



## The Group in 2011

Corporate social responsibility report

- 03 > FOREWORD
- 04 > INTERVIEW
- 07 > FINANCIAL RESULTS
- 08 > KEY FIGURES
- 09 > CSR MAIN ACCOMPLISHMENTS



## Governance

- 12 > OUR ORGANIZATION
- 20 > OUR APPROACH TO CORPORATE SOCIAL RESPONSIBILITY



## Environment

- 28 > MINIMIZING OUR ENVIRONMENTAL FOOTPRINT



## Society

- 44 > BUILDING A SUSTAINABLE RELATIONSHIP WITH OUR CUSTOMERS
- 52 > PROMOTING A RESPONSIBLE HUMAN RESOURCES POLICY
- 60 > CONTRIBUTING TO LOCAL DEVELOPMENT
- 68 > ANNEXES

The information in this report relates to the 2011 financial year, started on 1 January, 2011 and ended on 31 December, 2011. Where information relates to a different time frame, this is explicitly stated. Report published in April 2012.



“Air France-KLM  
remains committed  
to assuming its  
responsibilities.”

Air transportation has seen considerable change over the past decade with the liberalization and opening of the world economy encouraging the emergence of new players. The competition from the low cost operators, Gulf State carriers and airlines in the emerging countries represents a considerable challenge. This is the new context currently facing us, compounded by the combined effects of an unprecedented economic crisis and a steep rise in oil prices which are reaching record highs.

After three years of crisis and against a backdrop of significant uncertainty, the European air transport industry as a whole is increasingly fragile. Faced with this situation, it was crucial for Air France-KLM to react and re-establish confidence.

This is why the Group's Board of Directors has set three priorities: restoring competitiveness implying a reduction in costs, restructuring the short and medium-haul operations, and rapidly reducing debt. These strategic orientations, which require a change in business model, will be implemented by both Air France and KLM through a three-year transformation plan, Transform 2015.

It is thanks to the mobilization of everyone across the company that we will return to the path of sustainable and profitable growth while remaining true to our values. Amongst these values, and despite the crisis we are traversing, I remain personally very attached to Air France-KLM's commitment to sustainable development in its three inseparable dimensions: economic, social and environmental.

Air transport must continue to pursue its mission of connecting people, to continue to act as a driver of economic activity and social progress, its development must be reconciled with respect for the environment.

Air France-KLM has long been pursuing an ambitious environmental policy reflected, notably, in the regular updating of its fleet.

In a constructive spirit, Air France-KLM has always supported the application to aviation of a CO<sub>2</sub> emission quotas system. Having been in force since January 1, 2012, the EU-ETS directive now applies to all flights to and from Europe. Faced with the strong opposition from non-European States and the risk that the system potentially poses for the competitiveness of the European air transport industry, a compromise solution must be found. One avenue could be to limit its application, initially, to the European air space. The

Group remains strongly mobilized in favor of a worldwide system applying globally and equitably to all carriers and supports the efforts of ICAO in this respect.

This engagement in sustainable development, reflected in our becoming a signatory of the United Nations Global Compact and enshrined in our Corporate Social Responsibility Statement and Social Rights and Ethics Charter, I hereby reaffirm.

Despite the uncertainties of the current economic environment, Air France-KLM remains committed to assuming its responsibilities.

#### JEAN-CYRIL SPINETTA

Chairman and Chief Executive Officer  
of the Air France-KLM Group

# A look back at the Group's situation in 2011 and the outlook for the next few years

2011 was marked by the slowdown in global economic growth and by significant market volatility, particularly in Europe. The geopolitical events in Africa and the Middle East unleashed in December 2010, and the earthquake in Japan during March 2011 also weighed on the economies of these countries and those of their trading partners. Alexandre de Juniac, Chairman and Chief Executive Officer of Air France and Peter Hartman, President and Chief Executive Officer of KLM, take a look back at the main trends shaping the Air France-KLM Group's activity in 2011 and at the outlook for the next few years.

COULD YOU GIVE US AN OVERALL PICTURE OF THE RECENT TRENDS FOR THE AIR TRANSPORT INDUSTRY?

**ALEXANDRE DE JUNIAC—** One of the main characteristics of air transportation is that it is a

global sector. Global by its very nature but also due to its operating modes, the regulations that govern the industry and the highly diverse social models on which it is based.

Within a context of growing worldwide demand for air transportation, particularly in the emerging countries, globalization has encouraged the emergence of new players and intensified competition across the entire range of products and services. The leading European airlines thus need to adapt their business models.

At the same time, customer behaviour has seen profound change with price becoming a key factor. New technologies have completely transformed the relationship between customers and airlines with customers now expecting more responsiveness to keep them informed on a real-time basis.

**PETER HARTMAN—** In this rapidly-changing world, social and environmental considerations remain a top priority and air transportation stands ready to assume its responsibilities. Within a context of soaring fossil fuel prices, climate change represents a major challenge and an overall sector response needs to be found at global level. Ahead of this, we continue to deploy all the levers at our disposal to reduce our carbon footprint. Over the medium to long term, significant use of sustainable biofuel alternatives is key. Air France-

KLM actively supports the creation of a fully-fledged biofuels industry but we won't be able to achieve this alone. We are working with our partners and all the players in the supply chain on the establishment of a financially-viable market that is sustainable on a large scale. Air France and KLM are amongst the first airlines to have operated commercial flights using biofuel and are resolutely committed to pursuing this avenue.

WHAT IS THE AIR FRANCE-KLM GROUP'S CURRENT SITUATION AND HOW ARE THINGS LOOKING FOR THE NEXT FEW YEARS?

**ALEXANDRE DE JUNIAC—** The deterioration in competitiveness and the insufficient profitability at Air France-KLM led the Board of Directors to set a series of strategic objectives and propose a plan to transform the business over a three-year period between 2012 and 2014.

We have been working with KLM on the practical implementation of the Transform 2015 plan which will comprise two phases. The first phase, announced in January 2012, has been reflected



"Sustainable development remains a cornerstone of the Group's strategy, reflecting our commitment to corporate social responsibility."

**PETER HARTMAN**  
President and Chief Executive Officer of KLM



"The Transform plan respects three principles: equitable application across all employee categories, maintaining investment in flight safety and improving the quality of the service offered to our customers."

**ALEXANDRE DE JUNIAC**

Chairman and Chief Executive Officer of Air France



in the implementation of immediate measures to reduce costs while the second, to be presented in June, aims to completely transform the Group, and particularly Air France, with an in-depth reform of its organization and working methods.

The plan respects three principles which I shall be monitoring very closely: equitable application across all employee categories, maintaining our investment in flight safety and working conditions and a resolute focus on improving the quality of the service offered to our customers.

**PETER HARTMAN—** One of the Group's priorities is to restructure the short and medium-haul operations. The short and medium-haul network remains key to Air France-KLM's development in that it meets the needs of passengers traveling within Europe, while feeding the long-haul flights departing from the dual and complementary hubs of Roissy-CDG and Amsterdam-Schiphol. Since the 2008 crisis, the structurally negative trend in unit revenues has led to deepening operating losses in this business amounting to some €700 million in 2011. To return to break even, the Group is working on a complete transformation of this activity: increasing aircraft utilization, improv-

ing productivity in all employee categories, redefining the product, and restructuring the main network and those of the regional airline subsidiaries. We also plan to improve the financial performance of the long-haul fleet. This will entail improving the productivity of all relevant staff, increasing capacity through better utilization of the existing long-haul fleet and reinforcing our presence in growing markets.

#### HOW ARE THINGS LOOKING FOR THE GROUP'S CARGO AND MAINTENANCE BUSINESSES?

**PETER HARTMAN—** The cargo business was seriously affected by the fall-off in demand during the 2011 second half despite the restructuring measures in place for the past year. IATA figures show global air freight volumes declining by some 5% in the 2011 second half while, over the same period, global trade fell by only 1%.

The Asian market saw the biggest decline due to the reduction in European demand for products manufactured in Asia and, in particular, China. The trans-Atlantic markets partially offset this loss and synergies were identified thanks to the integration of Martinair Cargo.

Air France-KLM plans to pursue its strategic repositioning by focusing on the new belly-dominant business model using passenger aircraft supplemented by a full freighter offer on the appropri-

ate scale. To restore its profitability, cargo is the subject of specific measures within the framework of the transformation plan. Some of these measures are already under way, specifically network optimization and a new commercial strategy. For example, KLM and Kenya Airways are the first airlines to offer a direct cargo service between the Guangdong industrial region in China and Nairobi. This network, known as Safari Connection, connects Europe, China and Africa, thereby offering customers a rapid and effective cargo solution.

**ALEXANDRE DE JUNIAC—** For the aeronautics maintenance sector, we want to consolidate our position within a very competitive environment. In 2011, we were able to maintain our market shares. This performance was all the more remarkable in that the economic crisis did not leave the aeronautics maintenance market unscathed with the airlines introducing schedule adaptation measures and scaling back older fleets. There was also significant pressure on prices driven by both



tougher competition between maintenance operators and the expectations of airline customers. However, the growth prospects for this market look very positive, given the numerous orders being placed with the main manufacturers. Our expertise, particularly in high value-added services, is recognized by our many customers. This is why the Group plans to focus on its strengths and continue its investment aimed at remaining a major player in this business.

#### AGAINST THIS DIFFICULT BACKDROP, WHAT ROLE CAN SUSTAINABLE DEVELOPMENT PLAY WITHIN AIR FRANCE-KLM'S STRATEGY?

**PETER HARTMAN**— Sustainable development remains a cornerstone of the Group's strategy, reflecting both our commitment to conducting

business in a sustainable manner and our ability to adapt to the new developments with which we are faced. We are aware of our responsibility and the need to reconcile growth with sustainability principles, and our ambition is to set new standards of excellence in corporate social responsibility by mobilizing all our stakeholders.

Our mobilization around four key priorities demonstrates a determination to act in a profitable but sustainable way, protecting the environment, offering our customers high standards of service and innovative products, pursuing a responsible HR policy and contributing to the regions we serve.

**ALEXANDRE DE JUNIAC**— I would like to come back to two aspects of sustainable development which are also conditions for the success of the Transform 15 plan. Firstly, any transformation project must be based on a responsible HR policy. Our Group is going to see a profound transformation of its operating modes in its three businesses – passenger, cargo and maintenance – which will concern all categories of staff. Our priorities will be a transparent social dialogue, equitable application across all employee categories and the

preservation of the quality of the industrial base. The second aspect concerns the quality of the product and services proposition for customers. A process to completely renew our offering is already underway ranging from standards of in-flight comfort to welcoming our passengers on the ground. We listen to our customers, focussing on their needs in order to constantly improve their satisfaction and we strive to make our product a global reference.

## FINANCIAL RESULTS 2011

## REVENUES

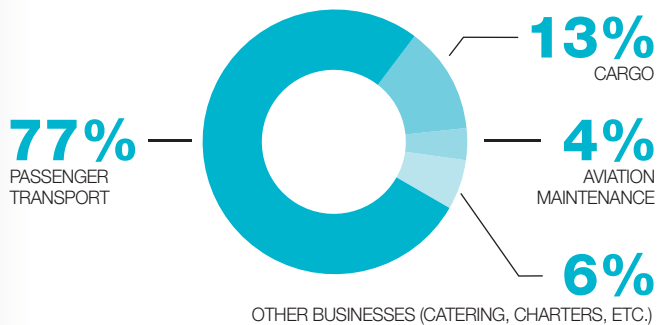
**€24,363 m**

## RESULT FROM CURRENT OPERATIONS

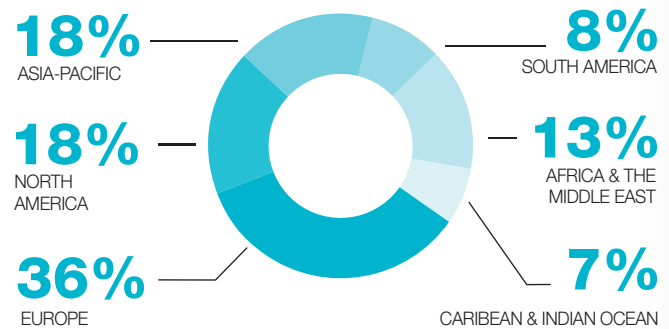
**€-353 m**

For the period between January 1 and December 31, 2011 (12 months), Air France-KLM's consolidated revenues amounted to €24.36 billion, up by 4.5% on the previous financial year. Over twelve months, the result from current operations was a negative €353 million (versus income of €28 million at December 31, 2010).

## BREAKDOWN OF REVENUES BY SECTOR OF ACTIVITY 2011 (percentages)

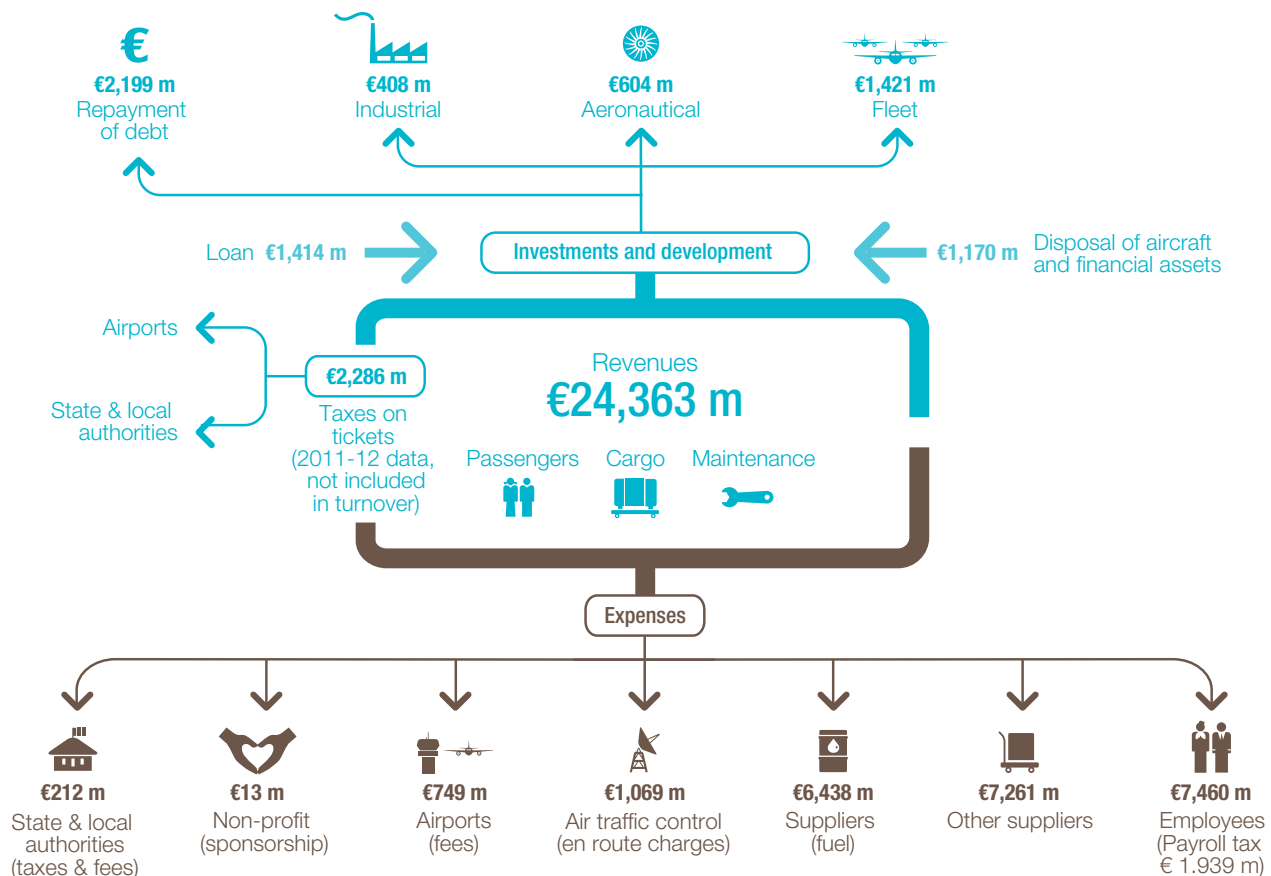


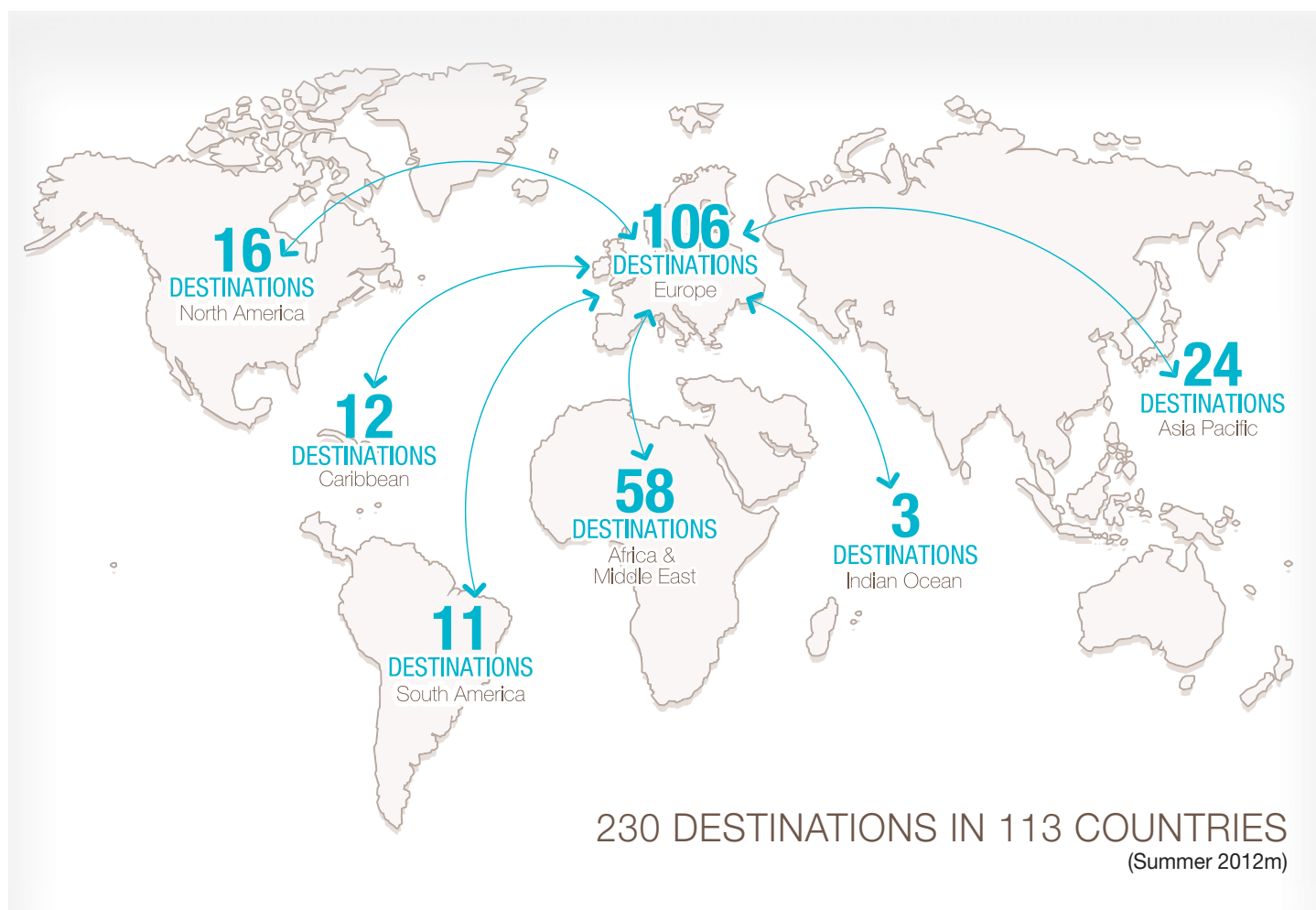
## BREAKDOWN OF PASSENGER REVENUES BY NETWORK 2011 (percentages)



## DISTRIBUTION OF THE GROUP'S REVENUE

Through its business activity and investments Air France-KLM contributes to economic development where the Group is based and in the countries it serves.





586

aircraft in operation

102,000

employees

71.78

million passengers carried

1.45

million tons of cargo

9.7 years

average age of the fleet

3.7

liters/passenger/100 km



Dutch partners for  
more sustainable aviation  
and nature conservation



## KLM AND WWF-NL

KLM renewed its strategic partnership with WWF-The Netherlands for another 4 years.

➔ For further information, see page 37

## TO NEW WAYS OF WORKING

KLM experimented new ways of working, offering flexibility in terms of working location and working hours. 60 employees of two different departments participated in this pilot.

➔ For further information, see page 57

## FURTHER INTEGRATING SUSTAINABILITY IN PRODUCTS AND SERVICES

- ➔ 9 new sustainable catering products offered by KLM
- ➔ New reusable headphones on Air France long-haul flights, offering a better quality of hearing, and saving 400 tons of waste per ton.

➔ For further information, see pages 49 and 50

## KEY FIGURES

**-32%**  
Reduction of  
noise hindrance  
since 2000

**-14%**  
Reduction  
of relative CO<sub>2</sub>  
emission since  
2000

➔ For further  
information, see  
pages 32 and 33



## BIOFUELS

Air France and KLM operated the world's first two commercial passenger flights using sustainable biofuels which did not require any changes to the engines.

➔ For further information, see pages 36 and 37



**Dow Jones  
Sustainability Indexes**  
Member 2011/12

## SUPERSECTOR LEADER DJSI 2011

For the 7<sup>th</sup> time in a row, the Group became no. 1 of the airline sector on the Dow Jones Sustainability Index and for the 3<sup>rd</sup> time leader of the "Travel and Leisure" supersector. This recognition places the Group in the world's 19 most sustainable companies listed on the DJSI.

