provided with Loss of License Insurance.

**NUMBER AND RATE OF MEDICAL CHECK-UPS OF EMPLOYEES IN
DIFFERENT EMPLOYMENT CATEGORY**

Position	Regularity
Cabin Crew	1 every 12 months
Commercial personnel	1 every 36 months
Office personnel	1 every 36 months
Operations and maintenance personnel	1 every 24 months (technical division) 1 every 36 months (office employees)
Pilots	1 every 12 months

The use of substances by the Company's employees such as alcohol, drugs or medication with side-effects are strictly prohibited while at office or on-duty inflight. All the Company employees, including its Board members and management are subject to regular checks on the levels of alcohol, narcotic, psychotropic or toxic substances in their bodies. airBaltic regards any of the following as a serious violation of an employee's employment contract and the Company's working procedures:

- a positive alcohol test result of over 0.2 millilitres without a mitigating excuse
- a positive drug test result without a mitigating excuse; or
- non-compliance with the alcohol and drug testing procedure.

Employees whose duties have an immediate direct impact on flight safety are subject to mandatory alcohol tests before beginning a work shift. Furthermore, random drugs tests for employees (office and crew) are frequently performed by a contracted third-party company or security staff.

Once a year, the Company undertakes work environment risk assessment. According to the results, plans are made with the aim to improve employee working conditions. At the same time, if some risk factors are noticed in the everyday workplace practices, the Company is reacting and taking actions to prevent or minimize it.

RESPONSIBLE GOVERNANCE

FOR AIRBALTIC IT IS ESSENTIAL, IN ADDITION TO COMPLYING WITH ALL APPLICABLE LAWS AND REGULATIONS, TO CONDUCT BUSINESS IN LINE WITH THE HIGHEST ETHICAL AND MORAL STANDARDS. ACCORDINGLY, BUSINESS ETHICS AND CORPORATE CULTURE IN AIRBALTIC IS BASED ON GENERALLY ACCEPTED NORMS OF ETHICS, LEGISLATION, CORE COMPETENCIES AND COMPANY VALUES.

ETHICS AND TRANSPARENCY

airBaltic's Business Ethics and Corporate Culture is part of the Personnel Handbook, which is made available to airBaltic's employees on airBaltic's Intranet. According to Personnel Handbook airBaltic's Business Ethics and Corporate Culture is based on generally accepted norms of ethics, legislation, core competencies and the Company values.

Mutual respect, high emotional intelligence, positive attitude and service orientation are vital, both, when meeting customers and for creating a favourable working climate.

airBaltic Business Ethics principles guide relations with one another at work, business relationships and those with the world around. These principles apply to all company departments and must be followed by all employees. According to airBaltic Business Ethics principles, all customers are encountered with respect and consideration for their individual needs and wishes. Attitude towards customers is characterised by quality in all aspects, especially regarding safety, punctuality and service commitment.

The highest possible **TRANSPARENCY** is applied when advertising services of the airline. airBaltic takes full responsibility for transparent pricing and clear ticket rules, product availability in all channels, user-friendly internet booking engine, and available customer service.

airBaltic aims to become more transparent regarding data collection and processing ensuring that data subjects have comprehensive information on how airBaltic process their data.



OPEN COMMUNICATION WITH STAKEHOLDERS

airBaltic considers its stakeholders' interests with great care at all levels of stakeholder, therefore, an open communication regarding the Company's results, progress, daily life and plans is of a great importance to the Company.

In this regard, airBaltic CEO Martin Gauss holds weekly staff briefings for employees, where he briefs everyone who attends the meeting on various items regarding the performance and development of the Company. However, managers shall inform employees about the development of the Company, important decisions taken, which relates to particular department, on the operational results achieved and other matters. In order to prevent the feedback, employees are welcome to express ideas and put forward proposals on improvements to the working environment, existing procedures and policies, working routines etc.

It is important to mention, that airBaltic maintains an "open-door" policy - employees can freely express their opinions or ideas to any department manager, not just their own.



Additionally, the Top Management Team (which also includes the Executive Board) holds its meetings on a weekly basis to review the organization's performance at both corporate and departmental levels. The Top Management Team provides the Executive Board with the necessary information and recommendations needed to make sound business decisions that promote both, short and long term profitability. In turn, the Supervisory Board represents the shareholders' interests between Shareholders' Meetings, and it supervises the work of the Executive Board within the limits set by the Commercial Law and the Articles of Association. The Supervisory Board meetings are also held on a regular basis, ensuring that the interests of the shareholders are being observed at all times.

airBaltic highly values its commitments towards its creditors. Since the Company's bonds are listed on Euronext Dublin, the Company has to report all the required information to Euronext Dublin and to the respective authorities.

airBaltic's PR Corporate Communications Unit makes sure that the public is updated with all the relevant and latest information regarding the Company.