➔ For further information, see page 23

## RENEWAL OF AIR FRANCE'S ISO 14001 ENVIRONMENTAL CERTIFICATION

Renewal of Air France's ISO 14001 Environmental Certification for a further 3 years. The audit demonstrated the progress made in all of the company's businesses.

➔ For further information, see page 38



## HEALTH AND SAFETY AT WORK

Progress was made by reducing the accident rate:

- ➔ 10% reduction in the frequency rate of work related accident at Air France
- ➔ decline in the number of serious accidents down from 11 to 4 at KLM

➔ For further information, see page 56

## AIR FRANCE CONTINUED TO PURSUE ITS COMMITMENTS TO PROMOTE DIVERSITY

- ➔ Third 3-year agreement on gender equality
- ➔ 8th agreement in favour of the employment of people with disabilities, and €13 million dedicated to sheltered sector

➔ For further information, see page 58

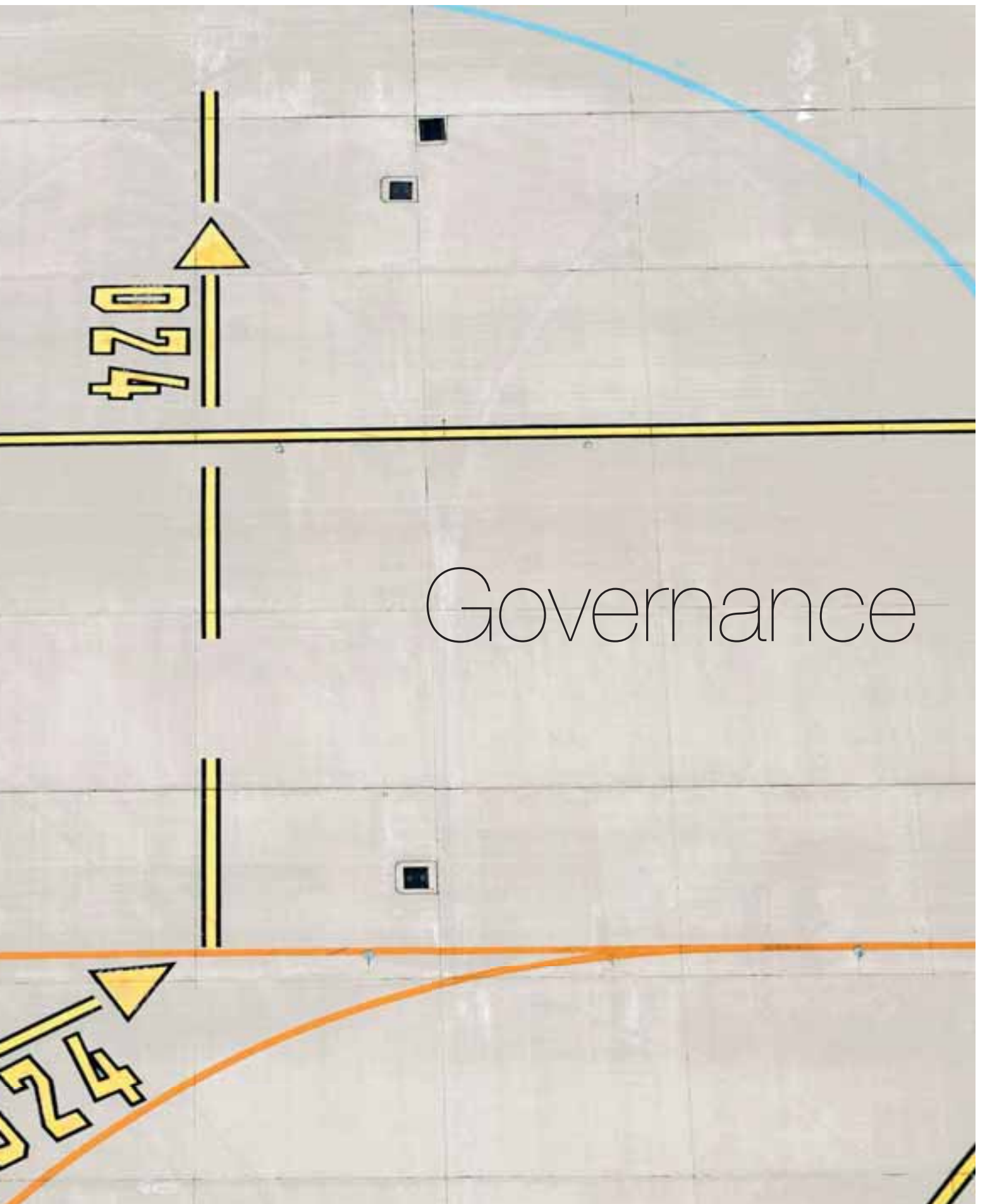
## CONTINUATION OF STRONG COMMITMENT TO DEVELOPMENT PROJECTS AT OUR DESTINATIONS

13.2 million euros in funding for social and environmental projects

➔ For further information, see pages 66 and 67







# Governance





**Air transport is one of the drivers of the global economy contributing to economic and social progress. The industry brings together the world's people, economies and cultures, facilitates access to international markets and promotes growth in trade and tourism.**

With 2.8 billion passengers and 45.5 million tons transported in 2011<sup>1</sup>, air transport contributes some 9% of worldwide GDP<sup>2</sup> whose growth is also directly playing a major role in the performance of other industries. The airline sector is operating in a highly competitive environment and remains a highly cyclical business.

Air France-KLM is aware of its responsibilities and the issues related to its growth. The Group's ambition is to setting the standard in terms of CSR through a pragmatic approach and to maintaining its leading position within the air transport industry by mobilizing all of its resources and employees.

The Group has chosen to create value for society by increasing its positive impact and reducing its negative impact. This is achieved by minimizing its environmental footprint, providing innovative and high quality services for its customers, promoting a responsible social policy and contributing to the development of places where it operates. Air France-KLM is keeping its promises by implementing responsible governance and integrating sustainability in business and operations.

1. Source: IATA, 2012

2. Source: World Travel and Tourism Council Conference, December 2011



# Presenting

## THE GROUP'S KEY STRENGTHS

The Air France-KLM Group comprises a single holding company and two airlines, Air France and KLM, each of which retains its own brand and identity.

Its three main businesses are passenger transport, cargo transport and aviation maintenance services, for its own fleet and those of other airlines.

### SPECIFIC CONSTRAINTS

As a facilitator of international trade and business, the airline industry is directly impacted by macro economic trends, particularly since airlines operate in a highly competitive environment with limited operating margins.

One of these trend factors is the volatility and long-term upward trend of oil prices. Over the past ten years, the cost of fuel as a percentage of total air transport costs has risen from 13% to 30%, with every dollar increase in the price of oil resulting in an additional \$1.6 billion for the industry (IATA, 2011).

Regulations that aim to reduce air transport's impact on climate change are also resulting in additional burdens, such as the inclusion of airlines in the European Emissions Trading Scheme (EU-ETS) on the 1<sup>st</sup> of January 2012. The Association of European Airlines (AEA) estimates that the overall cost of EU-ETS to airlines flying to and from Europe between 2012 and 2020 will be €17.5 billion.

In addition, ever stricter regulations are also applied to consumer protection and security, resulting in more restrictions for customers and higher costs for carriers. Finally, unlike rail transport, aviation funds all of its own infrastructure costs, both on the ground and in the air, as well as flight security and safety costs. It also pays to soundproof homes in communities living close to airports in France and The Netherlands.

In this context, operating routes in regions of the world facing political uncertainty or dealing with unpredictable natural events requires flexibility and an ability to deal with fast-changing environments, in order to offer appropriate solutions and continue providing quality service. To achieve this, the key strengths of the two airlines are indispensable.

### OUR KEY STRENGTHS: FLEET, NETWORK, ALLIANCE

Air France-KLM offers the largest international network, built around its two coordinated hubs, Roissy-CDG and Amsterdam-Schiphol. The dual hub system is one of the cornerstones of the Group's strategy where smaller flows of European and regional traffic connect with intercontinental flights. This enables a high frequency of flights, whilst limiting the overlap of destinations served by the two airlines: 70% of long-haul destinations and 60% of medium-haul destinations are served by just one of the two carriers.

As aircraft are the main asset of its business, the Group invests in its fleet on a continual basis and operates one of the youngest and most efficient fleets in its category: 586 aircraft in operation, average age 9.7 years. This investment means that Air France-KLM is able to provide better passenger comfort and make significant fuel savings, in line with the Group's CSR commitments. (→ [For further information, see page 70](#))

Air France and KLM are members of SkyTeam, the second largest alliance in the world in 2011 with a 19% market share, 15 member airlines and 926 destinations served in 173 countries. The arrival of China Airlines and China Eastern means that SkyTeam is now the largest alliance in China, which represents a key asset in this rapidly growing market. By optimizing synergies between each of its members, SkyTeam strengthens the Group's product range in terms of its network and the services it offers to its customers, such as linked loyalty programme, new ground services for passengers and the SkyPriority programme.

With every dollar increase in the price of oil resulting in an additional \$1.6 billion for the industry.

# 586

**Air France-KLM**  
aircraft in operation

# Ensuring

## SAFETY IN THE AIR AND ON THE GROUND

### THE ABSOLUTE PRIORITY

Safety is unquestionable for Air France-KLM. It is essential for both customers and staff and imperative for the sustainability of air transport.

All of Air France and KLM's operations are subject to numerous checks and certifications and comply beyond most stringent norms and the highest standards in the air transport industry: at a global level with IATA (International Air Transport Association) whose IOSA safety audit sets the standard for the sector, or at European level with the EASA (European Aviation Safety Agency) regulations.

The Group's ambition is not just to comply with these high standards, but to attain the highest possible level of flight safety. In pursuit of this objective, since the end of 2009 Air France has been reviewing all of its organizational, operational and procedural flight safety processes. This review has resulted in several initiatives, such as those recommended by the Independent Safety Review Team, the new Safety Culture project launched in March 2011 or the internal *Trajectoire*. In addition, a Flight Safety Committee has been set up within Air France's Board of Directors.

KLM is actively involved in several initiatives together with the Dutch government to strengthen flight safety around Schiphol Airport and in areas worldwide with substandard aviation structure.

Through the Safety Management System (SMS) in advanced stages of development in all of their businesses and subcontractors, the two airlines ensure that safety risks are continuously identified, analyzed and managed. To further strengthen this shared culture, members of staff completed an e-learning module at the end of 2011.

Air France's Board of Directors signed an agreement to integrate safety at all levels of the airline in May 2011, once again proving their commitment to this issue. Additionally, the Group continuously adapts and updates its training programmes in order to ensure the highest levels of competence among its staff. Crisis prevention and management plans are in effect at all of the Group's destinations and simulation exercises are carried out several times per year.

### ONGOING VIGILANCE

Airport and airline security have become extremely important in recent years. Faced with the threat of terrorism



and criminal activity, the Group is continuing to develop its security procedures, which aim to ensure the protection of its customers, employees and assets – aircraft, facilities and IT systems. This operation includes various measures such as risk analysis of Air France and KLM's business and operation and the systematic inspection of aircraft, passengers, baggage, cargo and employees. These procedures, which are subject to strict regulation, are carried out with a constant concern for the privacy of passengers and employees.

In this area, the Group is working directly with airports, government agencies such as intelligence services, the Dutch and French civil aviation authorities, the European Commission, the airline branch organizations Association of European Airlines (AEA), IATA and International Civil Aviation Organization (ICAO).

In order to guarantee the highest level of protection for their customers and employees in more than 100 countries and 200 cities throughout the world, Air France and KLM's Security Departments are permanently monitoring international geopolitical developments. These dedicated teams are responsible for ensuring continuous flight operations and where necessary, for implementing additional security measures.

"Safety culture is key for each of us, whatever his or her role in the company."

**JEAN-CYRIL SPINETTA**

Chairman and CEO  
of Air France-KLM

# Guaranteeing

## EFFECTIVE BUSINESS RISK MANAGEMENT

### IDENTIFYING AND MONITORING RISK

As an airline, Air France-KLM is exposed to general risks related to its business. To guarantee that these risks are taken into account as effectively as possible, the Group has set up a risk identification and management process. Strategic and operational risk maps have been drawn up under the leadership of the internal audit and control department for all businesses concerned. The risk maps are updated on a regular basis. Examples are risks specifically linked to air transport, such as the cyclical and seasonal nature of the business, operational risks, the risks of terrorist attacks, geopolitical or sanitary risks, regulatory risks, increases in fuel prices, rules related to the treatment of passengers, environmental and social risks or risks to IT systems. Additionally, other non-financial risks more directly linked to the Group's activity, such as the impact of competition, geopolitical driven risks, negotiating collective agreements and industrial disputes are also mapped.

Each business updates its major risks every quarter by stating the probability of these risks occurring and the potential financial impact involved. The internal audit and control department presents a quarterly report on the most important risks to the Group Executive Committee and to the Audit Committee. As part of the Group's Strategic Framework, the strategic risks are mapped yearly. The Group Executive Committee assesses these strategic risks and draws up action plans.

### COMPLIANT WITH RULES AND REGULATIONS

The Group complies with operational safety and efficiency principles, it meets regulatory requirements governing air transport, covering flights, ground operations, aircraft maintenance, and airport police. Progress made in these areas has resulted in certification from independent organizations, such as IOSA, ISO 9001 or QualiAF, for the effectiveness of management systems and ISO 14001 for the validation of environmental management systems.

### INDEPENDENT MONITORING AND AUDITING

In addition to its measures, Air France-KLM performs internal monitoring and audit departments. The monitoring of these measures is based on the COSO (Committee of Sponsoring Organization of the Treadway Commission) Internal Control Framework, whose purpose is to draw up framework guidelines to ensure the execution and efficiency of operations, the accuracy of accounting and financial data and compliance with laws and regulations.

Independent internal audits aim to improve the Group's processes and help to achieve fixed objectives at Group level or objectives set for particular processes in each business.

(→ For further information, see Air France-KLM Registration Document 2011)

Each business updates its major risks every quarter by stating the probability of these risks occurring and the potential financial impact involved.



# Applying

## CORPORATE GOVERNANCE PRINCIPLES

### THE BOARD OF DIRECTORS

Air France-KLM is a limited company with a Board of Directors and is organized under French law. The Board of Directors comprises 15 members<sup>1</sup>, 4 of whom are Dutch. There are 3 female members, 20% of total Board members, in line with the AFEP-MEDEF recommendation of April 19, 2010 and the provisions of the law of January 27, 2011 relating to the equal representation of women and men within Boards of Directors. In view of the Board director mandates expiring in 2013 and 2014, the Appointments Committee will propose

candidates aimed at reinforcing the presence of women within the Board.

The Board of Directors determines the orientation of the company's activities and ensures implementation. The Board relies upon the recommendations of its specialized committees: the Audit Committee, the Remuneration Committee and the Appointments Committee.

The Board operates according to accepted French corporate governance principles, as set out in the AFEP-MEDEF Corporate Governance Code updated in 2010. In application of these principles, the Board of Directors regularly discusses and updates its mode of governance.

**1.** Alexandre de Juniac, Chairman and Chief Executive Officer of Air France, was co-opted as a Board director following a decision taken by the Board of Directors on January 11, 2012. This appointment will be submitted to the General Shareholders' Meeting of May 31, 2012 for ratification.

**2.** Nine-month financial year following the change in the opening and closing dates for the financial year decided by the General Shareholders' Meeting of July 7, 2011.

**3.** During its meeting of March 7, 2012, the Board of Directors decided to replace Leo van Wijk, an executive director since October 17, 2011, with Jaap de Hoop Scheffer.

↓ For further information, see the Registration Document 2011 at [www.airfranceklm-finance.com](http://www.airfranceklm-finance.com)

BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES	STATUS 2011 <sup>2</sup>		
COMPOSITION OF THE BOARD OF DIRECTORS	<b>15 directors of which:</b> → 12 directors appointed by the General Shareholders' Meeting (of which 2 representatives of the employee shareholders) → representatives of the French State appointed by ministerial decree Reunification of the functions of chairman and chief executive officer since October 17, 2011.		
DIRECTORS' TERM OF OFFICE	4 years (exceptionally 2 or 3 years to ensure the smooth renewal of the Board of Directors).		
NUMBER OF MEETINGS AND AVERAGE ATTENDANCE RATE	7 meetings; attendance rate: 87.6%		
TRAINING OF BOARD OF DIRECTORS MEMBERS	Newly appointed directors may carry out site visits, meet with key managers from within the company and undertake training organized by the company. They receive a complete dossier containing all the information required to fulfil their mandate.		
BOARD OF DIRECTORS COMMITTEES	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Appointments Committee</b>
NUMBER OF MEMBERS	6 (of whom 3 independent)	3 (all independent) <sup>3</sup>	4 (all independent)
NUMBER OF MEETINGS AND AVERAGE ATTENDANCE RATE	2 meetings, 91.7%	3 meetings, 100%	8 meetings, 100%
ANNUAL EVALUATION OF THE FUNCTIONING OF THE BOARD OF DIRECTORS AND COMMITTEES	Yes (each member of the Board of Directors conducted a self-evaluation in questionnaire format, the anonymously reported findings were presented during one of the Board Meetings).		
EXISTENCE OF BOARD'S INTERNAL REGULATION, A CODE OF STOCK MARKET COMPLIANCE AND A CODE OF FINANCIAL ETHICS	Yes. The internal regulations are regularly updated. They were, in particular, modified by the Board of Directors meeting of November 9, 2011. Documents available: <a href="http://www.airfranceklm-finance.com">www.airfranceklm-finance.com</a>		
COMPENSATION OF THE COMPANY OFFICERS	Publication of compensation modalities and amounts paid to executive directors in the Registration Document, the Management Report and on the Group website. Executive directors receive neither stock options nor bonus shares. Should they leave the company they do not receive any special indemnities.		



### Changes of the Group's governance

Following the resignation of the Chief Executive Officer, Pierre-Henri Gourgeon, as proposed by the Appointments Committee, the Board of Directors meeting of October 17, 2011 decided to reunite the functions of Chairman of the Board of Directors and Chief Executive Officer of Air France-KLM. The Chairman and Chief Executive Officer is appointed by the Board of Directors. Since that date, Jean-Cyril Spinetta has fulfilled the functions of Chairman and Chief Executive Officer. The Board of Directors meeting of October 17, 2011 also appointed Leo van Wijk as Deputy Chief Executive Officer with all the powers recognized by the law.

### Independence of the Directors

After having examined the situation of each Board director, in its meeting of the March 7, 2012, the Board of Directors deemed 6 of its members to be independent, in view of the Group's ownership structure (notably the French State and employees) and the specific rules governing the appointment of a number of its Board directors. The Board considers that all Directors hold the required skills and have professional experience of use to the company, whether or not they are considered independent according to the rules set out by the AFEP-MEDEF.

### Evaluation of the functioning of the Board of Directors

The members of the Board of Directors conducted a self-evaluation exercise on the functioning of the Board in respect of the 2011 financial year. The results of the evaluation carried out via a questionnaire sent to each Board director were handled under the seal of anonymity and were subject of a presentation and discussion during the Board of Directors meeting of March 7, 2012. Generally speaking, the self-evaluation highlighted a positive evolution in the Board's functioning since the last evaluation carried out by an independent firm in 2010 and the self-evaluation carried out in 2011. A change in the Board's composition was considered desirable involving, in particular, a strengthening of international experience and the recruitment of directors with more industrial profiles.

### EUROPEAN SHAREHOLDERS

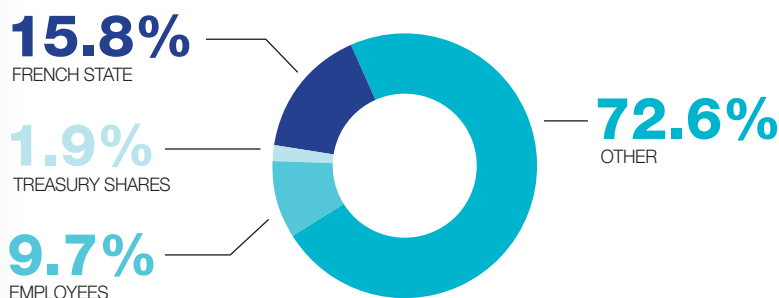
Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification. As of the December 31, 2011, Air France-KLM was 69.8% owned by French interests (compared with 65.2% as of the March 31, 2011) and more than 75% by European institutions.

### A high rate of employee shareholders

Air France-KLM has one of the highest proportions of employee share ownership of the companies in the SBF

### BREAKDOWN OF SHARE CAPITAL

(December 31, 2011)



### CHANGES IN EMPLOYEE SHARE OWNERSHIP

MARCH 2008	MARCH 2009	MARCH 2010	MARCH 2011	DECEMBER 2011
11.2%	12%	11.8%	9.8%	9.7%

### SHAREHOLDERS' GENERAL MEETING, JULY 7, 2011

ONE SHARE EQUALS ONE VOTE	Yes
NUMBER OF SHAREHOLDERS PRESENT, REPRESENTED, GRANTING POWER OF ATTORNEY TO THE CHAIRMAN OR VOTING BY MAIL	14,517 shareholders representing 146,317,632 shares
ATTENDANCE RATE	49.43%

A high rate of employee shareholders, with almost 10% of Group equity owned by over half of current or former employees, collectively representing the Group's second-largest shareholder.

120 stock index, with almost 10% of Group equity owned by over half of current or former employees, collectively representing the Group's second-largest shareholder. Two employee shareholder representatives sit on the Board of Directors. These are appointed by employee shareholders themselves and contribute to the work of the Audit Committee.

### Financial communication

Air France-KLM pursues regular dialogue with its shareholders, institutional investors and SRIs. The Group communicates and meets with its individual and institutional shareholders through various means and events: press conferences and press releases, a quarterly newsletter sent out to the 7,000 members of the Shareholders' Club and a dedicated website. The Group regularly takes part in briefings for individual shareholders all over France. In 2000, the Group set up the Consultative Committee for Individual Shareholders, which is composed of 12 members and is a forum to consider the way in which Air France-KLM communicates financial information to individual shareholders.

# Monitoring

## ADHERENCE TO ETHICAL PRINCIPLES

### OUR BUSINESS CONDUCT RULES

As a framework for its operations, Air France-KLM has several conduct rules concerning the way it runs its business. Some of these rules apply to all members of staff, while others are specific – for example, the Air France-KLM procurement and Air France HR departments each apply a separate code of ethics.

The Board of Directors has adopted a Compliance Charter and Financial Code of Ethics. The Compliance Charter imposes rules on trading shares upon company officers, senior executives and some employees of the company in sensitive posts, while the Financial Code of Ethics defines rules concerning financial information, with which they must comply.

In 2009, KLM drew up a Code of Conduct that sets out the main principles concerning financial and business integrity, confidentiality, compliance and commitment to CSR. The Code serves as an umbrella for the several policies on these subjects within KLM.

### WHISTLE BLOWING PROCEDURE

To enable members of staff to signal serious matters which they may be aware of, such as accountancy and financial fraud or corruption, both Air France and KLM have set up a whistle blowing procedure on these topics. This procedure is accessible to all, discretionary and anonymous, should the employee prefer, and with no risk of sanction to the whistle blower.

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Air France-KLM Competition  
Law Compliance Manual  
published in 3 languages

### COMPLIANCE WITH COMPETITION LAW

Since 2007, Air France-KLM has established its own specific compliance policy related to competition law with the publication of its Competition Law Compliance Manual. The Manual is published in three languages, was last updated at the end of 2010 and is available to all employees. In addition to this publication, several other means of prevention have been developed and made available to the Group's employees, for example a telephone hotline dedicated to competition law.

In 2008 the first e-learning module was launched, which was followed by a second module in 2010. The completion of this yearly training is compulsory for all Air France and KLM executives holding posts that require knowledge of the relevant regulations. At the end of the online training and final assessment, employees sign a declaration in which they commit to comply with competition rules relevant to their work.



# Stating OUR POSITIONS

## INCLUSION OF AIRLINES IN THE EUROPEAN UNION EMISSIONS TRADING SCHEME (EU-ETS)

Since the 1st of January 2012, all flights to and from airports in the European Union have been subject to EU-ETS. After the energy sector, air transport is the largest industry to be included in the European Emissions Trading Scheme. The EU-ETS will cost Air France-KLM between 50 and 100 million euros in 2012. Air France-KLM has always supported the implementation of a Cap and Trade mechanism that benefits environment far more than a straightforward tax. Air France-KLM supports this but needs certainty and transparency that the system is implemented with the participation of non-EU countries given the risk of retaliation by some non-EU states. The EU-ETS mechanism is an example of Cap and Trade which potentially can be used as a global system endorsed under ICAO principles. Revenues collected by governments as a result of auctioning emission rights should be earmarked for sustainable innovation in the aviation industry, e.g by modernizing air traffic management or developing sustainable alternative fuels. A global approach for aviation emission reduction through ICAO with an equal level playing field is key for a global industry.

## SINGLE EUROPEAN SKY

The adoption in 2009 of laws paving the way for implementation of the Single European Sky have led to the creation of Functional Airspace Blocks (FABs). The Group hopes that EU Member States will live up to their commitments in order to achieve effective FABs. An efficient air traffic control system is essential for guaranteeing capacity (reducing delays), efficiency (for cutting costs, reducing fuel consumption and hence CO<sub>2</sub> emissions) while ensuring safety. Air France-KLM continues to be involved in the partnership proposed by the European Commission to evaluate and implement the new operational concepts necessary (SESAR). Particular attention must be paid to ensure that work carried out on both sides of the Atlantic on this issue is consistent (SESAR and Nextgen).

## ALTERNATIVE FUELS

Sustainable alternative fuels represent the most promising way to significantly reducing air transport's carbon footprint. The Group is supporting research financially and is actively participating in efforts to produce and commercialize biofuels that are acceptable in environmental, social and economic terms. The Group welcomes the European Commission's Biofuel Flightpath initiative, which is being led in partnership with Airbus, Air France, KLM, other European airlines and European biofuel producers, all of whom have committed to promoting sustainable aviation biofuel production, with the view to creating a European industry. Since the amount of sustainably

grown biomass for liquid biofuels is scarce, Air France-KLM is calling for comprehensive legislation that focuses on these scarce resources in those sectors that do not currently have an alternative to liquid fuels like the aviation and maritime industry and long-haul trucking.

## EUROPEAN TRANSPORT POLICY: THE EU FUTURE OF TRANSPORT 2050 WHITE PAPER

Air transport will remain an essential driver of economic and human development for industrialized and emerging countries alike. The European Commission's White Paper has addressed the decarbonization of the airline sector, and the adaptation of the infrastructure required to meet the mobility needs of EU citizens. Air France-KLM is contributing to the Commission's work on reducing transport-generated hindrances. Although air and rail transport can complement one another in order to provide passengers with a wider choice of transport options, the Group stresses that it is necessary to guarantee a level playing field for different modes of transport and between operators using the same transport modes, and to take the international dimension of air transport into account.

## CONSUMER RIGHTS

Customer care is central to the Group's business. Air France-KLM contributes to the European Commission's work on Consumer Rights and carefully monitors the harmonious application of rules to all airlines operating in the European Union.

## AIRPORT INFRASTRUCTURE

Air France-KLM has taken note of the European Commission's initiative to resolve ground congestion problems at airports, in order to reduce delays and improve service quality. Several regulation projects have been proposed by the Commission on themes such as allocating time slots, assistance at stations and noise. Regarding the issue of slots, the Group – like all airlines – believes that any revision of the current system should preserve the main principles laid down under the auspices of IATA, giving rise to a slot allocation system which is consistent and compatible worldwide. The Group also hopes that the texts which are voted by the European institutions and which are part of the "airport package", are balanced and in particular maintain the competitiveness of the European industry.

## GRAND ROISSY

Air France supports government initiatives to promote balanced growth at Roissy-CDG. Environmental measures announced encourage the sustainable development of the airport.

# Applying

## OUR CSR APPROACH

By mobilizing all of the Group's resources and employees, and through a pragmatic approach, we set the standard in terms of CSR and strive to remain a frontrunner in the airline industry.

Air France-KLM's commitment to CSR is based on working in line with fundamental rights, as contained in international principles: The Universal Declaration of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, The Organization for Economic Cooperation and Development's (OECD) guiding principles.

### OUR CSR COMMITMENTS

The Group's ambition is to set the standard in CSR and to remain leader in the airline industry. Air France-KLM's commitment to environmental protection, social equity and local development are laid out in its Corporate Social Responsibility Statement. The CSR statement was strengthened in 2007 with the adoption of the Climate Action Plan and in 2008 with the signature of the Social Rights and Ethics Charter, which applies to the employees of the two airlines and to the subsidiaries based in Europe. In line with its commitment to the Global Compact, Air France-KLM fosters a climate of mutual trust

and respect in the workplace and promotes human rights in the places where the Group operates.

Air France-KLM has several specific charters which supplement these commitments: the Air France-KLM Sustainability Charter for Suppliers, KLM's Code of Conduct, and the Anti-harassment Charter and Block Release Training Charter at Air France.

### NATIONAL AND INTERNATIONAL COMMITMENTS

The Group's CSR approach is underlined by its signature of public commitments at both international and national levels. As a signatory of the United Nations Global Compact, the Group is committed to respecting and promoting its ten principles in the areas of human rights, labour standards, the environment and the fight against corruption (→ [see the list of Global Compact principles on page 78](#)). Air France is also a signatory of the Caring for Climate initiative led by the Global Compact and United Nations Environment Programme.

The Group supports national commitments to promote CSR. Air France is a signatory of the Diversity Charter, the Charter for Corporate Commitment to Equal Opportunities in the State Educational System, and the Good Parenting Charter. KLM signed the Sustainable Supply and Corporate Responsibility Manifesto, which aims to support the market for sustainable products and services.

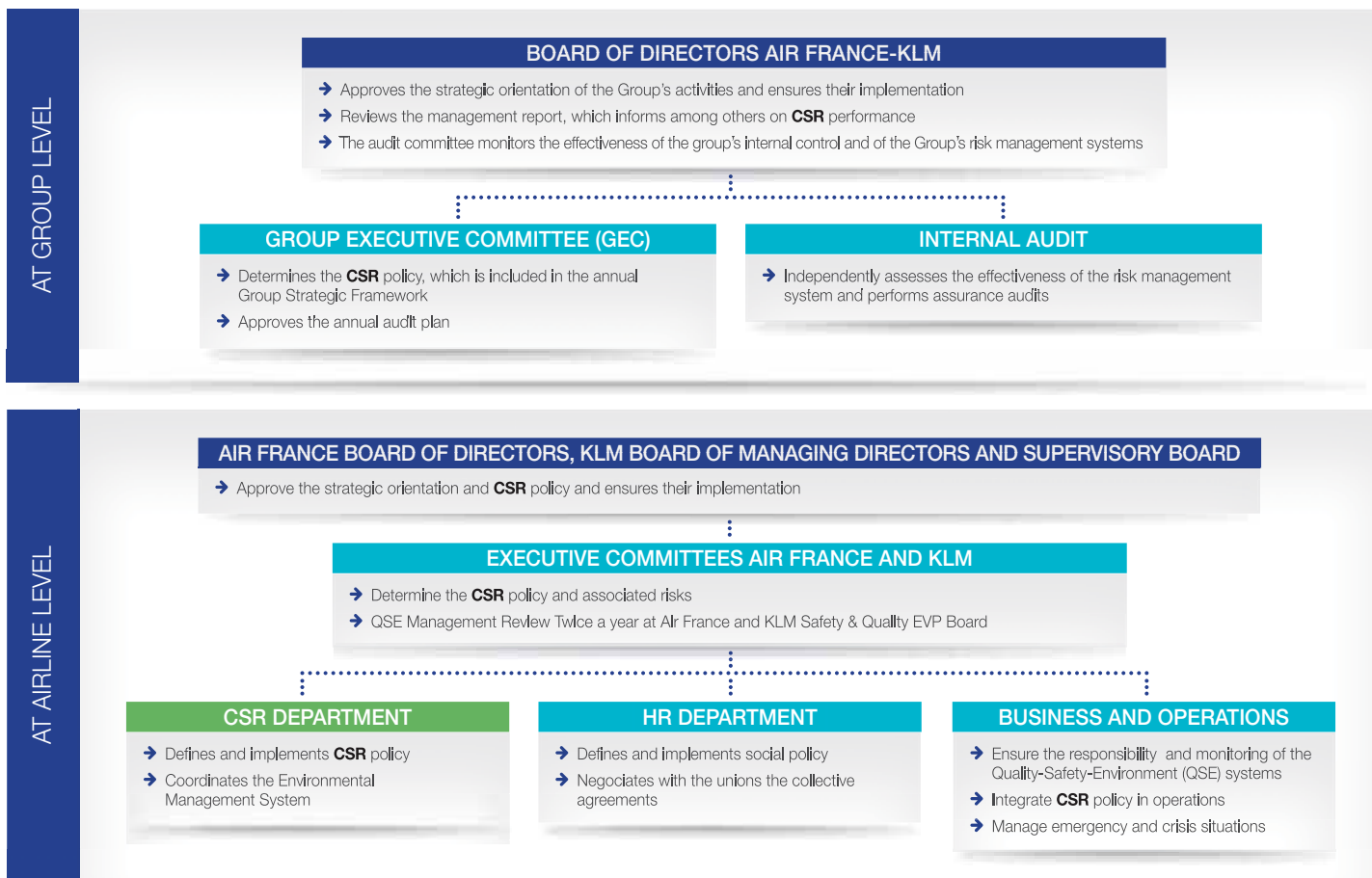
### INTEGRATING SUSTAINABILITY IN BUSINESS AND OPERATIONS

The Group's strategy aims to make sustainability an integral part of its business and operations, by integrating CSR within all divisions and at all levels. To achieve this, commitment is supported at Executive level and also through initiatives implemented by Air France and KLM employees. At Air France, CSR is driven by an Executive Vice President who is a member of the Board of Directors, while at KLM an Executive Board Member carries out this role. The two airlines regularly dedicate Board Meetings to CSR issues. KLM's CSR Council meets quarterly, bringing together executives and managers to give advice on CSR policy to the Board of Directors and Executive





## CSR GOVERNANCE AND IMPLEMENTATION



Committee. At Air France, two Board meetings per year are dedicated to reviewing QSE (Quality Safety, Environment) and approving objectives.

The Air France and KLM CSR departments are responsible for policy and deployment in each organization.

### OBJECTIVES AND MANAGEMENT INDICATORS

Air France-KLM works on four key issues: environment, customers, employees and contribution to local development. Together with partners in the supply chain and other stakeholders, the Group focuses on:

- Reaching a sustainable balance between aviation growth and its total environmental footprint;
- Differentiating itself by offering a personalized and proactive customer approach, whilst making sustainability integral to Air France and KLM products and services;
- Creating a safe and motivating working environment to facilitate every employee taking responsibility;
- Adding economic and social value at the hubs and destinations where the Group operates.

Both airlines have set specific objectives in the area of the Group's key issues. Part of these objectives is also integrated into management target setting throughout the organization.

The systematic introduction of environmental management objectives and plans for continuous improvement

are based on the ISO 14001 standard. Air France and KLM are certified for all of their relevant activities, both at their facilities in France and The Netherlands and on-board their aircraft. Following a comprehensive audit in June 2011, Air France's environmental certification has been renewed for a further three years. In 2008, Air France Industries was awarded Single and Global Certification covering 9 standards, with an extended ISO 26000 standard on CSR in 2011. Regarding food safety Air France has been certified ISO 22000 since 2006. At KLM, The Board of Managing Directors and executive management have various CSR performance indicators linked to their variable remuneration covering environmental and social elements.

Since 2006, the Group set up a common reporting system, in order to consolidate its social and environmental indicators. This system is audited and checked annually by one of its two statutory auditors, in-line with the ISEA 3000 standard (International Standard on Assurance Engagement).

The Air France-KLM CSR report follows the GRI (Global Reporting Initiative) guidelines. (→ For further information, see page 78)

As a signatory of the United Nations Global Compact, the Group is committed to promoting its 10 principles.

# Engaging

## ON CSR THROUGH DIALOGUE

In 2011, dialogue with stakeholders has contributed to providing insights into the Group's environmental policy, including biofuel.

### STAKEHOLDER DIALOGUE

Listening and sharing play a major part in Air France-KLM's commitment, both in order to identify and to implement CSR issues. The Group pays a great deal of attention to the expectations of its customers, employees, suppliers, local communities, associations, local authorities, and civil society representatives such as NGOs. The Group assesses employee perceptions by carrying out surveys and organizing forums several times per year. Externally, Air France and KLM have set up several forms of dialogue, such as the materiality test, customer surveys, events, comments from stakeholder groups, shareholders and SRI investors and by taking into account recommendations from non-financial rating agencies. This ongoing dialogue enables the Group to receive the necessary feedback to know whether it is on the right track and to further shape its policy.

In 2011, dialogue with stakeholders has contributed to shaping Air France-KLM joint biofuel policy and to providing insights into its waste and energy footprints. In 2012, the Group plans to further investigate opportunities regarding sustainability in its supply chain. Feedback from stakeholders has also influenced the Group's reporting. Elements such as risk management and the way CSR is integrated into overall strategy were taken into account in this year's report. (→ For further information, see page 68)

### INVOLVING OUR SUBSIDIARIES

The Group's subsidiaries are involved in CSR policy. In 2008, all of the Group's European subsidiaries had already signed the Social Rights and Ethics Charter; which constituted an important step in setting out a common strategy. The majority of subsidiaries are included in the Group's social and environmental reporting. (→ For further information, see pages 70, 72-76)

To play their part in fulfilling the Group's ambitions, subsidiaries are involved in several CSR initiatives. Transavia France has launched several projects concerning flights, ground and in-flight service. The entire airline is involved in implementing measures related to environmental protection, the reduction of CO<sub>2</sub> emissions, offering organic or fair trade products and promoting the culture of the destinations served.

KLM Cityhopper, transavia.com, Martinair and KLM Catering Services are carrying out initiatives to save weight, increase fuel efficiency and participate in waste projects together with KLM.

Servair, Air France's catering subsidiary, sets its own strategic CSR priorities in order to guarantee healthy and safe products for its customers, to promote diversity and equal opportunities, to reduce its environmental impact and to promote local development. Over the past few years, Servair has set ambitious objectives for reducing waste, along with reducing its water and energy consumption. In 2011, Servair's environmental initiatives were recognized when the Environment and Energy Management Agency (ADEME) and Aéroports de Paris awarded it the "Ecogestes Label".

### FOCUS

#### Award on CSR Group's strategy and communication

- Awarded "Best CSR Report 2011" by the "Conseil Supérieur de l'Ordre des Experts-Comptables"
- Awarded the "Environment Prize" by the Chinese daily newspaper International Herald
- Allianz France Procurement Trophy in the "Environmentally Responsible or Fair-trade" category for the Group's commitment to promote the protected sector.

### CSR IN SKYTEAM ALLIANCE

Air France and KLM share a strong commitment to CSR with other members of the alliance. In 2008, SkyTeam was the first alliance to sign a CSR Charter. The Statement is structured around three key pillars: protecting the environment, promoting social responsibility and contributing to equitable economic prosperity.

Member airlines participate in a CSR working group and share best practices at the annual SkyTeam CSR expert meeting.



In 2011, two of the four airlines listed on the non-financial Dow Jones Sustainability Indexes were members of SkyTeam: the Air France-KLM Group and Delta Air Lines.

## MOBILIZING THE AIRLINE SECTOR

Air France-KLM is a member of major international bodies (IATA), European bodies (AEA), regional bodies (ERA – European Regions Airlines Association) and national bodies (FNAM Fédération Nationale de l'Aviation Marchande and BAR – Board of Airline Representatives). These organizations collectively represent the air transport sector and advocate its public positions. This distinction places the Group in the world's 19 most responsible companies. The appointment of Peter Hartman, President and CEO of KLM, as head of IATA in June 2011 enables the Group to be even more effective and active in mobilizing the entire sector. IATA is working directly with the ICAO to reduce air transport's impact on the environment, and more recently on climate regulation. This joint effort was formalized in the passing of October 2010's ICAO resolution that included a target to limit the sector's CO<sub>2</sub> emissions, a first step towards an international industry-wide agreement. Jean-Cyril Spinetta, Chairman and CEO of Air France-KLM is a member of the European Commission's "Aviation Platform", which puts forward ways of promoting a sustainable future for European air transport.

## CSR ACHIEVEMENTS RECOGNIZED

Air France-KLM is assessed annually by the major international non-financial rating agencies, including SAM, Vigeo, Eiris and Oekom. For the seventh year running, the Group has been ranked

leader in the aviation sector by the two DJSI indexes, DJSI World and DJSI Europe. In 2011, Air France-KLM was also named leader in the Travel and Leisure supersector. This recognition places the Group in the world's 19 most sustainable companies listed on the DJSI. Thanks to this performance, in 2011 the Group retained its listing on the ASPI Eurozone, Ethibel Sustainability Index (ESI) Excellence Europe, FTSE4Good Index Series and ECPI Ethical EMU Equity indexes. Air France-KLM is included in the CDLI 2011 (Carbon Disclosure Leadership Index), which ranks the best 20 French companies on the SBF 250 (the largest 250 companies by market capitalization in France).

Air France-KLM  
Travel and  
Leisure  
supersector  
leader on the  
DJSI.

## INTERNATIONAL NON-FINANCIAL INDEXES AND RATING 2011



### CARBON DISCLOSURE PROJECT



# Involving

## ALL PARTS OF THE SUPPLY CHAIN

### INTEGRATING SUSTAINABILITY IN THE SUPPLY CHAIN

As a service company Air France-KLM relies for a great part on the procurement of its products and services, accounting for around 15.5 billion euros in 2011, including fuel (up to 60% of our total expenses) carried out with 4,200 contracted suppliers. The Group's main purchase streams are fleet, fuel, airport & navigation fees and engineering & maintenance. Given this large share of external spend in total revenues of the Group, optimizing, innovating and making our supply chain more sustainable are essential to contribute to the profitability of the Group.