COMPLIANCE

Due to being headquartered in Latvia, airBaltic has to comply not only with national laws and regulations, but also with those of the European Union and every country served by airBaltic. Furthermore, as an airline, airBaltic has to comply with the applicable international laws and regulations specific to aviation.

This includes not only requirements of the Commercial law, Regulation (EC) No 261/2004⁴ or Convention on International Civil Aviation, industry best practice standards mandated by the IATA, etc., which automatically derives from the field of activity of the Company, but also such requirements as compliance with Latvian sanctions laws, which provide that airBaltic has to comply also with sanctions laws of a number of other EU and NATO countries.



airBaltic has developed an internal manual and policy for each department, which defines and explains why and how to act and prepare documentation in the different fields. One of the latest created internal policies is the **SANCTION POLICY** in order to help employees from various departments to ensure the compliance with sanctions laws and the Company's contractual obligations. Know Your Client questionnaire is one of the key elements of the overall sanctions policy.

Given the fact that airBaltic's transferable securities are traded on a regulated market (Euronext Dublin), there are various financial market regulations the Company is required to comply with in this regard.

ANTI-CORRUPTION

airBaltic places a lot of value on ensuring compliance with anti-corruption measures and takes all appropriate steps to safeguard that compliance. There are two documents containing the main anti-corruption measures of the Company – Purchasing Policy (for all corporate purchases) as well as Continuing Airworthiness Management and Maintenance Organization Exposition (CAMMOE) –specific for aircraft related technical purchases.

Considering the size and scope of airBaltic within the Latvian economy, from time to time the Company gets involved into debate over various issues of public interest. In 2019, airBaltic faced an issue related to Riga Tourism Development Office (RTAB), in which airBaltic is a passive minority shareholder, and RTAB's proceedings with the Corruption Prevention and Combating Bureau (KNAB). airBaltic itself is not in any way involved in any proceedings with the KNAB, nor has it been involved in the day-to-day activities of RTAB.

airBaltic cooperates with KNAB whenever it receives a request from KNAB to provide information (which only airBaltic is able to provide) for the purposes of a particular investigation. Due to the requirements of Article 375 (1) of the Criminal Procedure Law, airBaltic is prohibited from disclosing any details of such investigations.

airBaltic is currently not subject to any investigations, nor is it part of any proceedings initiated by Corruption Prevention and Combating Bureau.

⁴ Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and repealing Regulation (EEC) No 295/91 (Text with EEA relevance) - Commission Statement

MANAGEMENT STRUCTURE

The management model of airBaltic is based on corporate governance best practice and regulatory framework. To ensure effective Company governance, decision-making and achievement of goals, strategic and operational management are separate.

The roles, responsibilities and accountability of the governance bodies are clearly defined by laws and by the Company's internal documents. The most important of these are the Articles of Association, which are published on the website of airBaltic and are available [here](#).

OWNERSHIP AND SHAREHOLDERS

airBaltic is duly incorporated joint stock company under the laws of the Republic of Latvia on 8 February 1995. Its primary shareholder is the Latvian state, which holds 80% of the share, while Lars Thuesen holds 19% through his fully-owned Aircraft Leasing 1 SIA, and the rest minority shareholders.

Shareholders exercise their rights to participate in airBaltic's management at the Shareholders Meeting. Resolutions at the Shareholders Meeting are adopted by a majority of votes present and entitled to vote. There are certain exceptions to a simple majority, in which case not less than three fourths majority vote of Shareholders is required. Such exceptions are: amendments to Articles of Association; increase or decrease of the share capital; issuing and conversion of the Company's financial instruments; reorganisation; termination or continuation of the Company's activity; and conclusion, amendment or termination of a group of companies agreement, or inclusion therein.

It is at the sole discretion of the Shareholders Meeting to elect and recall the Supervisory Board members of the Company. Resolution regarding the Supervisory Board members is adopted by a simple majority vote.

SUPERVISORY BOARD

The Articles of Association of airBaltic provide that the Supervisory Board consists of four Members. The Supervisory Board is elected by the Shareholders Meeting for a period of three years. The Supervisory Board Members elect one Chairman and one Deputy Chairman from among themselves.

The Supervisory Board elects the Executive Board and appoints the Chairman of the Executive Board. The Supervisory Board supervises the work of Executive Board. However, both bodies have a close and understanding working relationship in the best interests of airBaltic.

The Supervisory Board meetings take place regularly and during the meetings, but also in-between the meetings, the Supervisory Board Members are informed on all significant business matters, including, but not limited to latest business developments, operational and financial planning of airBaltic and monthly financial reports.