The Group's Procurement focuses on:

→ using a uniform method for measuring procurement performance in which total cost of ownership is evaluated (incorporating weight savings and fuel consumption as impor-

**4,200**  
contracted suppliers  
worldwide

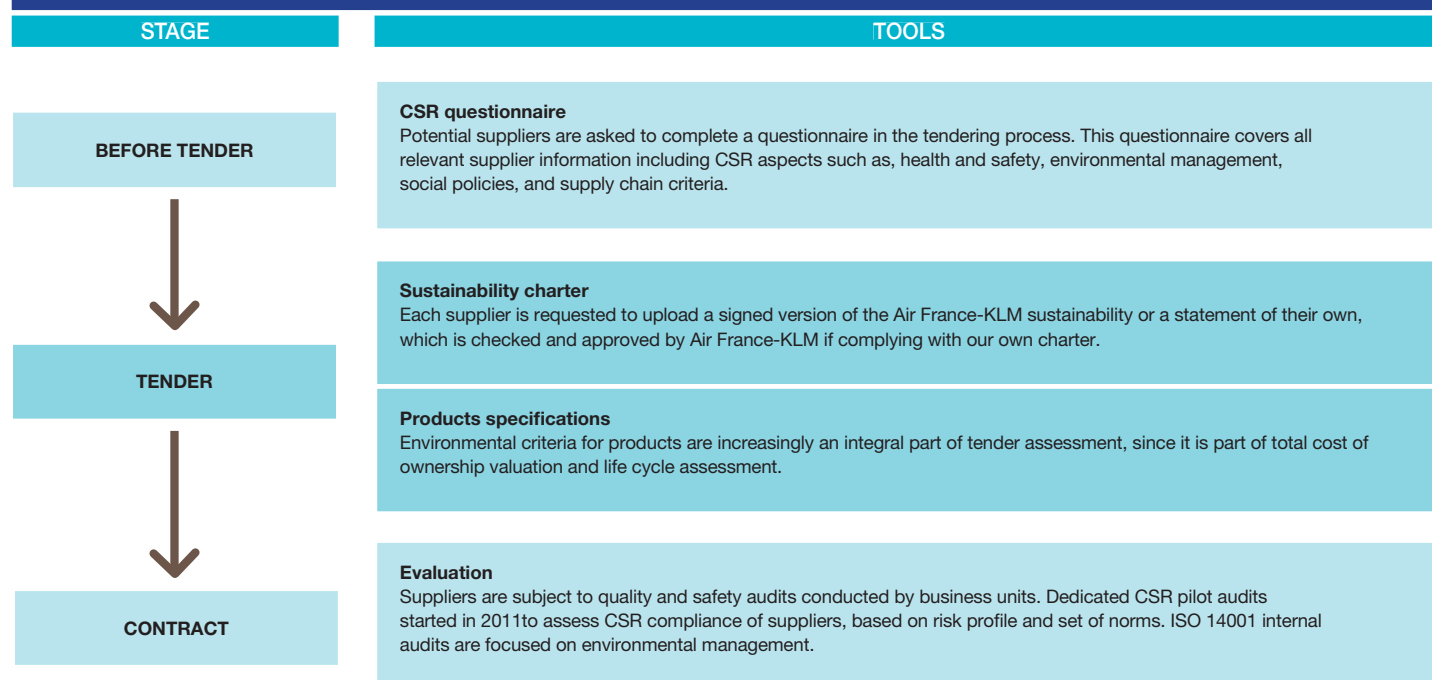
tant driver for CSR, see page 71). For example, Engineering & Maintenance completed a project for renewal of brakes on the Boeing 737 KLM fleet and for aircraft of transavia.com. By moving from steel to carbon brakes, the weight of the brakes is strongly reduced (-350 kg per aircraft) resulting in a reduction of fuel consumption.

→ integrating sustainability where possible from the stage of product development until the end of product life, applying eco-design principles for our products and materials. For example, the recycling of meal boxes has been set up by the Inflight Services department, and Cargo business developed with one of its key suppliers a new light-weight pallet which will drastically reduce overall weight of cargo equipment onboard. Engineering & Maintenance division has reviewed the cleaning of aircraft to use different materials in order to reduce water and detergent consumption, and has implemented a carpet recycling process together with the carpet manufacturer.

Integrating sustainability in various supply chains is in some areas more challenging than others due to for example the product type, such as fuel, or a limited number of suppliers, such as aircraft or component manufacturers. Although we are not always in the driver seat of realizing certain sustainability developments we aim to contribute and challenge whenever possible.

A good example concerns the sustainability of our fuel where we set up a joint venture, SkyNRG, and are founding member of the Sustainable Aviation Fuel Users Group (SAFUG) to promote the development of sustainable aviation fuels (→ For further information, see the Environment chapter).

### INTEGRATING SUSTAINABILITY IN PURCHASING PROCESSES







← A recycling programme has been set up for aircraft carpet in cooperation with the carpet supplier.

## ACT AS A LOCAL DEVELOPMENT PARTNER

Two thirds of sub-contractor jobs are based in Europe as a result of the Group's purchasing scope. The Group also contributes to the development of suppliers in specific regions and sectors and our destinations through cooperation with local suppliers. For example, the Group now has a leading position as company using suppliers in the sheltered sector (spending up to 13 million euros on an annual basis) and contributes to the development of French regions (more than 700 million euros of active contracts in 2011).

## COMMITMENT OF OUR BUYERS

The Group actively promotes social responsibility and environmental performance among buyers and internal business stakeholders in charge of formulating product specifications. Buyers need to sign a Code of Ethics to ensure ethical behavior in their dealings with suppliers. This document is published on the supplier website, together with the UN Global Compact and the supplier charter. Buyers are also encouraged to participate in training and seminar sessions to further improve CSR awareness in the organization. Also, all procurement domains (and employees) have clear CSR targets in their individual target setting.

## INVOLVING SUPPLIERS IN CSR

Air France-KLM uses a supplier management system to ensure commitment by suppliers to the CSR principles as defined in the United Nations Global Compact. The Group assesses the CSR commitment of its suppliers, including

the promotion of CSR principles to their suppliers, either by asking them to sign up to a Sustainability Charter or provide their own but equivalent CSR statement. Current CSR scores are presently between 65-70% which we intend to further increase in 2012.

In the generic questionnaire used in tendering & contracting procedures, our suppliers are asked to provide information on several other aspects linked to their sustainability policy, including environmental licenses, location of production sites and compliance with EU REACH regulations on chemicals in particular.

Another important element of managing CSR in the portfolio of suppliers is the execution of supplier audits. CSR pilot audits were initiated in 2011, in which, based on an internally developed set of norms for these audits (in line with the principles of the UN Global Compact), external agencies assess the level of compliance of suppliers with respect to the Sustainability Charter. The audits concentrated on suppliers in "high risk countries" which were identified by looking at indices for environmental performance index, corruption perception and human rights. In one of these audits it was eventually decided to change a 2<sup>nd</sup> tier supplier based on the outcome of the audit. Further refinement of audit scope and content is one of the objectives for 2012, as well as to re-audit suppliers where a corrective action plan has been formulated.

## DIALOGUE WITH OUR SUPPLIERS

The Group engages its suppliers in sustainability discussions through regular dialogue and special events and sessions. Furthermore there is a dedicated website where it communicates about among others the Group's procurement strategy and CSR commitment ([www.af-klm.com/procurement](http://www.af-klm.com/procurement)).

CSR pilot audits were initiated in 2011 to assess the level of compliance of suppliers with respect to the supplier charter.

**€13 m**  
spending in sheltered sector





# Environment



## Context

**As a major player in global air transport, Air France-KLM is aware of its responsibilities regarding the environmental impact of its businesses, in terms of use of resources, emissions and noise hindrance.**

Aviation accounts for 2-3% of global man-made CO<sub>2</sub> emissions, but continuous growth in air transport means this figure is rising. Air France-KLM is mobilizing the industry in the fight against climate change in line with ICAO commitments and is playing its part in the collective effort to reduce CO<sub>2</sub> emissions produced by air transport. Forward looking, the Group is involved in developing sustainable alternative fuels, continues to modernize its fleet and to implement practical measures for reducing fuel consumption while supporting aviation research.

Air France-KLM is further committed to implementing innovative environmental measures to reduce noise, improve air quality, manage energy and water consumption and reduce waste. In pursuit of these goals, the Group encourages the commitment and initiatives of its employees and cooperates together with its suppliers.

## Ambition

**We aim for a sustainable balance between aviation growth and our total environmental footprint, by playing our part in the worldwide effort, mobilizing our industry and reducing our own impact.**



# Minimizing our environmental footprint



## Commitments

**In its Corporate Social Responsibility statement, Air France-KLM has committed to complying with regulations and to investing in levels of environmental impact mitigation that go beyond statutory noise, air quality and climate change requirements.**

The Group's major environmental impact is caused by the emissions of its flight operations. This is why Air France-KLM has adopted a strategy to mitigate climate change, known as the "Climate Action Plan".

- ➔ Air France-KLM is supporting efforts to reach a new worldwide climate agreement post 2012, and has joined schemes to mobilize the aviation sector for a fair contribution to global targets.
- ➔ Air France-KLM is continuing to modernize its fleet, contribute to aviation research and encourage the entire supply chain to reduce CO<sub>2</sub> emissions.
- ➔ The Group expects its entire staff to work on ambitious environmental action plans, from saving fuel in flight operations to cutting emissions on the ground and applying eco-design.
- ➔ Air France-KLM is actively stimulating the implementation of sustainable aviation biofuels and is involved in research programmes for renewable energy.
- ➔ The Group supports environmental protection programmes led by NGOs.
- ➔ Air France-KLM provides its customers with information on their travel-related CO<sub>2</sub> emissions via a calculator based on real operating data and opportunities to offset these.

AIRFRANCE	Objectives	Main achievements 2011
	<p><b>2012</b> → <b>3.7 LITRES/PASSENGER/100KM</b> (92 g CO<sub>2</sub>/passenger/km)</p> <p>→ <b>EXPAND ACTIVITY WHILE KEEPING NOISE EMISSIONS BELOW 2005 LEVELS</b> (10 major French airports)</p> <p>→ <b>CONTRIBUTE TO THE REDUCTION OF POLLUTING EMISSIONS CAUSED BY COMMUTING</b> in the Paris region with a 10% shift in transport modes</p> <p><b>2014</b> → <b>IMPROVE THE ENERGY EFFICIENCY OF BUILDINGS</b></p> <p><b>2020</b> → <b>ANNUAL ENERGY EFFICIENCY IMPROVEMENTS</b> of 1.5% per year</p> <p>→ <b>FUEL PLAN:</b> -300,000 tonnes of fuel saving by 2012 -500,000 tonnes of fuel saving by 2020 compared to 2008</p> <p>→ <b>60% OF RAMP EQUIPMENT FLEET TO BE ELECTRICALLY POWERED</b></p>	<p>→ <b>3.81 LITRES/PASSENGER/100KM</b> Despite the global financial crisis, between 2008 and 2011, Air France's specific consumption has been reduced by 3.8%</p> <p>→ <b>-29% NOISE</b> compared with 2005</p> <p>→ <b>CAR USE:</b> -3% compared with 2007 (to be re-evaluated in September 2012)</p> <p>→ <b>INTER-BUSINESS TRAVEL PLAN (PDIE) SET UP</b> at CDG airport, work beginning at Orly</p> <p>→ <b>8% REDUCTION IN BUILDINGS ENERGY CONSUMPTION</b> through renewal of facilities management contracts</p> <p>→ <b>NO DETERIORATION IN EFFICIENCY IN 2011, COMPARED TO 2010</b> despite the crisis</p> <p>→ <b>265,000 TONS FUEL SAVED SINCE 2008</b> 252,000 tons of CO<sub>2</sub> emissions avoided in 2011, compared to 2008, thanks to fuel savings</p> <p>→ <b>45% OF RAMP FLEET ELECTRICALLY POWERED</b> in 2011</p>

KLM	Objectives	Main achievements 2011
	<p><b>2015</b> → Aim for <b>1% SUSTAINABLE BIOFUELS</b></p> <p><b>2020</b> → <b>20% CO<sub>2</sub> REDUCTION PER TON/KILOMETRE</b> (base is 2009)</p> <p>→ <b>ON AVERAGE 2% IMPROVEMENT IN ENERGY EFFICIENCY</b> per year (building related)</p> <p>→ <b>MINIMIZING RESOURCES USED, REDUCE NON-RECYCLABLE WASTE</b>, investigate techniques for internal waste processing</p> <p>→ <b>STRIVE TOWARDS SUSTAINABLE GROUND SERVICE EQUIPMENT ELECTRIFIED</b> where possible and power the remainder equipment with sustainable biofuels.</p> <p>→ <b>REDUCE NOISE AT SCHIPHOL</b> together with the aviation sector</p>	<p>→ Start of series of 200 flights Amsterdam-Paris partly on <b>USED COOKING OIL</b></p> <p>→ <b>ONGOING FUEL EFFICIENCY MEASURES</b></p> <p>→ 2009 = 91.6 g CO<sub>2</sub>/ton/kilometer 2011 = 89.3 g CO<sub>2</sub>/ton/kilometer</p> <p>→ <b>ENERGY REDUCTION NOT ACHIEVED (-0.1%)</b></p> <p>→ <b>IN-DEPTH VALUE STREAM MAPPING OF ONBOARD WASTE STREAMS</b> to determine possibilities for improvement and reduction (Inflight, Ground services and KLM Catering services)</p> <p>→ <b>MULTIPLE TESTING PERIODS WITH DIFFERENT SUSTAINABLE VEHICLES</b> are carried out to determine operations and user-friendliness (→ see page 40)</p> <p>→ Continuation of the study on <b>IMPLEMENTATION OF THE FIXED RADIUS TURNS</b>. Research to implement fixed arrival routes and CDA operations in late evening.</p>

# Working TOGETHER TO MITIGATE CLIMATE CHANGE

## WORKING TOWARDS GLOBAL REGULATION

At the Durban conference in November 2011, the International Civil Aviation Organization (ICAO) committed to producing a proposal to regulate global aviation emissions by the end of 2012.

This commitment follows the resolution adopted by 174 ICAO member countries in 2010 that aims to reduce the sector's emissions. This agreement, which was a global first, includes an objective to improve the energy efficiency of international aviation by 2% annually until 2020. It also includes an ambition to stabilise net emissions from 2020 and set out a regulatory framework for a market-based offsetting scheme.

## MEETING NATIONAL AND INTERNATIONAL COMMITMENTS

Air France signed the Commitments Agreement for the aviation sector at the Grenelle Environment Summit in January 2008. Between 2008 and 2011, it has reduced fuel consumption by almost 4%, in line with its fixed objective of 3.7 liters/passenger/100km by 2012, the equivalent of 92 g of CO<sub>2</sub>/passenger/km. KLM has signed two Green Deals with the Dutch government (For further information, see Focus box to the right).

Air France-KLM has committed to the agreement reached by the air transport industry prior to the Copenhagen conference; the agreement's goals are as follows:

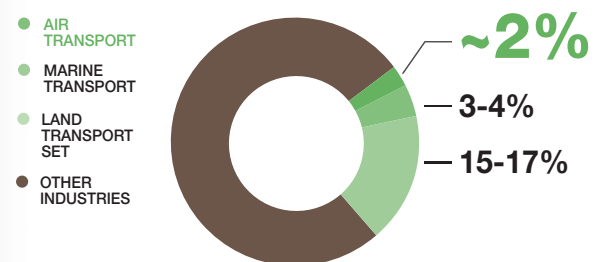
- ➔ from now until 2020, to improve energy efficiency by 1.5% per year (excluding economic measures);
- ➔ from 2020, to ensure the stabilization and neutral growth of CO<sub>2</sub> emissions;
- ➔ by 2050, to achieve a 50% reduction of CO<sub>2</sub> emissions compared with 2005 levels.

## STRIVING FOR EFFECTIVE REGULATION

Air France-KLM considers its responsibility to contribute to efforts to reduce CO<sub>2</sub> emissions. All airlines operating in, from and to Europe have become subject to the EU's Emissions Trading Scheme (EU-ETS) since the 1<sup>st</sup> of January 2012. After the energy sector, air transport is the largest industry to be included in the EU-ETS. Air France-KLM is in favor of a Cap and Trade mechanism, that benefits the environment far more than a straightforward tax. Air France-KLM supports this but needs certainty and transparency that the system is implemented with the participation of non-EU countries, given the risk of retaliation by some non-EU states. The EU-ETS mechanism is an example of Cap and Trade which potentially can be used as a global system endorsed under ICAO principles.

## SHARE OF TRANSPORT IN GLOBAL MAN-MADE CO<sub>2</sub> EMISSIONS

(source: GIEC<sup>1</sup>, Stern Review<sup>2</sup>)



## FOCUS

### Green Deal

KLM and the Dutch government have signed two Green Deals, one concerning biofuels and another on Waste to Energy. The Green Deals are an agreement between KLM, the Ministry of Economic Affairs, Agriculture and Innovation, and the Ministry of Infrastructure and Environment which reflect KLM and government's commitment to a more sustainable economy on short and long term.

## FOCUS

### Bluenext

On January 12, 2012, Air France joined Bluenext, the international exchange for the environment, operating markets in carbon emissions allowances and credits as a trading member. Air France is the first airline to become a member of the Bluenext emissions trading exchange, in line with the airline's longstanding commitment to the environment.

1. IPCC Fourth Assessment Report / Technical Summary (<http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-ts.pdf> p.49), 2007 and GIEC-AIE 2005

2. Stern Review Chapitre 15 ([http://www.hm-treasury.gov.uk/media/4/5/Chapter\\_15\\_Carbon\\_Pricing\\_and\\_Emissions\\_Markets\\_in\\_Practice.pdf](http://www.hm-treasury.gov.uk/media/4/5/Chapter_15_Carbon_Pricing_and_Emissions_Markets_in_Practice.pdf), box 15.6), 2006

# Measuring

## THE IMPACTS OF OUR BUSINESSES

Nearly all the Group's CO<sub>2</sub> emissions come from the operations of its aircraft (99%). Consequently, Air France-KLM meticulously monitors its environmental impact (→ see page 73) and has its figures verified by statutory auditors. Some of its principal indicators are represented hereunder.

### OUR CARBON FOOTPRINT

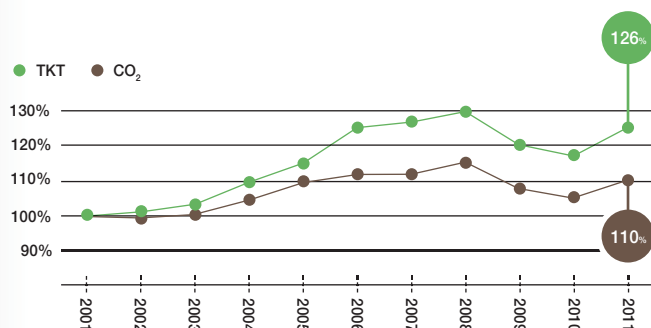
Growth in CO<sub>2</sub> emissions has been significantly lower than growth in traffic since 2000. Since 2008, the unfavorable economic climate has had a strong impact on the Group's traffic. Despite this, a good level of fleet energy efficiency has been maintained.

### FOCUS

#### New generation aircraft

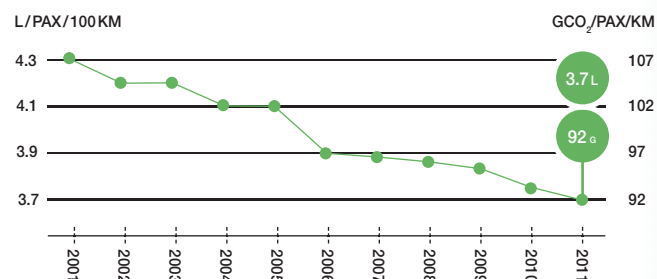
The Group Air France-KLM approved, in September 2011, its first joint order of 110 long-haul aircraft, composed of 787 and A350, which will enter into service respectively in 2016 and 2018. The arrival of 787s and A350s in the Group's fleet will lead to an aircraft related relative reduction of 15% in fuel consumption compared to the 777-200s and 25% reduction compared to the 747-400. The contracts for new aircraft now include a strict environmental clause which impacts the production of aircraft from the start to the end of their lifecycle.

### CO<sub>2</sub> EMISSIONS AND AIR FRANCE-KLM TRAFFIC



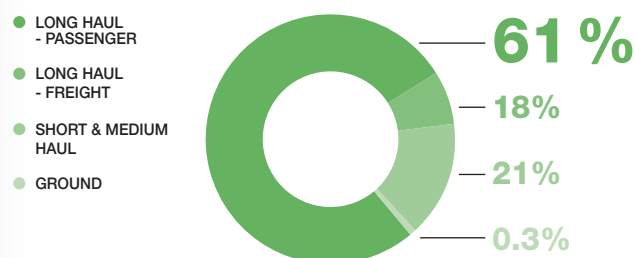
### GROUP-SPECIFIC FUEL CONSUMPTION

The Group has achieved a good reduction of its relative CO<sub>2</sub> emissions of 14% in 2011, since 2000. In 2011, it achieved 3.7 liters/passenger/100km – 92g CO<sub>2</sub>/passenger/km



### CO<sub>2</sub> EMISSIONS BREAKDOWN PER ACTIVITY

(Air France-KLM Group, including subsidiaries)



### FOCUS

#### Using passenger flights for cargo transport

Almost 80% of the Group's emissions are produced by its long-haul flights, for which there is no alternative mode of transport. To ensure the most efficient use of aircraft baggage holds, Air France-KLM Cargo has implemented a strategy to promote the use of some of the space on passenger flights for cargo transport.



## NOISE HINDRANCE OF OUR OPERATIONS

The Group is continuing to expand its operations while at the same time reducing noise levels in areas surrounding airports. Noise is measured annually using the Group's total noise energy indicator, which takes into account all Air France and KLM flights, using noise levels as certified by aircraft manufacturers as its baseline. Since 2000, overall noise has declined by 32%, despite a 13% increase in number of flights.

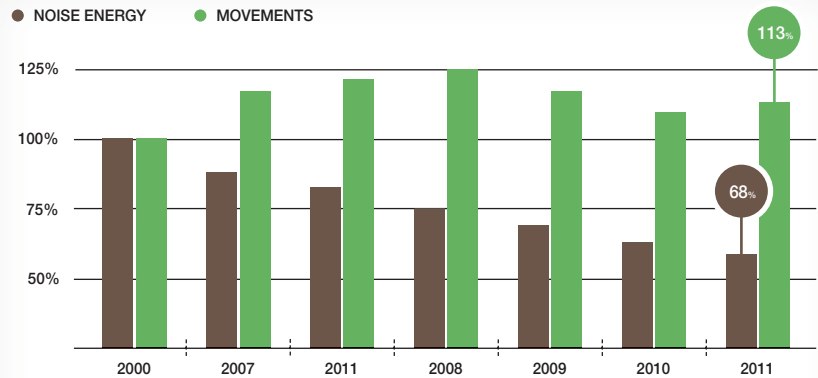
This progress is thanks to Air France-KLM's actions implemented in the framework of the ICAO's "Balanced Approach" which advocates taking action in three areas simultaneously: fleet renewal, the joint development of noise abatement procedures by airlines and air traffic control, and land use planning and management policies in the areas surrounding airports. In addition to these three measures, under specific circumstances, operating restrictions may be applied.

## OUR IMPACT ON LOCAL AIR QUALITY

Local air quality and its implications for human health and ecosystems is a growing concern. Aviation has an impact on the air quality in areas close to airports due to emissions from aircraft engines (NOx, SO<sub>2</sub>, HC, particulate matter), ground operations on the airport premises and maintenance activities, like painting (VOC).

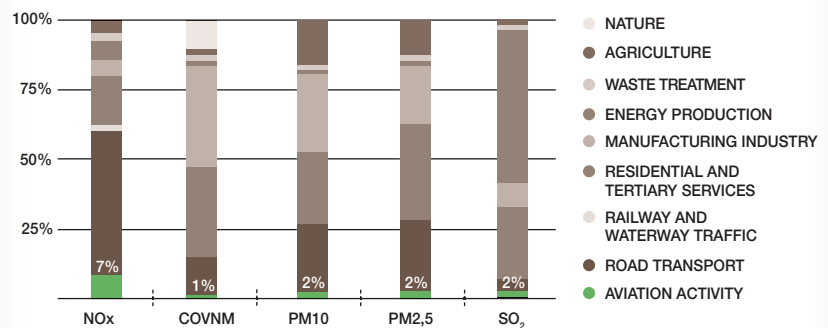
The Group publishes its total and low altitude emissions of NOx and SO<sub>2</sub>, HC and VOC on an annual basis. (→ see Environmental Indicators page 73)

## AIR FRANCE-KLM GLOBAL NOISE ENERGY



## EMISSIONS OF POLLUTANTS PER SECTOR IN THE PARIS REGION

(source: AirParif, latest Inventory 2007)



# Minimizing

## OUR CARBON AND NOISE FOOTPRINT

# 9.7 years old

Average age of the  
Air France-KLM fleet

### MODERN, EFFICIENT AIRCRAFT

The Group is continuing to modernize its fleet. Air France has added the latest large passenger jets to its fleet, these aircraft (three 777-300ERs and two A380-800s) are more fuel efficient and less noisy. In 2011, KLM completed the replacement of its 737-300/-400 aircraft with more efficient 737-Next Generation aircraft. The average age of the Air France-KLM Group aircraft is 9.7 years old, a relatively young fleet in its category. In 2011, BritAir received delivery of 11 CRJ 1000 "Next Gen" aircraft to replace its Fokker 100s which will enable it to reduce its CO<sub>2</sub> emissions by around 20%. Régional has completed the replacement of its Fokker 100 and 70s with Embraer 190s and 170s, which consume 10% and 20% less fuel respectively.

### REDUCING OUR FUEL CONSUMPTION

Air France's Fuel Plan, launched in 2008, seeks to assess, formulate and promote fuel consumption optimization initiatives. The Fuel Plan brings together over 100 fuel-saving measures, which resulted in a saving of

80,000 tonnes of fuel in 2011 (1.6% of Air France's total consumption). For example in 2011, optimizing taxiing procedures and aircraft ground positions has led to savings of almost 5,000 tonnes of CO<sub>2</sub>.

As part of its partnership with WWF-The Netherlands (WWF-NL), KLM has set a target for 2020 to reduce CO<sub>2</sub> emissions by 20% per transported ton-kilometer compared to 2009 levels.

### SAFELY OPTIMIZING FLYING

The Group's pilots apply as often as possible the most fuel efficient procedures, without compromising on flight safety. These include continuous ascent and descent approach procedures, optimum flight altitude levels and speed, continuous route optimization based on the latest weather data and taxiing with one or two engines switched off.

KLM was the launching customer and development partner of Boeing's Innovative Wind Updates Service, which this year was extended to all flight phases on its entire 777 fleet. This programme provides real-time meteorological information, which enables pilots to adjust their decisions in order to reduce fuel consumption, cost and emissions. KLM expects the system to lead to a 0.1% reduction en route in fuel consumption.

Air France, along with air traffic control, has identified potential CO<sub>2</sub> savings of 4,600 tonnes per year through: more than 200 trial flights to the Caribbean, on A380 flights between New York-JFK and Paris-CDG and on the Toulouse shuttle, through the application of AIRE procedures (Atlantic Interoperability Initiative to Reduce Emissions) and SESAR (Single European Sky Air Traffic Management). KLM also continued actively its contribution in the AIRE and SESAR projects.

### REDUCING WEIGHT ON BOARD

Reducing weight is key for saving fuel; the lighter the aircraft, the less fuel it burns and the less CO<sub>2</sub> it emits. Cutting one kilo from the weight of an Air France plane means saving 75 tons of CO<sub>2</sub> emissions per year. Recent examples include replacing newspaper racks on KLM long-haul aircraft (minus 12 kilos per aircraft) and optimizing the amount of drinking water carried onboard.

### OUR EMISSIONS CALCULATION AND OFFSETTING OPTIONS

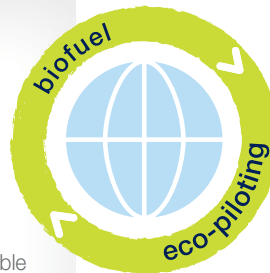
Air France and KLM provide their customers with CO<sub>2</sub> emissions calculators, available on both of their websites and the option to offset emissions. With these instruments, passengers can fly CO<sub>2</sub> neutral. The Group offers sustainable and certified carbon reduction credits that guarantee high value offsets to secure carbon reductions. Air France's partnership with GoodPlanet uses this option to finance the construction of biogas storage reservoirs in China and the conversion of organic waste into compost for agriculture in Madagascar. KLM is sourcing



## FOCUS

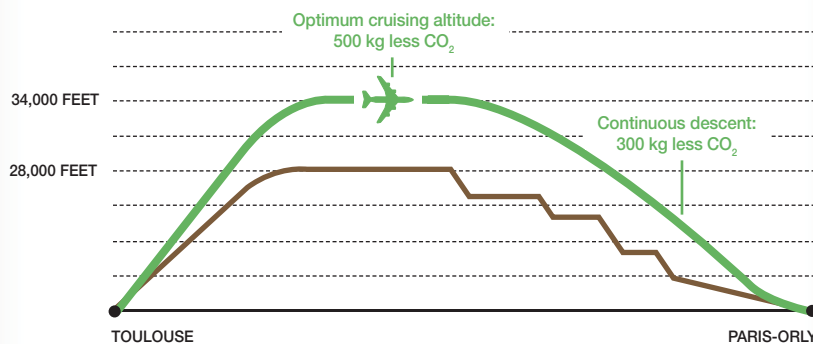
### Air France flies the world's most CO<sub>2</sub> efficient flight

On October 13, 2011, for the first time on a commercial flight, Air France AF6129 combined all energy saving measures simultaneously. To reduce fuel consumption, pilots, in coordination with air traffic control, applied all of the most fuel-efficient procedures and trajectories, including the use of electrically powered ramp equipment, taxiing using just one engine, continuous ascent from Toulouse airport, a higher cruising altitude (34,000 feet rather than 24,000 feet) and a continuous descent approach towards Orly Airport. If all shuttle flights to and from Toulouse were able to implement these eco-flight measures, 11,000 tons of CO<sub>2</sub> could be saved annually. The flight, which was fully optimized and made as light as possible also used 50% sustainable bio-fuel. (→ For further information see page 37)



The path optimization can reject 10% less CO<sub>2</sub> than a traditional flight

- OPTIMIZED FLIGHT PATH
- TRADITIONAL FLIGHT PATH



Air France is part of the Grand Roissy Assembly created in 2011 to pursue dialogue with all stakeholders in Paris airports. This dialogue will be extended and reinforced in provincial airports as part of the roll out of regional bases. Residents, Dutch Ministries and professionals from the airline sector represented in the Alders Table, have decided to enter the second experimental year for the new regulative and enforcement system, that should find a sustainable balance between growth in the number of movements and noise mitigation. Monitoring reports, information sessions, evaluations and so forth have come to a better understanding of factors influencing the spreading of noise hindrance across the environment surrounding Schiphol.

In 2011, the European Commission worked on reforming its EC 2002-30 directive that provides a framework for noise management around airports. In 2012, this work is set to become directly applicable regulation in all member states.

### IMPROVING THE UNDERSTANDING OF OUR IMPACT

Air France contributes to CORAC (Civil Aviation Research Body), which along with the major players in aeronautical research, is drawing up a roadmap for French research between now and 2050. In 2010 and 2011, two working groups were set up, one dedicated to air quality and one to noise (IROQUA – Research Initiative for Optimizing Aeronautic Acoustics). Air France-KLM is particularly interested in studies on the psychoacoustic effects of aircraft noise. The Group is also contributing to the collection of data to further understanding of aviation's impact on the atmosphere. For example, water vapour and soot particles given off by engines affect the formation of contrails, but little is known about the impact of these on the climate. Air France has been collecting data and carrying instruments onboard its planes since 1994 to assist the scientific community with research in this area. In 2012, the IAGOS (In-service Aircraft for a Global Observing System) instruments will be installed on board of an Air France aircraft.

Gold Standard Voluntary Emission Reductions for its CO<sub>2</sub>ZERO programme from the wind farm on Bonaire Island in the Caribbean, which aims to produce enough renewable energy to power the entire island. The Group will guard the interdependency of carbon reductions from EU-ETS and its voluntary programme to avoid double counting.

### CONTROLLING NOISE HINDRANCE

Air France was the DGAC's main partner in rolling out commitments made at the Grenelle Environment Summit. At CDG airport, continuous descent approach procedures (CDA) for eastward inbound flights, and higher altitude levels came into force on the November 17, 2011. These measures were welcomed by the majority of local residents and come in addition to the total withdrawal of the aircraft with the highest noise level at the end of 2011. In that same year, implementation of fixed radius turns at KLM was confirmed and NETT noise hindrance decreased between Hoofddorp and Nieuw Venneep.

# €34m

In 2011, Air France and KLM paid 34 million Euros to soundproofing homes in communities living close to airports in France and The Netherlands.

# Developing

## SUSTAINABLE ALTERNATIVE FUELS

Sustainable alternative fuels are one of the most promising routes to achieving reductions in aviation's CO<sub>2</sub> emissions. They will be essential in achieving Air France-KLM's ambitions as well as for the aviation industry as a whole. Sustainable biofuel development is a priority for the Group, whose strategy is to explore the entire value chain from research to commercialization. Sustainable alternative fuels are the only appropriate replacement for fossil kerosene for sectors like the airline industry that currently do not have an alternative for liquid fuels.

### CERTIFICATION

2011 was an important year for aviation biofuels. The ASTM (American Society for Testing and Materials) certified a second synthetic kerosene called HEFA (hydro-processed esters and fatty acids) for use on commercial flights, this in addition to certification of kerosene produced by the Fischer-Tropsch process in 2009. The ASTM has set up working groups to carry out research on two other types of fuel, a synthetic kerosene containing aromatics (SKA) and Alcohol to Jet Fuel (ATJ).

### SUSTAINABILITY AS A PREREQUISITE

Air France and KLM are open to use different raw materials, as far as these comply with sustainability criteria internationally recognized. For example, their use must result in a substantial reduction in CO<sub>2</sub> emissions, they must have a minimal negative impact on biodiversity and the food chain and they must not lead to deforestation. Air France and KLM have been members of the Roundtable on Sustainable Biofuels (RSB) through the Sustainable Aviation Fuel Users Group (SAFUG) since 2008, in order

to support development of a comprehensive and internationally accepted sustainability certification scheme. The RSB standard was officially recognized by the European Union in July 2011.

The sustainability of alternative aviation fuels depends on many factors and has to be assessed on a case-by-case basis. KLM currently follows the advice of SkyNRG's Sustainability Board which includes WWF-NL.

### RESEARCH

Air France-KLM supports several biofuels research initiatives. Air France took part in the SWAFEA study (Sustainable Way for Alternative Fuels and Energy in Aviation), launched by the European Commission in 2009. SWAFEA's recommendations were published in 2011 and have contributed to the development of a European biofuel roadmap and the setting up of the "Biofuel Flight Path" project. As part of ACARE (Advisory Council for Aeronautics Research and Innovation in Europe), Air France-KLM is involved in research of biofuel development. Air France took part in the Future Alternative Fuels Initiative (FCA) to develop biofuel production in France.

### FOCUS

Air France flew the world's most CO<sub>2</sub> efficient flight on October 13, 2011, partly using biofuel. The flight between Toulouse Blagnac and Paris-Orly was operated by a modern A321 and resulted in 50% less CO<sub>2</sub> emissions than a traditional flight (➔ [For further information, see page 35](#)). The 207 passengers onboard (total aircraft capacity 212) were informed of the special nature of this flight. The 50% mixture of traditional kerosene and biokerosene was obtained by hydrotreating used oil and was supplied by SkyNRG and put onboard the Air France A321 by Airbus.







## FOCUS

KLM became the world's first airline to operate a commercial passenger flight, carrying 171 passengers from Amsterdam to Paris on the 29<sup>th</sup> of June 2011, using a HEFA biokerosene. This flight was followed by a series of flights in September and February 2012 and was powered partly by biofuel produced from Used Cooking Oil (UCO). Dynamic Fuels supplied the fuel via SkyNRG. Passengers were informed about the special flight prior to departure and were able to let the world know about their pioneering role in the development of sustainable biofuels for aviation via a special website.



## POLITICAL SUPPORT

During the 2011 Paris Air Show that took place in June at Le Bourget, the European Commission, Airbus, biofuel production companies, Air France-KLM, British Airways and Lufthansa launched the "European Advanced Bio-fuel Flight Path". The initiative aims to achieve an annual production of 2 million tons of sustainably produced biofuel for aviation by 2020. Members will work together to promote the production, storage and use of biofuels. This objective will require the implementation of effective financial mechanisms to support the construction of "first of a kind" advanced biofuel production plants.

## PRODUCTION

Air France is taking part in a practical and innovative demonstration project led by the CEA (Atomic and Renewable Energy Commission) to produce biofuels from forestry waste. Part of the 2,000 tons per year of BtL (Biomass to Liquid) produced could be used to fuel Air France aircraft from 2015 onwards. Air France will also be part of a company (SYNDIESE), in charge of BtL industrialization.

## COMMITMENT AND COMMUNICATION

Air France and KLM have spoken at numerous international conferences to promote and support the potential of sustainable biofuels on a global scale. In 2011, KLM and WWF-NL renewed their partnership for a further 4 years. As part of the agreement, KLM aims to

# 1<sup>st</sup>

**commercial biofuels**  
flights of Air France and KLM.

use an average of 1% sustainable biofuels in its fleet by 2015. This is an absolute challenge as no commercial market currently exists for these biofuels and prices need to come down substantially.

## SALES AND DISTRIBUTION

SkyNRG is the joint venture of KLM, North Sea Group and Spring Associates. SkyNRG's mission is to help create a sustainable future for alternative aviation fuels. Since 2009, SkyNRG has been developing the technical, sustainability, supply chain logistics and marketing capabilities to deliver sustainable jet fuel to any commercial airline in the world. SkyNRG is advised by an independent sustainability board, composed of the WWF-NL, Solidaridad and the Copernicus Institute of the University of Utrecht. In 2011, SkyNRG supplied biokerosene to KLM and Air France. Although these first commercial flights represent a small overall contribution to global jet fuel supplies, they are an essential catalyst for the creation of this new market.

## COMMERCIAL FLIGHTS

2011 saw the first commercial Air France and KLM flights powered by sustainable biofuels. All biofuels used must meet the exact same technical specifications as traditional kerosene and must not require any adjustments to aircraft engines or infrastructure.

Dutch partners for  
more sustainable aviation  
and nature conservation



# Reducing WASTE & ENERGY

## CONTINUOUS PROGRESS OF OUR ENVIRONMENTAL MANAGEMENT

Following a comprehensive audit carried out in June 2011, Air France's ISO 14001 Environmental Certification was renewed for a further three years. The audit demonstrated the progress made in all of the company's businesses. Forthcoming areas to focus on will be the implementation of new Environmental Management Systems (EMS) management indicators and on structuring stakeholder consultation. 2011 also saw the operational roll out of the monitoring and regulatory compliance tool across all of the airline's production sites.

KLM has been ISO 14001 certified for all its operations in The Netherlands and on-board the aircraft since 1999, the certificate is bound to be renewed in 2012.

## LIMITING OUR WASTE

Air France is involving its passengers by asking them to place their newspaper in a recycling container once they have read it. These dedicated containers are emptied by local recycling companies and are available on routes in mainland France and Europe. Over 75% of passengers participate voluntarily in this initiative.

To reduce the amount of cooking oil used, Servair – Air France's catering organization – has set up a filtering equipment pilot site, resulting in a 50% reduction in the amount of oil purchased and disposed of. The optimization of disposable cups, opened packs of which were previously thrown away, has meant a 73 tons reduction in waste and a saving of more than 8 million cups. Thanks to initiatives such as these, Servair received a special "Ecogestes Label" prize in March 2011 from Aéroports de Paris and ADEME.

In 2011, KLM further reduced the meal tray cartons on all international flights. This resulted in less waste as this measure applied to around 8 million meal trays.

KLM Cityhopper reduced the amount of waste water coming from cleaning the water systems of aircraft by changing to a non chemical process, saving 1,200 liters waste water per week and €200,000 per year.

# 1,200

liters waste water  
saved per week in the  
cleaning operations of  
KLM Cityhopper.

## COORDINATION BETWEEN PARTNERS IS ESSENTIAL

Air France-KLM's SCRAP programme recovers metal from aircraft and engine components in order to make new parts or to re-use parts that are still in good condition. The system, developed with General Electric and SOS Metals, uses a scanner to sort different types of metal. Air France recovered 29 tons of aircraft steel and alloys in 2011. This process enables to avoid the mining of nickel, resulting in a 110 tons reduction of CO<sub>2</sub> emissions. KLM Scrap Plaza is a restricted area on the E&M site where different streams of technical waste are stored before being processed. Since Scrap Plaza was launched in 2009, 38 containers of 40m<sup>3</sup> have been filled with old components that have been recycled and reused as new materials through the SCRAP programme explained above.

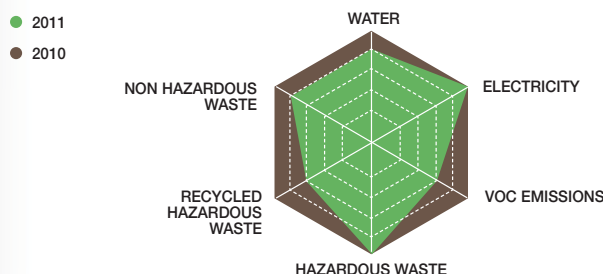
## IMPROVING WASTE TREATMENT PROCESSES

KLM Inflight Services, Ground Services and KLM Catering Services; all dealing with catering and onboard supplies, have set up a Value Stream Mapping process for waste. The process identified waste streams that can be optimized and opportunities to cut waste volumes and costs. This process begins at the product development stage (reducing the amount of packaging used, removing products that are rarely used onboard) and is followed by examining how products are transported and stored. Then it looks at workplace organization, by planning the recycling of certain

## FOCUS

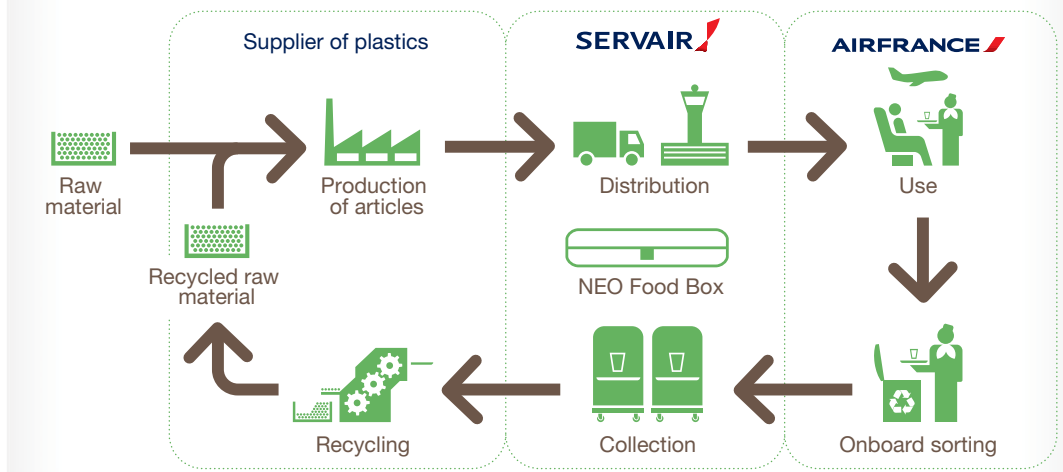
### Concrete actions

The "composite" index measures changes in consumption, emissions and waste at Air France Industries. The innovative ECOSHINE® damp cleaning procedure, used on the entire Air France fleet, reduces water consumption by 99%. As a reference, whereas before 10,000 liters of water were necessary to wash one plane, today 100 liters suffice. Between 2009 and 2011, Servair reduced its water consumption of 30% thanks to the implementation of new washing machines.



## RECYCLING NEO FOOD BOXES

### An essential coordination between partners



materials (for example pillows). Finally, various improvements for waste processing are examined.

The recycling rate for NEO food boxes reached 36% on average between October 2010 and February 2011, in total 16.5 tonnes of plastic were recycled. Since December 2011, packs are marked "this pack is recycled and used to produce new products" to inform customers.

## BETTER RESOURCES

In September 2011, Air France began using brown paper refuse bags, which are more environmentally friendly than white paper bags previously used, without reducing their resistance. The manufacture of the previous paper, especially the whitening step, required the use of chemicals whereas brown bags are made of unbleached natural wood fibers. In addition, the paper supplier uses pine from the Landes region, which has a positive environmental impact in terms of transport compared to remote countries supply.