The current Members of the Supervisory Board took up their duties on April 26, 2020.



NIKOLAJS SIGURDS BULMANIS

CHAIRMAN OF THE SUPERVISORY BOARD AT AIRBALTIC

Nikolajs Sigurds Bulmanis was elected to the Supervisory Board for the first time in October 2011 and has been a member of the Supervisory Board, Deputy Chairman of the Supervisory Board and Chairman of the Supervisory Board. He is currently the Chairman of the Supervisory Board. In addition, in March 2020 he was appointed also to the Audit Committee of airBaltic. Niks

Bulmanis is a management professional with more than 30 years experience and has served on the Board of The Freeport of Riga, Nordic Investment Bank, SEB Pension Funds and Sampo Banka Latvia.



KASPARS ĀBOLIŅŠ

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD AT AIRBALTIC

Kaspars Āboliņš was appointed to the Supervisory Board in February 2015, but since April 2020 he has been elected the Deputy Chairman of the Supervisory Board. Kaspars Āboliņš is the Treasurer of the Treasury of the Republic of Latvia and the Chairman of the Supervisory Board of Joint Stock Company "Augstsprieguma tīkls". He has been a Member and the Chairman

of the Board of Directors at the Nordic Investment Bank.



KASPARS BRIKŠENS

MEMBER OF THE SUPERVISORY BOARD AT AIRBALTIC
UNTIL APRIL 2020

Kaspars Briķšens was appointed to the Supervisory Board in June 2012 and he held this position for three terms until April 2020. Kaspars Briķšens is the Head of Strategy & Development at Rail Baltica. His previous positions include CEO of the Latvian Logistics Association and Deputy State Secretary to the Ministry of Transport and Communications of the Republic of Latvia.



LARS THUESEN

MEMBER OF THE SUPERVISORY BOARD AT AIRBALTIC

Lars Thuesen was appointed to the Supervisory Board in April 2017. Lars Thuesen has had a long career in the finance and aviation sectors and has considerable experience in aircraft leasing. Lars Thuesen is the indirect 100% shareholder of AIRCRAFT LEASING 1 SIA, which owns 19.94% of shares in airBaltic.



TOMS SILIŅŠ

MEMBER OF THE SUPERVISORY BOARD AT AIRBALTIC
SINCE APRIL 2020

Toms Siliņš was appointed to the Supervisory Board in April 2020. He has over 25 years of executive experience in finance, banking and investment management. Toms Siliņš is the Chief Financial Officer and Management Board member of Remaco Asset Management AG in Switzerland. He also serves as Chairman of the Board of Fox Capital in Latvia. Earlier in his career,

Toms Silins gained experience at the Central Bank of Latvia, Deutsche Bank Securities, Swedbank Group and Sberbank Switzerland.

EXECUTIVE BOARD

The Executive Board manages the Company's everyday business and defines its future strategies, and regularly reports to the Supervisory Board. The Executive Board of airBaltic is comprised of three members, who are elected for the period of three years. The Executive Board members manage and represent the Company jointly. In order to comply with good corporate governance principles, and to ensure that they are well informed on the activities taking place in the Company, Executive Board holds an Executive Board meeting once every week. During the Executive Board meetings the resolutions are adopted by a simple majority vote.

The Executive Board is required to obtain a prior approval from the Supervisory Board for deciding on a number of issues. Some of those are: establishment of a subsidiary, direct or indirect acquisition or reduction of holdings in other companies; change of airBaltic's base airport or headquarters; transactions not characteristic to the commercial activity of the Company; entering into transactions, the expenditure value of which exceeds EUR 1,000,000 (one million euros) within the framework of one financial year; transactions related to the aircraft acquisition, disposal, lease agreements; transactions related to commercial pledges, the Company's guarantees or financial guarantees, and hiring an external auditor.

The Executive Board has introduced Top Management Meetings, which are comprised of the Company's main operational directors, in order to provide the Executive Board with the necessary information and recommendations required to make thorough business decisions that promote short and long term profitability of airBaltic.



MARTIN ALEXANDER GAUSS

CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE EXECUTIVE BOARD

Martin Gauss is a professional with more than 27 years of experience in the aviation industry. Martin Gauss joined airBaltic in November 2011. Under his leadership airBaltic has been successfully restructured and reached sustainable profitability.

**VITOLDS JAKOVLEVS**

CHIEF FINANCIAL OFFICER, EXECUTIVE BOARD MEMBER

Vitolds Jakovlevs joined airBaltic in 2011 and was part of the turnaround team that brought the Company from heavy losses to profitability. Prior to joining airBaltic Vitolds Jakovlevs had an over 10-year-long career in investment banking and asset management sectors in Latvia.