## ENERGY EFFICIENCY

In 2011, KLM E&M installed all toilets in Hangar 11 at Schiphol that use rainwater to flush, LED lights to save energy and tiles made from recycled plastic. KLM's IT Division conducted a study about its energy consumption. The study came up with four initiatives for the short term, for example replacing the tiles in its data centre floor and adjusting air conditioning and recirculation equipment. These actions resulted in energy savings of circa 250.000 KWH per year. In 2012, sustainability criteria will be part of the decision making process when renewing workstations.

Solar powered dishwashers, Servair has equipped its bases on La Réunion, in Macao, Senegal and Burkina Faso with solar panels for dishwashers and hot water. The system reduces the energy required for heating water by 70%. Air France opened end of 2011 the setting up of a solar

energy plant at its IT centre in Valbonne, south of France. The solar Energy is free, abundant and renewable. The panels have been installed on six structures that provide shade in the centre's main car park. The panels will eventually produce 814 KW, and represents 10% of the IT centre's annual electricity consumption, or the equivalent of 400 households' annual consumption.

The "Equinoxe" building, built as part of the ORYZon project has been awarded double HQE (High Quality Environmental standards) certification in January 2012; HQE construction and HQE use. The building combines high quality design with continuous improvement, optimized maintenance procedures and the application of best practice to ensure HQE status. The building aims to achieve 30% less energy use than stipulated in thermal regulations (thanks to the installation of efficient glazing and insulation).

## FOCUS

### Metal tins recycling

Contaminated oil tins are considered as dangerous waste and are therefore difficult to store and recycle. A member of Air France Industries staff (PIQ Programme) has implemented an idea to transform them into non-hazardous waste: a machine which separates oil and metal using pressure has been built, allowing oil residues to be recovered and energy to be produced from burned tins.

## FOCUS

### Carpet recycling

KLM's Carpet Care programme has been included this year in SCRAP programme which aims to recycle technical waste. Used aircraft carpets are now used as raw materials or as secondary fuel in the cement industry, carried out by carpet manufacturer Desso. KLM aims to recycle 80% of the 35,000m<sup>2</sup> of carpet used every year.

# Preserving

## LOCAL AIR QUALITY

### SUSTAINABLE MOBILITY

As Air France is one of the major employers in the Paris region, it has put in place an employee transport plan (PDE) in order to reduce emissions generated by the transport of its employees. This is particularly important as the majority of employees work irregular hours and travel to work in their own car. This plan provides a range of services such as a car sharing site, open shared offices, or courses of eco-driving and road safety awareness. In order to encourage its employees to use public transport, Air France reimburses the entire cost of "Navigo" travel cards. In 2011, Air France along with 4 other companies based at CDG airport, participated in the set up of the first Inter-Company Transport Plan (PDIE) in the Paris-CDG airport area, as well as Regional with Nantes-Atlantique airport.

# 12%

**less private transport**  
to and from work by  
Air France employees in the  
Paris region than in 2009, in  
favor of public transport.

KLM made further steps in making its lease cars more energy friendly by including hybrid and electric cars in its car offer to its employees.

### ROAD VEHICLES

A two-year pilot with four electric cars, named Tazzari, started in 2011 at Schiphol Airport. The Tazzaris are replacing Volkswagen Polo's and emit less CO<sub>2</sub>, NOx and soot locally at airside. A saving of 55% CO<sub>2</sub> was obtained compared to normal cars, even though electricity at Schiphol is not yet fully renewable.

### GROUND HANDLING EQUIPMENT

To reduce CO<sub>2</sub> emissions from ground equipment by 12% compared to 2010 (especially the Ground Power Units which represents 49% of total ramp equipment consumption), Air France set in simultaneously several actions at CDG airport such as automatic shut down systems or reduction of the number of GPUs by improving maintenance of planes airports plugs.

A special electric handling device, the PowerStow Unit, has come into service for the handling of KLM's Embraers at Schiphol Airport. Since it is an electric device, it does not emit CO<sub>2</sub> locally and is less noisy, while diminishing the physical hard work of loading luggage into the aircraft. A total of 17 PowerStow Units are ordered and will be phased in gradually.

KLM Ground Services also started a pilot with an Electric-tractor, for the push-back of KLM Cityhopper aircraft. This period is meant to test the user friendliness (the E-tractor is less noisy) and efficiency.

The Orly Air France cargo centre has replaced all tractors used for hauling pallets between the cargo terminal and passenger aircraft positions. Fuel-efficient electronically managed LPG engines power the new vehicles and driver comfort has also been improved (hydraulic suspension for seats, heating, soundproofing of the driver's cabin).

### FOCUS

#### Air quality, a stricter regulatory framework

Since 2008, thresholds for triggering alerts and public information procedures have been set by Directive 2008/50/EC. In France, since 2010, the Grenelle 2 law has provided the framework for measures to be taken in the event of a peak in pollution and extended the jurisdiction of the ACNUSA (Autorité de Contrôle des Nuisances Aéroporтуaires) to cover air pollution. Air France is also involved in a working group charged with updating the PPA plan (Air Pollution Protection Plan), which came into force as a result of the LAURE law of 1996 and which objective is to implement measures to reduce emissions produced by combustion engine powered vehicles.

### FOCUS

#### Biodiesel pilot at Schiphol

Alternatives for diesel used for ground equipment, are explored through different pilots. One was a four months testing period at Schiphol of around 40 vehicles from KLM, KLM Equipment Services and Amsterdam Airport Schiphol running on 100% BioDiesel. The BioDiesel is produced from Used Cooking Oil and is supplied by SkyNRG. Testing the technical aspects of 100% BioDiesel were an important part of the test, as well as the positive effects on the local air quality such as sulphur oxides and soot particles.



# Protecting

## BIODIVERSITY

### AN INDIRECT IMPACT BUT MAJOR CHALLENGE

Preservation of biodiversity is a major challenge, although the impact of airline industry on it is indirect. It mainly occurs through the emission of CO<sub>2</sub>, which contributes to climate change. Air France-KLM supports several initiatives that protect biodiversity.

### DEVELOPING STRATEGY AND SUPPORTING PROGRAMMES

In order to examine and formulate its future strategy in relation to preserving biodiversity, KLM looked closely with Exeter University (UK) at KLM's relationship with the natural environment. This research gave in particular insight in where it relied upon and impacted ecosystem services, such as food, destinations, climate regulation.

As follow up, KLM signed the IUCN Leaders for Nature Inspirational Programme for Ecosystems. Signatories have the intention together to develop projects on biodiversity and ecosystems in The Netherlands and abroad. As part of its partnership with WWF-NL, KLM financially supports three of WWF's conservation projects: the Coral Triangle in Indonesia, green island economy project Bonaire and a forestry programme in Brazil.

Air France is contributing to the SANGHA 2012 project "Biodiversity in Pygmy Country" by transporting equipment and people involved in this expedition which aims to document biodiversity, a necessary preliminary step

in order to study changes in this untouched part of The Central African Republic.

Air France-KLM supports the development of REDD (Reducing Emissions from Deforestation and Forest Degradation), aimed at reducing emissions of carbon stored in forests and protecting species whilst at the same time providing social benefits for the local inhabitants.

### STANDARD SETTING PROJECT AGAINST DEFORESTATION

Deforestation is responsible for around 15% of global greenhouse gas emissions, almost equal to all forms of transport combined. Committed to the fight against climate change, Air France supports, since 2008, a major project which aims to preserve more than 32 million tonnes of carbon, stored in more than 500,000 hectares of forest. At a global level, the WWF considers Madagascar to be one of the 35 key regions in the world for the protection of biodiversity.

Four years on from the start of the programme, Air France, and its partners GoodPlanet and the WWF can point out their first successes: nearly 350,000 hectares have been protected and secured, 29 natural resource management transfer contracts have been signed, reforestation targets have been reached in certain areas, 5,000 households have given up slash and burn cultivation in favor of alternative farming methods and 25,600 households have been informed about the effects of climate change.

"Biodiversity is for Air France-KLM also a license to operate, with their customers traveling to many beautiful places. We believe the Group can and will continue to play a frontrunner role in CSR, like using sustainable biofuels and sustainability in other supply chains. Within the IUCN NL Inspirational Programme, KLM investigates further its contribution to protect biodiversity and enhance ecosystem services; moving from inspiration to action."

#### MARIELIES

**E.W. SCHELHAAS,**  
Teamcoordinator Energy  
& Climate, International  
Union for Conservation  
of Nature NL



### FOCUS

#### KLM dialogue event: October 26, 2011

The key question of the dialogue was: "What steps should be taken to make aviation more sustainable". Together with 150 people from the non-profit sector, government and corporate customers, "Open Space" discussions were held. An open space format was chosen, emphasizing the equality between all participants. Every participant could pose a question for the parallel open space dialogues, for example "Should customers contribute to airline's CSR commitments?" Discussions could be followed worldwide on Twitter (done by 108 people) and people could contribute to the mindmaps (done by 46 stakeholders) with their ideas. ➔ For further information, see [www.sustainablejourney.nl](http://www.sustainablejourney.nl)





# Society



## Context

**While Air France-KLM is mobilized around adjusting to a difficult economic environment, the Group continues to prioritize investment aimed at strengthening relationships with customers through the high quality and efficiency of its products and services.**

Listening to customers and anticipating to their needs by putting emphasis on personalization, innovation, responsiveness and assistance during travel, are the cornerstones of the Group's customer-centric strategy and focus of continuous improvement.

The new ways of maintaining dialogue with customers, particularly through social media, reveal a growing interest in our CSR initiatives. This dialogue has supported the Group's efforts in recent years and encouraged it to pursue the development of sustainable products and services throughout the customer's journey. Our challenge is making our actions more visible, successfully involving customers in our CSR approach and to remaining our customers' carrier of choice.

## Ambition

**Differentiating ourselves in an increasingly competitive environment by offering a personalized and pro-active customer approach whilst making sustainability integral to our products and services.**

# Building a sustainable relationship with our customers



## Commitments

**In order to achieve our customer ambition we are committed to the following:**

- Continually improving the service we provide to our customers;
- Excelling in operational performance;
- Developing services to keep in touch with customers and providing seamless travel from departure to arrival;
- Providing assistance in the case of unforeseen events;
- Developing sustainable products & services all along the journey.



AIRFRANCE / KLM	Objectives	Main achievements 2011
	<ul style="list-style-type: none"> <li>→ <b>IMPROVING</b> service quality</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>RETAIN OUR POSITION AT THE TOP</b> of the AEA's punctuality ranking of major airlines</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>INCREASE INTERACTION</b> with our customers via social media</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>INCREASE OVERALL CUSTOMER SATISFACTION</b> of assistance service</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>INCREASE CUSTOMER KNOWLEDGE</b> about Air France and KLM's CSR actions</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>INCREASE</b> sustainable products onboard</li> </ul>	<ul style="list-style-type: none"> <li>→ <b>AIR FRANCE AND KLM CONNECT, A REALTIME INFORMATION SERVICE HAS BEEN AVAILABLE</b> free of charge in 10 languages since 2011</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>NEW AIR FRANCE CLASS "AFFAIRES" AND KLM "EUROPEAN BUSINESS CLASS"</b> offer more service and comfort</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>KLM AND AIR FRANCE HOLD 1<sup>ST</sup> AND 2<sup>ND</sup> PLACES</b> in the AEA's arrivals punctuality ranking for major airlines operating from a hub airport</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>1,400,000 FANS ON FACEBOOK</b>, this number has more than tripled compared to the previous year</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>310,000 TWITTER FOLLOWERS</b>, an increase of 42%. Providing responses to questions on a daily basis, regular events, videochats and direct dialogue with our experts</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>SINCE THE LAUNCH OF AIR FRANCE'S AND KLM'S CONNECT SERVICE IN 2011</b>, the overall satisfaction rate with the "Recovery" assistance service has increased by 30%</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>AROUND 1 IN 3 FLYING BLUE MEMBERS</b> spontaneously mention at least one CSR action from Air France or KLM</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>NEW RE-USABLE HEADPHONES IN AIR FRANCE VOYAGEUR CABIN</b> offer improved sound quality while reducing waste and creating employment in the sheltered sector</li> </ul> <hr/> <ul style="list-style-type: none"> <li>→ <b>9 NEW SUSTAINABLE</b> products added to KLM's onboard catering offer</li> </ul>

## FOCUS

### Recognition for customer service

Air France-KLM's customer service initiatives received a number of awards in 2011, among these:

- **First prize in customer service**, transport category for the 2<sup>nd</sup> year running for Air France by BearingPoint and TNS Sofres.
- **Award for the best e-reputation**: Air France received an award for its responsiveness on social media. The prize was awarded by Communication & Entreprise.
- **Best Use of Mobile Technology Award to Air France-KLM** during the global forum for travel industry stakeholders "Future Travel Experience" in Vancouver for its use of smartphones, development of apps for check-in and free notification service, Air France and KLM Connect.
- **KLM awarded Best Digital Marketing Company of 2011** by NIMA Award category Digital Marketing, "Best Airline in Social Media" by SimpliFlying.

# Measuring OUR PERFORMANCE

## OPERATIONAL PERFORMANCE

Punctuality and flight regularity<sup>1</sup> are priorities for the customer and an important part of evaluating service quality. Information on Air France and KLM's punctuality and flight regularity performance is regularly updated on its corporate website and AEA's website<sup>2</sup>.

In 2011, Air France-KLM's operations were impacted by a series of weather-related and political events like the tsunami in Japan, the eruption of the Grimsvötn volcano and the Arab Springs.

To respond effectively to crisis situations and capitalize on the lessons learnt from previous experiences, Air France reinforced its operational management procedure by creating a Commercial Crisis and Communications Team in 2011, headed by the Duty Sales Director and comprising a multi-disciplinary team. It brings together all the skills across the company needed to adapt the commercial rules to crisis situations and coordinate the messages sent to customers to offer them the best-possible assistance.

Both airlines analyze encounters during unforeseen events. Air France has a system in place which enables all departments to share the analysis of incidents and use this information to improve decision making and action plan management, in order to improve problem resolution.

## CUSTOMER SATISFACTION AND DIALOGUE

Air France-KLM continuously monitors its customers' satisfaction with products & services through different surveys and communities. These surveys cover the entire client experience, from reservation to after sales care and allow both companies to monitor their customers' perceptions on a continuous basis.

In 2011, 565,000 passengers evaluated the service the Group provides by responding to onboard surveys.

The Group also involves its customers in the development of new products & services via social media and customer panels. 12,000 active members of fb@home take regularly part in surveys about our products and services as well as 500 customers using the chat facility on the inTouch blog. Besides through its 7 service standards, Air France-KLM makes a public commitment to customers about the service they can expect.

<sup>1</sup> Regularity: ratio between actual flights and flights planned 3 days before departure.

<sup>2</sup> <http://corporate.airfrance.com> and <http://www.aea.be>

## FOCUS

### Monitoring day to day operational performance

In 2011, Air France launched a platform for sharing daily operational performance results on its Intranet, providing a single point of reference for all of the airline's businesses.

Besides, punctuality figures are published monthly on Air France's Corporate website. Results for all flights of 2011 demonstrate a clear improvement in punctuality, regularity and baggage delivery.

Objective for 2012: pursue improvements with a specific focus on long-haul punctuality performance.

Air France's operational performance dashboard (2011 results for all flights)

**+2.9 points**



**Regularity**

% Flights operated v/s flights scheduled at D-3.

**99.0%**

**+6.1 points**



**Punctuality**

% Flights leaving on time or within 15 minutes.

**83.5%**

**+0.15 points**



**Baggage**

% Baggage successfully delivered on arrival.

**98.84%**

## FOCUS

### Effective communication through social media

Social media plays a key role in keeping customers informed in case of unforeseen events, contributes to customer satisfaction and permits answering questions from customers more effectively. For instance, when many flights were cancelled during the eruption of the Grimsvötn volcano in May 2011, thousands of customers were kept informed and assisted thanks to the Air France and KLM pages on Twitter and Facebook. During the heavy snow-fall in Winter 2010-11, Air France succeeded in creating a real information hub on Facebook by providing direct responses to customers in ten languages.

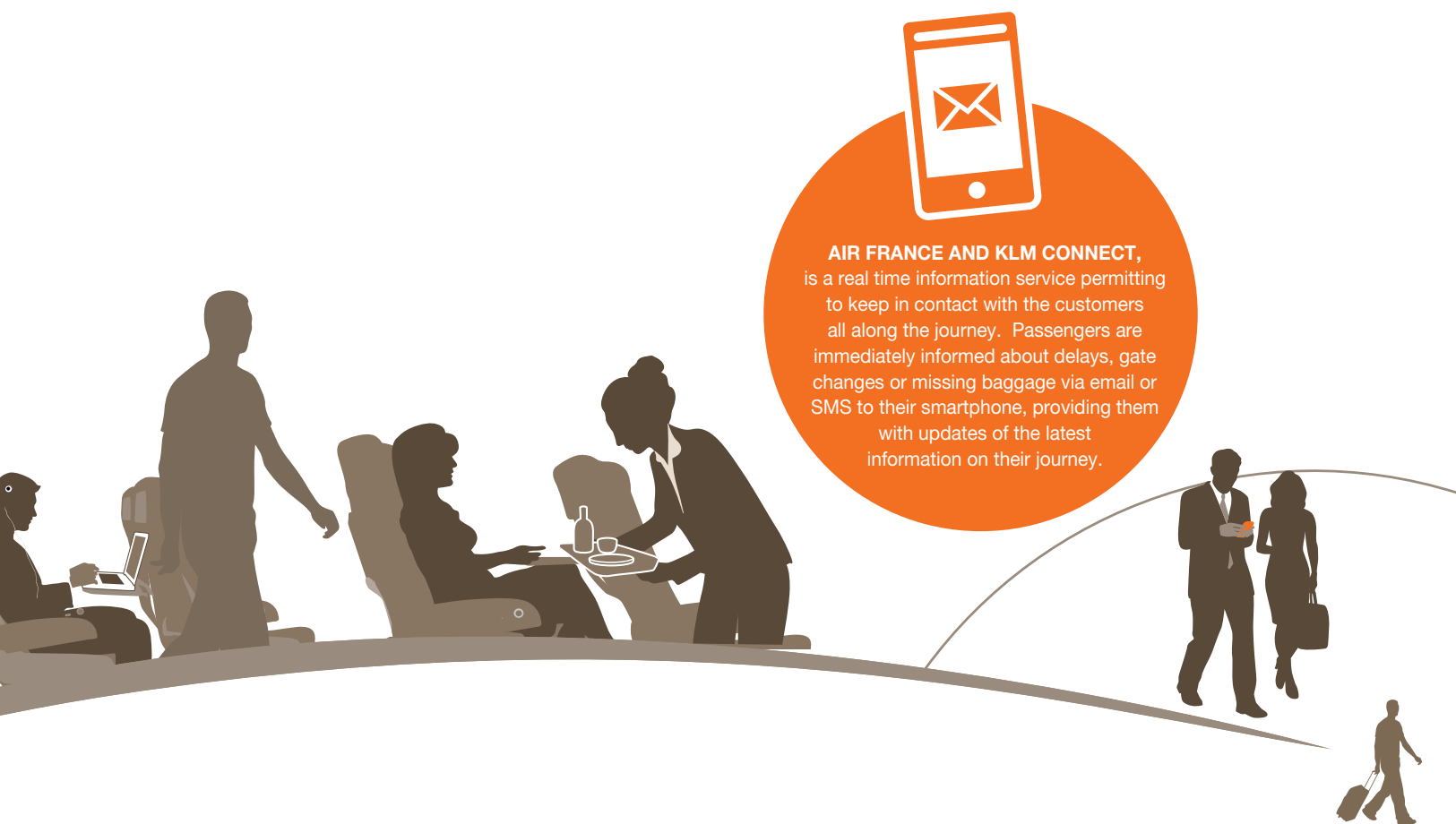
KLM was one of the world's first companies to offer round-the-clock service on social media. KLM aims to provide an answer within one hour and a solution within 24 hours. Many of Air France-KLM's field offices have set up Facebook and Twitter accounts for their local markets.

# Developing

## A SUSTAINABLE AND INNOVATIVE PRODUCT RANGE

Committed to setting the standards in Corporate Social Responsibility, Air France and KLM increasingly offer their customers sustainable products and services. Some of these initiatives proposed throughout the customer's journey are outlined below.





**AIR FRANCE AND KLM CONNECT,** is a real time information service permitting to keep in contact with the customers all along the journey. Passengers are immediately informed about delays, gate changes or missing baggage via email or SMS to their smartphone, providing them with updates of the latest information on their journey.

## ONBOARD

### Increasing sustainability in our onboard product offer

- ➔ Ethical and fair trade products are available in Duty Free onboard Air France and KLM aircraft.
- ➔ 9 sustainable catering products added by KLM such as organic eggs and bread, Better Life labelled veal.
- ➔ An organic meal proposed by Air France on long-haul flights for an additional fee by April 2012.
- ➔ Reducing the weight of service and cabin equipment through ecodesign, for example Air France's new business class offers a lie-flat seat-bed which is 5 kg lighter than the model it replaces. KLM reduced weight by using one trolley less for European Business Class.
- ➔ Healthcare equipment, relaxation videos, highly first aid trained staff.
- ➔ Building awareness about CSR issues through various onboard communication channels, in-flight entertainment, magazines, etc.

601 million miles donated by Flying Blue members to NGO's supported by Air France and KLM in 2011.

## AFTER ARRIVAL

### Continuing dialogue and providing service assistance

- ➔ Customer services that deal with incidents as quickly as possible: online claims for baggage missing on arrival, proactive care in the case of disruption to flights.
- ➔ Corporate customer accounts support: personalized services such as CO<sub>2</sub> reports available on request.
- ➔ Annual CSR survey carried out among Flying Blue customers: identify expectations and measure awareness of current initiatives. The priority actions for customers in 2011 were: reducing CO<sub>2</sub> emissions, on-board weight and waste, recycling, and eco-design.

24% of Air France customers and 38% of KLM customers have heard about at least one of the Group's CSR initiatives.

# Minimizing

## THE ENVIRONMENTAL IMPACT OF OUR INFLIGHT SERVICE

### ECO-DESIGN



The Group works in close cooperation with suppliers, trains experts in the different businesses and deploys new tools to facilitate eco-design in the decision-making process. In 2011, a Life Cycle Analysis tool was tested to help the inflight department to identify alternative solutions enabling a reduction in the environmental impact of inflight equipment. This approach has four key pillars: **reinvent, reduce, recycle and reuse.**

#### Reinvent

- Air France is replacing the seats in its aircraft with new, lighter versions, enabling a reduction of 60,000 tons of CO<sub>2</sub> annually while offering passengers greater comfort.
- KLM has launched a pilot project to test pre-flight ordering of Duty Free articles to reduce the weight unnecessarily carried on board.

#### Reduce waste

- Adapting the packaging of onboard products, such as by using large bottles rather than small cans for drinks on Air France long-haul flights and less meal tray cartons at international KLM flights.
- Providing infrequently used items on a request basis rather than distributing them automatically, such as ear plugs on long-haul flights.
- Providing reusable headphones in the Air France Voyageurs cabin, which offer improved sound quality and save 400 tons of waste carried per year.

#### Recycle

- Get customers involved in recycling newspapers on several Air France's domestic and European flights; trials have shown a participation rate in excess of 75%.
- Air France and KLM recycle used onboard equipments (blankets, tableware, etc.).
- At Roissy-CDG and Amsterdam Schiphol, non recyclable onboard waste is burnt and converted into energy.
- Air France set up specific recycling treatment adapted for specific waste, as the out-of-service audio headsets.

#### Reuse

- Sorting and collecting meal packs on medium-haul Air France flights to produce new onboard service equipment. Collection and re-supply of unused economy class headsets on long-haul KLM flights.

"Air France introduced gradually new headphones in its Voyageur cabin in May 2012. These headphones provide improved sound quality and marginally lower ambient noise levels. An environmental and societal approach was taken into account while developing the new reusable headphones. They are collected, cleaned, tested and reconditioned by a sheltered sector company based near Roissy-CDG. Headphones that have reached the end of their lifecycle are recycled by a company dedicated to specific recycling. This initiative has resulted in better product quality for customers, the creation of 50 jobs for people with disabilities and an annual reduction in waste of 400 tons."

**GÉRARD ROUSSEL,**

Purchasing coordinator for the sheltered sector, Air France

### FOCUS

#### Making onboard catering more sustainable

In its contribution to the conservation of nature and biodiversity, KLM is working on sustainable catering, together with a.o WWF-NL in the following areas:

- Fish from Marine Stewardship Council (MSC)-certified fisheries. KLM was the first airline that regularly served MSC fish onboard. Other fish served are assessed by the guidelines laid down by the WWF and the North Sea Foundation.
- A reduction in usage of palm oil and soya from unsustainable sources used as ingredients in many catering products. This approach is reflected in the growing number of onboard catering products certified in accordance with sustainability standards such as organic eggs, Fair Trade chocolate, Rain Forest Alliance coffee.



# Innovating

## FOR SUSTAINABLE SOLUTIONS AT CARGO AND MAINTENANCE

### EFFICIENT CARGO

Air France-KLM is making Cargo more efficient and transparent by digitalising transport documentation in cooperation with customers and other industry partners.

The objective of "E-freight" is to achieve optimized, paper free document processing, guaranteeing compliance with national and international regulations, making document processing faster, cheaper and more reliable.

The project will benefit the environment by replacing the 20 to 30 paper documents currently required with electronic documents, thus saving an estimated 7,800 tonnes of paper per year. It will also lead to weight reduction on board,

**7,800 tons**  
paper saving estimated  
thanks to e-freight.

which in turn leads to less CO<sub>2</sub> emissions.

At the end of 2011, during the trial period, the total number of e-freight shipments reached 4%. In 2012 a higher proportion of e-freight is expected.

### ADAPTIVE MAINTENANCE SERVICES

The ambition of Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) is to be adaptive in a changing environment, offering tailor made, reliable and adapted solutions to its airline customers. For instance, due to the current economic situation repairing is preferred instead of replacing. This results in both a reduction of maintenance costs as well as resource savings. Due to high fuel costs, efficient engines are more important than ever. KLM E&M, in conjunction with the Dutch Aerospace Lab and the Technical University of Delft, has developed a software tool called Gas path Simulation Programme (GSP). The purpose of this tool is to simulate gasturbine thermodynamic performance and evaluate modular efficiencies, resulting in optimal performance with balanced costs.

In July 2011, AFI complemented its industrial capacity by opening a new jet engine test bench built at Roissy-CDG. The objective is to be capable of testing several engine types including Very Big Engines and Next Generation engines in order to significantly reduce maintenance costs. The Customer Office system enables customers to track the progress of testing in real time.

This progress illustrates ISO 26000 standards in action: listening to stakeholders and including social and environmental criteria in financial analyzes. The new engine test bench provides three major advantages:

- fast and efficient service for customers at a one-stop.
- significant cost savings per engine.
- an environmental approach which also takes into account noise hindrance to local residents from the beginning through noise level testing campaigns.



### FOCUS

#### Innovating for our customers

Air France Industries has set up an inclusive innovation system (PIQ) for staff members to submit ideas for innovative solutions, the most relevant suggestions are put into practice. Just one example of this in 2011 was an idea to invert seat belt buckles to improve safety. Seat belts are installed in a way that the longest part of the belt often trails on the floor. This presents a tripping hazard for those onboard and also risks being damaged by trolleys, whereas the shorter section, which is closest to the windows, often gets caught between the seat and the panelling.

The PIQ suggestion was put into practice and the two sections of seat belts were swapped around. This simple change reduces the risk of falls, reduces damage to cabin equipment and improves user-friendliness.



## Context

**As a major player in international air transport, Air France-KLM pursues a social policy and shares the values of respect, solidarity and professionalism.**

In current economic and financial climate together with growing and intense competition, the Group is facing up multiple challenges in which it has to adapt to a faster pace of change. At the same time, the Group continues to ensure effective social dialogue, develop the employability and skills of its employees and maintain effective relations with employees and their representatives.

In this context, Air France-KLM has launched a transformation plan aimed at restoring the Group's competitiveness over the next three years. This plan has been adapted within each company to ensure the most appropriate response to achieving the priority objectives.

## Ambition

**We aim to create a safe and motivating working environment to facilitate every employee taking responsibility for the company's performance and competitiveness. We pursue a responsible social policy along with ongoing communication and encourage professional development.**

# Promoting a responsible human resources policy



## Commitments

**We carry out our ambition through the following commitments:**

- Boost staff members' employability through training and by improving mobility and flexibility;
- Promoting health and safety in the workplace;
- Leading change whilst maintaining effective dialogue with employees and employee representatives;
- Promoting respect, well-being and work-life balance;
- Fostering diversity in order to preserve our attractiveness as an employer and to encourage new talent to surface.

AIRFRANCE	Objectives	Main achievements 2011
	<ul style="list-style-type: none"> <li>→ Enhance <b>MOBILITY</b></li> <li>→ Develop <b>THE WAY WE WELCOME YOUNG PEOPLE AND WORK-STUDY STUDENTS</b></li> <li>→ Promote <b>EFFECTIVE DIALOGUE WITH EMPLOYEES AND THEIR REPRESENTATIVES</b></li> <li>→ Train employees <b>TO DEVELOP THEIR EMPLOYABILITY</b></li> <li>→ <b>REDUCE THE NUMBER OF WORKPLACE ACCIDENTS</b> by 30% between 2012-2014</li> <li>→ Pursue commitments to promote <b>DIVERSITY</b></li> </ul>	<ul style="list-style-type: none"> <li>→ <b>2000 EMPLOYEES CHANGED JOBS</b>, 50% more than in 2010</li> <li>→ <b>NUMBER OF ANNOUNCEMENTS</b> on the Job Market doubled</li> <li>→ Signature of the <b>6<sup>TH</sup> 3-YEAR INTERNSHIP CHARTER</b></li> <li>→ <b>NUMBER OF APPRENTICES</b> doubled in 2011 to reach almost 400</li> <li>→ <b>AGREEMENT SIGNED</b> with cockpit crew representatives following the opening of the Marseille base</li> <li>→ <b>95% OF GROUND STAFF AND 100 % OF CABIN CREW</b> have completed training</li> <li>→ <b>7.9% OF THE COMPANY'S PAYROLL</b> dedicated to training</li> <li>→ <b>PERSONAL TRAINING ENTITLEMENTS</b> (so called DIF) represented 14% of overall training for ground staff</li> <li>→ <b>10% DECREASE</b> in the number of workplace accidents</li> <li>→ <b>THIRD 3-YEAR AGREEMENT ON GENDER EQUALITY</b>, payroll compensation for 349 women</li> <li>→ <b>EMPLOYMENT RATE OF DISABLED EMPLOYEES:</b> 4.17% (3.92% in 2010)</li> <li>→ <b>8<sup>TH</sup> 3-YEAR AGREEMENT</b> to promote the employment of disabled people (2012-2014)</li> </ul>
KLM	Objectives	Main achievements 2011
	<ul style="list-style-type: none"> <li>→ Stimulate employability through <b>MOBILITY</b></li> <li>→ Stimulate employability through <b>TRAINING AND DEVELOPMENT</b></li> <li>→ Promote <b>HEALTH AND SAFETY IN THE WORKPLACE</b></li> <li>→ <b>MANAGE ABSENTEEISM</b> and improve chances of disabled employees</li> <li>→ Support <b>DIVERSITY</b></li> <li>→ Increase <b>FLEXIBILITY</b></li> </ul>	<ul style="list-style-type: none"> <li>→ 401 KLM employees enlisted the <b>"START WORKING ON YOUR FUTURE" PROGRAMME</b></li> <li>→ Validation of Prior Learning certificate <b>REACHED A MILESTONE WITH ITS 100<sup>TH</sup> PARTICIPANT</b></li> <li>→ Approval received from the Works Council <b>FOR POLICIES ON HANDLING ASBESTOS IN BUILDINGS</b> during renovation work</li> <li>→ Survey on safety culture to indicate opportunities for improvement received <b>A RESPONSE RATE OF 33%.</b></li> <li>→ Absenteeism, a step in the right direction: from 6.44% in 2010 <b>TO 6.11% IN 2011</b></li> <li>→ Positive evaluation outcomes of the renewed policy <b>ON EMPLOYEES RETURNING TO WORK AFTER LONG-TERM ABSENTEEISM.</b></li> <li>→ The Lesbian Gay Bisexual Transgender (LGBT) network welcomed <b>ITS 250<sup>TH</sup> MEMBER</b></li> <li>→ <b>KLM SIGNED THE COMPANY PRIDE PLATFORM AGREEMENT</b>, linking its LGBT network to that of other companies</li> <li>→ <b>70 EMPLOYEES PARTICIPATED IN THIS YEAR'S DE-ICING OPERATION</b> on a voluntary basis</li> </ul>



# Adapting

## TO THE CHANGING ECONOMIC CLIMATE

### RESPONSIBLE STAFF MANAGEMENT

Since the beginning of the financial crisis, Air France-KLM has pursued a policy to reduce costs, increase flexibility and improve its responsiveness. At Air France this has led to a gradual 7.3% reduction in its workforce between January 2009 and December 2011. Already in 2010, the Voluntary Departure Plan enabled 1,834 to benefit from help in moving on to new projects, 400 of these people set up their own businesses.

### FACILITATING MOBILITY

Mobility is key to sustainable employability. To ensure that mobility can take place in the smoothest way possible, Air France has developed a qualitative Human Resources and Skills Planning Process. This scheme includes career orientation and mobility initiatives such as a "Mobility Unit", an "Observatoire des Métiers" and a "Job Market". In 2011, 2,000 people changed jobs within the company, an increase of 50% (128 ground staff gained executive status).

At the end of 2011, a sixth 3-year Internship Charter was signed, reaffirming the company's willingness to develop the way it welcomes and provides support for young people following apprenticeship courses. Air France has continued to recruit "young executives" (37 in 2011). In response to the intended withdrawal of Boeing 747s within KLM's aircraft fleet, KLM Engineering & Maintenance (E&M) has gradually closed down D-check maintenance. To facilitate mobility for the 300 employees involved, a job centre was opened to offer training and career advice. As of 2012 all employees have acquired a new position, mostly in line with their personal preferences.

### ONGOING SOCIAL DIALOGUE

Air France-KLM promotes effective social dialogue by pursuing a policy based on respect for people. A framework agreement on changes to European outstations was signed with the European Works Council in December 2011.

The 15 sessions held by Air France's Corporate Works Council and the 12 held by KLM enabled elected representatives to be consulted and/or informed on broad company policy, and on the drawing up of a two-stage transformation plan.

Due to the current economic situation, KLM and its social partners have decided to delay negotiations to agree on a new collective agreement until spring 2012, these negotiations were originally due to take place in autumn 2011.

### TRAINING

Training is one of the main ways of providing support and assistance during change within the Group and in helping individual employees with their projects to boost their own employability. Despite the economic situation, the ongoing development of training programmes (combining face-to-face learning with e-learning) has contributed to maintaining a high level of access to training.

Air France-KLM employees are actively involved in planning their career paths. The growing use of personal training entitlements (so called DIF or Droit Individuel à la Formation) at Air France illustrates this point. 800 KLM employees followed the "Start working on your future" programme from its launch through to 2011.

New training materials have been made available to line managers and HR managers to assist them with change in their divisions. The joint Air France-KLM 'Energy and Change' training programme provides tools to better understand the mechanics of change, to adjust their roles, manage resistance and communicate in order to involve their teams (356 participants followed the training course in 2011).

The "KLM Academy" programme for management training is being continued in partnership with the University of Nijenrode and joint Air France-KLM programmes with Carnfield University and HEC. Training for new managers on management decision-making and management principles is also being continued.

**29.3**  
hours of training per  
Air France employee.

### FOCUS

#### 100<sup>th</sup> VPL at KLM

A formal diploma can be acquired through a VPL (Validation of Prior Learning) certificate in addition to a limited number of hours of formal education. In December 2011, Wim Kooijman, Executive Vice President of HR & Industrial Relations at KLM offered his congratulations to the 100<sup>th</sup> participant. 45% of the participants are aged 45 or over.



# Safeguarding

## HEALTH AND SAFETY

### LOWER ACCIDENT RATES

The health and safety of staff members in the workplace is a key priority for Air France-KLM. Its importance is supported from the highest management levels to all departments in the business.

Progress was made in this area in 2011 through strong commitment at executive level and by managing the fundamentals:

- ➔ 10% reduction in the frequency rate of work related accident at Air France,
- ➔ decline in the number of serious accidents down from 11 the previous year to 4 at KLM.

The Group intends to continue the good rate of progress in initiatives and outcomes in this area on which there can be no compromise.

Never  
compromise  
on safety

### SETTING GOALS AND MONITOR

Air France will renew its three-year initiative with the aim of reducing the frequency of accidents in the workplace by 30% between 2012 and 2014.

Projects are monitored step by step by each of the Steering Committees, and periodic evaluations are carried out within Air France's Executive Committee. Executive Vice Presidents have committed to reducing accidents in the workplace through action plans and contracts stipulating precise objectives for each entity within the Group.

At KLM, monitoring is the responsibility of the Executive Committee and the Quality and Safety Board. The Board's goal is to ensure that the rate of serious accidents in 2012 is less than 4 and a rate of less than 4.1 accidents per one million hours worked. (➔ For further information, see page 74, Health and Safety, accidents in the workplace)

### TAKING PREVENTATIVE MEASURES

A survey was carried out among all KLM staff: 33% of the employees responded to questions concerning behaviour of managers and their own attitude regarding safety regulations and practices. The findings have led to measures including adjustment of the introduction programme for new employees and the implementation of a two-year e-learning safety programme for managers.

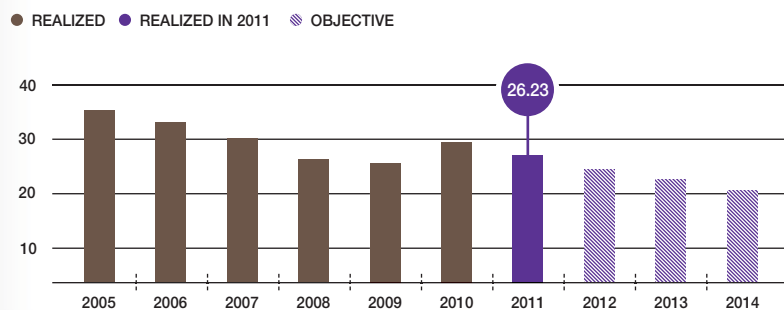
At Air France risks to employees are anticipated and avoided at an early stage through the application of an ergonomic approach to designing infrastructure, new tools and equipment. In addition to its "Central Ergonomics Unit", the company's ergonomics experts work closely with operational users. The involvement of field managers, employees, and "preventers" enables potentially dangerous situations to be detected and encourages preventative measures to be taken such as the "on the ground focus method". This approach, based on the participation of all employees involved, has a proven track record of success resulting in faster improvement.

Schiphol in cooperation with KLM has opened a baggage hall. It is the world's first to use innovative techniques such as baggage robots and an automated baggage buffer. This increases efficiency, reduces the physical demands on employees involved and reduces occupational safety risks.

### PROMOTING SAFETY CULTURE

Holding events and conventions on the theme of safety in the workplace helps to spread the message of safety

GLOBAL FREQUENCY RATE, AIR FRANCE  
Number of lost-time injuries per million hours worked





## FOCUS

### PRADOS in cargo hub

As part of the PRADOS programme (Prevention of Back Accidents), which is supported by the health department, a physical therapist visits the cargo hub in CDG to provide training on lifting and carrying. Volunteers holding various different posts are supporting the initiative by becoming trainers themselves. The network of trainers currently counts 38 members across CDG, Orly and provincial bases.

culture and the issues at stake in the company. At KLM, safety awareness campaigns have taken place and new initiatives have been put into action, one of which concerns the introduction of a Voluntary Safety Report in addition to the Air Safety Report for flight operations employees and cabin crew.

KLM continued its safety champions (managers in charge of promoting safety), awarding employees for innovative ideas that improve safety.

Air France held in field forums within its operating and support entities in France. The organization of benchmarking forums on specific topics such as psychosocial risks, the danger of falling and musculoskeletal disorders also testifies to openness to ideas from outside the company.

The in field training sessions provided goes beyond statutory requirements and is in itself a tool for preventing accident risks.

Management is involved on a collective basis during the annual Health and Safety in the Workplace Conference, during which awards for safety performance are presented to managers in operational divisions.

At Air France an awareness campaign that aims to reduce ground traffic speed (a frequent cause of workplace accidents) has been launched, and training has been made available to all Air France-KLM outstation managers.

## QUALITY OF LIFE IN THE WORKPLACE

The improvement of quality of life in the workplace is a means of improving performance. At Air France in 2011, the three-year agreement on method and prevention of

psychosocial risks and quality of life in the workplace was put into practice in all divisions of the company, by way of multi-disciplinary groups led by Psychosocial Risk experts.

KLM experiments new ways of working. As in previous years at KLM, the company is encouraging members of staff to lead a healthy lifestyle by supporting the 1,100 employees taking part in the Amsterdam to Zaandam 10km run. At the same time, the Ground Operations Department organized a week-long campaign to promote awareness about healthy living for older people; on the programme were, among others, health checkups, massages.

## SOCIAL PROTECTION FOR ALL EMPLOYEES

Air France-KLM employs around 7500 locally throughout the world, who all benefit from the values and commitments laid out in Air France-KLM's Social Rights and Ethics Charter. The majority of the Group's local staff benefit from social security, ensuring they receive sickness and maternity benefits, along with arrangements to ensure they can benefit from a decent standard of living during their retirement and are covered against accident and death. In addition, the Group offers complementary insurance coverage where public provision does not meet the required standards. The Group is also developing a responsible health policy for its employees, in particular through campaigns on preventing specific local health risks.

KLM's IT department tested a new way of working, "The New World of Work" which offers flexibility in terms of working location and time. The results of the trial were encouraging. Employees were able to better manage their work-life balance and felt empowered in their work. The trial, including 60 employees, scheme will be extended to other divisions in 2012.

# Promoting

## EQUAL OPPORTUNITIES AND DIVERSITY

### FOLLOWING THROUGH ON OUR COMMITMENTS

In line with its Social Rights and Ethics Charter, Air France-KLM is pursuing a social policy based on integration through work, respect for equal opportunities, combating discrimination and promoting diversity. Equal opportunity rules apply in particular to recruitment and internal selection processes. All Air France employees involved in these processes are subject to the Recruitment, Selection and Redeployment Code of Ethics. To encourage a process of continual improvement, surveys are regularly carried out among job applicants to measure their level of satisfaction.

Despite the financial crisis, Air France is continuing to fulfill its responsibilities towards young people entering the labor market. Its signature of the sixth Internship Charter illustrated this in December. On 1 November, 524 apprentices were present in the company. In 2011, 88 apprentices were offered permanent contracts in the Maintenance Division.

In 2011, KLM welcomed 691 interns, a number that has remained stable over the years.

### A STRONG POLICY FOR DISABLED PEOPLE

In 2011, Air France welcomed 30 new disabled employees, bringing the total number of disabled employees to 1,634.

The proportion of disabled employees rose in 2011 to reach 4.17%, compared with 3.92% in 2010.

At KLM, when sick leave leads to an employee's permanent inability to fulfill their contractual duties, even when the employee has changed jobs to one which is more compatible with their disability, the employee is considered to be legally disabled.

It is now easier for KLM employees who have acquired a disability to return to work, as they are no longer required to apply for a new job (when returning to their previous job is not possible), they are instead offered a suitable position. In 72% of these cases, matching disabled employees with available positions has proven successful. In 2011 KLM had 656 disabled employees, an increase of 2% to 2010.