**MARTIN SEDLACKY**

CHIEF OPERATIONS OFFICER, EXECUTIVE BOARD MEMBER UNTIL 29TH FEBRUARY 2020

Martin Sedlacky held the position of Executive Board member and Chief Operations Officer of airBaltic from May 2012 until end of February 2020. Before joining airBaltic he spent seven years with Boston Consulting Group where he had a strong focus on business restructuring, including that of airlines, across Central and Eastern Europe, Scandinavia, USA, Singapore, Malaysia.

**PAULS JURIS CĀLĪTIS**

CHIEF OPERATIONS OFFICER, EXECUTIVE BOARD MEMBER SINCE 1ST MARCH 2020

Pauls Cālītis joined airBaltic as a pilot in 1995. In 2020, Cālītis was appointed as the Chief Operations Officer and Executive Board member of airBaltic. Between 1999 and 2020, he was in charge of airBaltic Flight Operations. He has also served as the member of the board of airBaltic Training and Aviation Crew Resources, both being subsidiaries of airBaltic.

REPORTING PRINCIPLES

GLOBAL REPORTING INITIATIVE (GRI) REPORTING STANDARDS WERE TAKEN AS A GUIDING EXAMPLE WHEN CREATING THE REPORT. GRI 101 FOUNDATION STANDARD WAS USED TO SUPPORT THE PROCESS OF CREATING THE FIRST EVER DEDICATED SUSTAINABILITY REPORT OF AIRBALTIC.

The content and boundaries of the report were defined based on these Reporting Principles of GRI:

- stakeholder inclusiveness – airBaltic identified and engaged its stakeholders to find out their interests and which content should be disclosed in the report;
- sustainability context – the report presents the Company's performance in the wider context of sustainability through describing how economic, environmental, and social topics relate to its strategy, risks, opportunities, and goals;
- materiality - the reported topics reflect airBaltic's significant economic, environmental, and social impacts – such material topics are appropriately prioritized in the report;
- completeness – airBaltic aimed to ensure sufficient coverage of material topics, although admits that significant impact could be reported in a more complete way.

In order to ensure the quality of information in the report, and its proper presentation, the following Reporting Principles of GRI were considered:

- accuracy – the reported information is accurate, however limited on some topics;
- balance – the report reflects both positive and negative aspects of airBaltics's societal impacts;
- clarity – the information is made available and accessible in an understandable manner by keeping the language and way of presenting simple, without excessive and unnecessary details, technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders;
- comparability – the information enables readers to analyze changes in the organization's performance over time (applies to majority of the data disclosed), and the Company has agreed to continue publishing such information consistently hereinafter;
- reliability – the information has been reported in a way that it can be subject to examination, and the original sources of the information in the report can be identified;
- timeliness – although COVID-19 hit the airlines industry heavily in spring and summer 2020 and caused a delay in publishing the report, the information includes the most recent disclosures which are relative to the reporting period.

The report covers majority of the General Disclosures of GRI 102 Standard required for Core-level reports about:

- Organizational Profile (GRI 102-1 to 102-7, and 102-13),
- Strategy (GRI 102-14),
- Ethics and Integrity (GRI 102-16),
- Governance (GRI 102-18),
- Stakeholder Engagement (GRI 102-40 to 102-44),
- and Reporting Practice (GRI 102-46 to 102-52, and 102-54 to 102-56).

The overview of material topics covered in the report follows the majority of the requirements of GRI 103 Management Approach Standard.

The report includes elements of the following Topic Specific GRI Standards and Disclosures, more from some, and less from another (but does not yet comply with every single nuance of the requirements of each chosen disclosure):

- Economic performance: Direct economic value generated and distributed (GRI 201-1),
- Indirect economic impacts: Significant indirect economic impacts (203-2),
- Anti-corruption: Confirmed incidents of corruption and actions taken (GRI 205-3),
- Anti-competitive behavior: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices (GRI 206-1),
- Emissions: Direct (Scope 1) GHG emissions (GRI 305-1); GHG emissions intensity (GRI 305-4), and Reduction of GHG emissions (GRI 305-5),
- Employment: New employee hires and employee turnover (GRI 401-1),
- Occupational health and safety: Work-related injuries (GRI 403-9),
- Training and education: Average hours of training per year per employee (404-1),
- Diversity and equal opportunities: Ratio of basic salary and remuneration of women to men (405-2).

The report includes also various non-GRI performance data to illustrate how airBaltic has managed its societal impact during the reporting year.

airBaltic is willing to improve its reporting practice in upcoming years in order to provide quality information for stakeholders to make sound and reasonable assessments of the organization. The aim is to publish GRI Core-level compliant sustainability report in the upcoming years.



airBaltic