### GENDER EQUALITY AND RESPECT FOR SEXUAL ORIENTATIONS

At Air France the 3rd three-year agreement on gender equality in the workplace was agreed unanimously by unions representing employees at company level, providing continuity to a ten year long commitment.

**The agreement has three main objectives:**

- To establish a common methodology for measuring professional and wage equality,
- To ensure equal opportunity and treatment,
- To come up with practical measures concerning work-life balance.

Support for associations promoting equal opportunities was also reaffirmed, as were a series of measures enabling employees with young children to organize their professional lives more effectively around their family responsibilities. The company notably pays part of their salaries to employees on paternity leave.

KLM supports diversity in its workplace, for instance regarding ethnic background, gender, sexual preference, religion and age. More specifically, KLM respects the sexual orientation of its employees via the "Over the Rainbow" social network aimed at Lesbian, Gay, Bisexual and Transgender (LGBT) staff to meet with colleagues of all sexual orientations to discuss LGBT related issues. The network currently has 250 members.

Furthermore, the commercial division of KLM has introduced an overview of management tools to promote more female participation.

**42.8%**  
of total workforce  
are women

(→ For further information,  
see page 76)

"Subtle discrimination and undesirable behavior targeting LGBT people unfortunately still exists at the workplace. Protective legislation is in place but cannot prevent all unwanted behavior. It is my personal mission to increase the visibility of LGBT employees and to ensure that management is aware of their responsibilities to create a LGBT-friendly workplace environment."

**WARNER  
VAN DER VEER-JEHEE,**  
President of the network  
"Over the Rainbow"

# Involving EMPLOYEES

## LISTENING TO STAFF

Several barometers are in place to measure levels of employee satisfaction within the Group, such as the IPSOS Survey or the IPM tool (Internal Perception Monitoring). For the past two years, a specific survey on Corporate Social Responsibility (CSR) has been carried out among employees and customers, in order to cross-reference the results and their expectations.

## BUILDING AWARENESS

At KLM, quarterly “CSR cafés” are held in order to build awareness of CSR issues among employees. In 2011, the “Over the Rainbow” network initiated a session dedicated to diversity. The CSR café has also focused on the launch of a pilot for a sustainable product range in the KLM shop

“When I joined Air France, my department had been well informed about issues relating to deafness. My colleagues were able to learn signs to communicate simple things and I found myself giving them advice. The training really helped me normalize the situation and the atmosphere was great.”

**ALEXANDRE STEPHANT,**  
a hearing-impaired employee

from the Kenyan organization Wild Living Resources. During World Environment Day, various KLM managers participated in the Electric Car Rally, an event to promote electric driving. As a result of this rally, KLM started a two month pilot project in which employees could use an electric car for short distance transportation during working hours.

Air France took part in conferences and organizes stands during Sustainable Development Week and Mobility Week.

Furthermore, a disability information and awareness booklet was circulated to all employees and a training course on psychological disability was also offered.

## CSR TRAINING

An e-learning module on CSR has been developed and is made available to a large majority of the Group's employees.

At KLM, CSR issues are integrated into several training courses, such as the e-learning course in the Maintenance Department and initiatives to build awareness about fuel consumption in the Flight Operations Department.

## INVOLVING STAFF MEMBERS

Air France-KLM involves employees in progress and innovation initiatives. Air France's Innovation Quality Programme (PIQ), recognizes the best suggestions put forward by Air France Maintenance employees. In 2011, 5,811 suggestions were submitted, more than 75% of which will be put into practice, resulting in total savings of 20 million euros annually.

At KLM, the “moonshining” programme at Engineering & Maintenance encourages innovative employee solutions to improve health and safety in the workplace. One of the ideas put into practice in 2011 involved a lightweight box that doubles as a supporting tool when the brake is removed from the aircraft.

## FOCUS

### Laurent's good idea

Laurent Arnaud is an account officer at the Air France Maintenance Department. His “automoteur” idea brings together all of the technical aspects necessary to change an aircraft wheel. As a result, the risk of an accident occurring has been reduced, cost and space savings have been achieved and the time to change a wheel has been reduced by ten minutes. Laurent's suggestion received an innovation award.

## FOCUS

### Awards for Air France and KLM's attractiveness as an employer

KLM was awarded the Randstad prize for The Netherlands' most attractive employer in the “Commercial Companies” category. The working environment, work-life balance and job security were the most highly rated criteria among the 7,000 people who took part in the survey. Air France was elected most attractive employer in the Ile-de-France (Paris region) by the RegionsJob Palmarès Employeur 2011, in partnership with the magazine L'Express. 10,000 people of all ages and educational levels took part in the poll, which surveyed opinions on 25 assessment criteria about the company.





## Context

**A growing world population, growth in emerging economies and expectations that people will continue traveling will make that aviation remains a high-growth industry in coming decades. Air France-KLM takes up its role in these developments and thereby continues to contribute to economic and social development through its business activities and large network, thereby also stimulating trade within other sectors.**

Air France and KLM continue to take their responsibility at hubs and destinations through job creation, sharing skills and exchange knowledge via partnerships and long term dialogue with local stakeholders. Where possible creating new business opportunities.

The Group also supports development projects of NGO's by making human, financial and logistic means available, and also encourages the involvement of its employees in development projects.

## Ambition

**We strive to add economic and social value in the areas where we operate, this begins with our flight services which connect people and business around the world. By working together with local partners, we create new business opportunities and support projects contributing to the long-term well-being of local communities.**



# Contributing to local development



## Commitments

**We carry out our ambition through the following commitments:**

- Contribute to the local economy through our capacity to create business and jobs, for example by using local suppliers;
- Build long-term relationships with local stakeholders through dialogue and partnerships;
- Share skills and knowledge;
- Encourage our employees to participate in development projects;
- Assist by providing human, logistical and financial support for development programmes.

Objectives	Main achievements 2011
<div data-bbox="117 576 191 991" data-label="Page-Header"> <p><b>AIRFRANCE / KLM</b></p> </div> <p>→ <b>CONTRIBUTION TO LOCAL DEVELOPMENT</b> at hubs</p> <hr/> <p>→ <b>CONTINUATION OF LONG-TERM DIALOGUE</b> with local stakeholders at the hubs</p> <hr/> <p>→ <b>PROMOTION OF ECONOMIC DEVELOPMENT</b> at our destinations</p> <hr/> <p>→ Maintain a strong <b>COMMITMENT TO DEVELOPMENT PROJECTS</b></p>	<p>→ <b>PARTICIPATION IN THE GRAND PARIS</b> and in the Grand Roissy</p> <p>→ <b>COOPERATION BETWEEN AMSTERDAM LOCAL AUTHORITIES, KLM, SCHIPHOL</b> to strengthen the international competitiveness of a sustainable Amsterdam region</p> <p>→ <b>STRONG INVOLVEMENT IN EMPLOYMENT FOR PEOPLE WITH DISABILITIES:</b> in 2011 Air France subcontracted €13 million to the sheltered sector</p> <p>→ Contribution to <b>SKILLS DEVELOPMENT FOR YOUNG PEOPLE</b>  <b>AIR FRANCE:</b> 4,534 students provided with information on aviation careers by Airemploi, 590 local young people trained by JEREMY and 554 young apprentices and interns at AFMAé, incl. 210 apprentices at Air France  <b>KLM:</b> 691 interns deployed in all divisions, coming from universities and education centres throughout The Netherlands</p> <hr/> <p>→ <b>INVOLVEMENT IN WORKING GROUPS ON THE SUSTAINABLE DEVELOPMENT</b> of the Roissy and Orly areas</p> <p>→ <b>ONGOING DIALOGUE</b> in working groups Alders Table and CROS in Schiphol area</p> <hr/> <p>→ <b>AROUND 2,500 LOCAL SUPPLIERS</b> used by the Group in the countries served</p> <p>→ <b>PARTNERSHIP AIR FRANCE, GOODPLANET, WWF:</b> the Madagascar project to combat deforestation helps 5,000 families to benefit with additional income and improved living conditions</p> <hr/> <p>→ Air France-KLM: <b>€13.2 MILLION</b> in funding for <b>SOCIAL AND ENVIRONMENTAL PROJECTS</b></p> <p>→ <b>AIR FRANCE FOUNDATION:</b> involvement in 116 projects</p> <p>→ <b>KLM AIRCARES:</b> working with 6 partners, supporting the various projects of each partner</p>

## KEY HUB-RELATED FIGURES

### Jobs

- 47,000 Air France employees in the Paris region
- Over 30,000 KLM Group employees at Schiphol

### Aviation's contribution to national economies

- The Netherlands: €26 billion contribution to the national economy and 290,000 jobs (incl. catalytic effects) provided<sup>1</sup>
- France: 1.7% of French GDP and 8.3% of employment in the Paris region<sup>2</sup>

<sup>1</sup> Source: McKinsey & Company & The Boston Consulting Group

<sup>2</sup> Source: BIPE/ADP 2012 study

### Subcontracting

- Air France purchases in the Paris region: €1.27 billion (excluding fuel)
- KLM: purchases around €800 million in The Netherlands
- Air France-KLM: more than 4,200 contracted suppliers worldwide

### Taxes, fees and contributions

- Fees and en route charges: €1.8 billion contributed by the Group to airports and Air Traffic Control
- Taxes and fees: €212 million paid by the Group to French and Dutch States and local authorities

# Contributing

## TO LOCAL DEVELOPMENT AROUND OUR HUBS

### IMPACTING LOCAL ECONOMIES

The airports in Paris and Schiphol offer a high number of connections, providing an extensive, high quality network resulting in an attractive business environment.

As major employers at their hubs, Air France and KLM contribute significantly to job creation. The KLM Group employs more than 30,000 of the 60,000 people directly employed at Schiphol airport, while Air France employs almost 47,000 in the Paris region, and thus is the first regional employer. Added to this is the indirect and induced economic activity generated by the airports, such as catering, cleaning and supplies.

Air France has demonstrated its commitment to providing employment for disabled people by doubling its procurement from sheltered sector companies over the past four years and continues to identify new opportunities. In 2011, Air France signed an agreement with a new sheltered sector company based in the Paris region: FASTROAD transports equipment and materials between maintenance shops and hangars at Roissy-CDG using shuttles.

The Group takes part in discussions on projects set to shape the areas surrounding its hubs over the coming 20 years, such as the consultation processes on the Grand Paris and the Grand Roissy. Effective governance for the Grand Roissy area is essential and Air France would like to be involved in it. Furthermore, Air France is working alongside other organizations (Hubstart, Aerotropolis Europe) to promote Roissy-CDG airport's international profile and its economic attractiveness.

KLM is working with Schiphol Airport and Amsterdam City to strengthen the international competitiveness of the region.

### ONGOING DIALOGUE WITH STAKEHOLDERS

Air France and KLM take a proactive approach to engaging with local stakeholders such as residents, elected officials, associations and regulatory authorities. Valuable exchanges are key to achieving sustainable growth and successful cooperation in areas such as noise and quality of life. In 2011, the European Commission sent a delegation to consult KLM on CSR and innovation. Additionally, KLM is committed to ongoing dialogue with local residents and their representatives through Alders Table meetings and through its involvement in the Schiphol Regional Review Board (CROS). Air France is a founder member of the "Pays de Roissy-CDG" association. Through its membership, the airline strengthens its local presence and works in cooperation with local stakeholders.

### CONTRIBUTING TO SKILLS DEVELOPMENT

Air France supports initiatives that promote access to training for careers in aviation through its involvement in different associations. KLM provides support for educational programmes for young people, through information, training and work placements. (➔ For further information, see page 64)

### VOLUNTARY INITIATIVES

The "Amis de la Fondation Air France" network mobilizes more than 2,000 employees in a range of voluntary and fundraising schemes in France. For example, in 2011 the organization took part in a breakfast event for the parents of children undergoing neurosurgery at the Necker Children's Hospital. KLM takes part in local fundraising events for cancer research such as Pink Ribbon and Wheel of Energy.

#### FOCUS

##### **The local impact of provincial bases: the Marseille example**

At the end of 2011, Air France launched an aggressive commercial strategy that will be rolled out progressively with more flights departing from regional airports in France. Marseille was chosen as the launch region and now benefits from 13 additional Air France flights. The airline has changed its organization, with crews now based in the region. The regional economy will benefit this new model; it is estimated that the additional traffic will create around 2,730 jobs (direct, indirect and induced).

#### FOCUS

##### **Young Talent programme at KLM**

The Maintenance Department is promoting young talent through a programme in which it selects students from three Dutch Technical Universities to work at KLM E&M during their studies, after which they are offered a one or two-years contract with the company once they graduate. They receive training and mentoring from senior management as part of their individual career path.

# Involvement

## IN STRUCTURAL INITIATIVES AT THE HUB



Local economic development



Environment



Jobs and training



Stakeholders dialogue



**Boussole:** Business travel plan to contribute to the reduction of emissions caused by employee commuting.

**Involvement:** Agreement on an Inter-Business Travel Plan at CDG- airport, with 5 other local companies.



**CCE and CCAR:** Advisory committees on environment, policies on noise reduction measures and soundproofing homes.

**Involvement:** Air France is a member of committees at 10 major French airports.



**Hubstart and Aerotropolis Europe association:** Initiatives to promote the area at an international level.

**Involvement:** Active involvement in these two bodies.



**Pays de Roissy - CDG Association:** Promotion of social and economic development in the Roissy area.

**Involvement:** Air France is a founder member of the association

→ More than 320 members take part in 6 working groups coordinated by two Air France employees.

→ Involvement in a Grand Roissy governance body.



**2<sup>nd</sup> Chance Foundation:** Scheme to help disadvantaged people access the world of work, through the support of volunteer mentors.

**Involvement:** Roissy site coordinated by an Air France subsidiary, SODESI.



**Skills development promotion:** Programmes to provide information and training on careers in aviation

**Involvement:** Air France is a founder member of 4 associations:

→ Airemploi provides information about jobs and training in aviation.

→ JEREMY promotes the integration of young local people who do not have any formal qualifications.

→ AFMAé trains apprentices for careers in aviation at its training centre.

→ Engineers for Schools is a programme that makes 8 Air France executives available to the national education authorities, 4 based in the Paris region.



**Alders table:** Advisory platform for discussion with government, local representatives and residents on the development of Schiphol.

**Involvement:** KLM participation in discussion and dialogue with local stakeholders.



**Green Deal:** Dutch government support for sustainability initiatives led by citizens, companies and government agencies.



**Involvement:** Signature of 2 KLM Green Deals concerning Biofuels and a Waste to Energy project.



**Landscape Noord-Holland (LNH):** Independent nature conservation organization in the Noord-Holland province, close to Schiphol.

**Involvement:** 2.5-year partnership which includes finance for projects to protect the IJperveld peat bog, a vulnerable wildlife reserve.



**ROC Education Programmes:** Local education programme in Amsterdam.

**Involvement:** Partnership being extended to the Leiden region.

70 people were trained in mechanics and metalwork at KLM E&M.



**Schiphol Regional Review Board (CROS):** The board focuses on noise reduction measures for residents living near to Schiphol airport.

**Involvement:** KLM participation in various working groups.



**Samenwerkingsagenda Amsterdam/KLM/Schiphol:**

Cooperation between the 3 parties to strengthen international competitiveness of a sustainable Amsterdam region.

**Involvement:** A vision and joint projects for future development, such as electric taxis between Schiphol and Amsterdam.

# Contributing

## TO DEVELOPMENT AT OUR DESTINATIONS

### SUPPORTING ECONOMIC DEVELOPMENT

The Group contributes to the economic and social development through its flight services to 230 destinations in 113 countries. Flying to these destinations and the corresponding fees paid to local governments contribute to local economies on a structural base.

Furthermore, the range of expertise and services the Group requires at its destinations creates a large number of jobs, both direct and indirect. As an example, Servair, Air France's subsidiary, has a presence in over 50 airports, owns 46 subsidiaries around the world. At all of these places, the company promotes local jobs and has developed other activities such as catering for hospitals and businesses.

The Group also participates in the transfer of skills in the countries it serves, through the AIDA Programme (Assistance, Investment, Development in Africa), which offers African Ground Service companies the opportunity to professionalise and expand their skills in IT and equipment and airport facilities maintenance at a training centre (IAMA) in Bamako and at locations in 13 other countries.

KLM has begun a pilot project with the NGO ShareBusiness. KLM has posted 3 of its employees to locations in Africa and India, so that they can share their skills with local entrepreneurs, whilst at the same time improving their own knowledge. Tourism also has a significant impact on the living standards of local communities. This is why KLM supports the Chair of Sustainable Tourism at Wageningen University.

### PARTNERSHIP IN DEVELOPMENT PROJECTS

The Group has a long track record of contributing to development projects worldwide from supporting NGOs to own employees initiatives. KLM determines the impact of each AirCares project on the beneficiaries at the start and evaluates the impact at the end of the project.

In 2011, total contributions represented the equivalent of 13.2 million euros.

#### FOCUS

##### Reconditioned ground equipment for Africa

The MATEA programme aims to provide assistance and sell ramp equipment to Air France's contractors in Africa and the Caribbean. In 2011, 43 loaders, passenger stairs, catering trucks and baggage conveyors were refurbished, repainted in the new company's colors, quality controlled by a certified organization and sold to companies unable to purchase new equipment.

Air France-KLM provides assistance to development projects in various ways:

#### → The Group's programmes and long-term humanitarian partnerships

Air France works to help disadvantaged children through its Corporate Foundation, which was involved in 116 projects in 2011. The airline has a 30-year partnership with the NGO Acting for Life, which promotes child protection, economic development and sustainable tourism.

Air France also passes on information to passengers about the damage caused by child sex tourism by financing ECPAT International's prevention campaign and distributing literature onboard.

The KLM AirCares programme supports a different NGO every quarter, in terms of financial, logistical and organizational assistance and contributes to achieving the Millennium Development Goals. 4 NGOs receive regular support as part of KLM AirCares: Close the Gap, Doctor to Doctor, Aviation Without Borders, Wings of Support.

#### → Providing logistical support

In 2011, 580 Air France tickets were donated to 36 NGOs, principally involved in providing medical assistance. 30 other organizations approved by Air France benefit from discounted rates for transporting personnel and equipment. Logistical support at KLM is included in the AirCares programme.

#### → Involving employees and customers

Alongside skills sponsorship developed with various partners, Air France and KLM employees throughout the world take part in social, humanitarian and nature conservation projects. KLM staff can use the "Will you be helping?" site on the company's intranet to inform, mobilize and collect donations from their colleagues. Customers, who are Flying Blue members, are invited to donate their frequent flyer miles to NGOs selected by Air France and KLM AirCares: in 2011, 601 million miles were donated.

# 3,000 donors

**More than 3,000 donors and 80 KLM and Martinair employees** are involved with the Wings of Support Foundation, which runs more than 600 projects in over 20 countries through fundraising, distribution of goods, toys and clothes.



# Initiatives

## AROUND THE WORLD

In 2011, the Group contributed to numerous social and environmental projects. Below, some examples:



### FRENCH RED CROSS

**PROJECT:** Assisting NGO travel through award tickets (Flying Blue) and through tickets donated by Air France during natural disasters.  
**IMPACT:** Rapid French Red Cross deployment and mission implementation in Haiti. 107 million Flying Blue miles were offered in 2011 to the Red Cross for all of its missions.

### MY LITTLE UNIVERS

**PROJECT:** Refurbishment of a child care facility in Lima  
**IMPACT:** Finance provided for most of the renovation work providing a safe environment for 80 children and 3 child care facility nurses.

### AIR FRANCE FOUNDATION

**PROJECT:** Meet the needs of the growing school age population of the Henri Dumont school and improve conditions in educational institutions.  
**IMPACT:** Finance provided for a sports field in 2000, an extension to the school in 2003, 4 classrooms and a multi-sports ground built in 2011.



### ACTING FOR LIFE

**PROJECT:** Improve agricultural production in the Chaco Chuquisaqueño region. Project implemented by the Foundation Nor Sud  
**IMPACT:** Involving local authorities in purchasing agricultural produce for school canteens. Around thirty farmers' organizations involved in measures to boost incomes by carrying out the initial stages of food processing.

"Education is a key element to achieving the Millennium Development Goals. That's why the Air France Foundation supports for 20 years, initiatives to help sick, handicapped children or people in great poverty around the world. In 2011, the Foundation funded 116 projects with a total budget of €2.4 million."

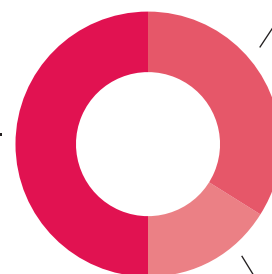
CÉCILE VIC,  
General delegate,  
Air France Foundation

GROUP'S TOTAL CONTRIBUTION TO DEVELOPMENT PROJECTS

**13.2**  
million euros  
in 2011

DISTRIBUTION OF GROUP'S CONTRIBUTIONS BY PROJECT CATEGORY

**50%**  
HUMANITARIAN & EDUCATION



**34%**  
SPORT, ART & CULTURE, MISCELLANEOUS

**16%**  
ENVIRONMENT



### AVIATION SANS FRONTIÈRES

**PROJECT:** To introduce young people with disabilities to aviation, discovery days and first flights  
**IMPACT:** In 2011, 1,564 young people with disabilities took part in the Smiling Wings programme.



### HAMOGELOTOU PAIDOU

**PROJECT:** Mobilizing the local delegation to provide support for Greece's largest children's charity  
**IMPACT:** Collecting toys, fundraising, providing transport assistance to sick children and their families.



### AFLATOUN

**PROJECT:** Provide social education to young people aged between 3 and 18 through the Aflatoun network.  
**IMPACT:** Training 30 regional "masters" in Asia, who have in turn trained 250 local educators, followed by 10,000 teachers. This programme has reached 330,000 children in 15 countries.



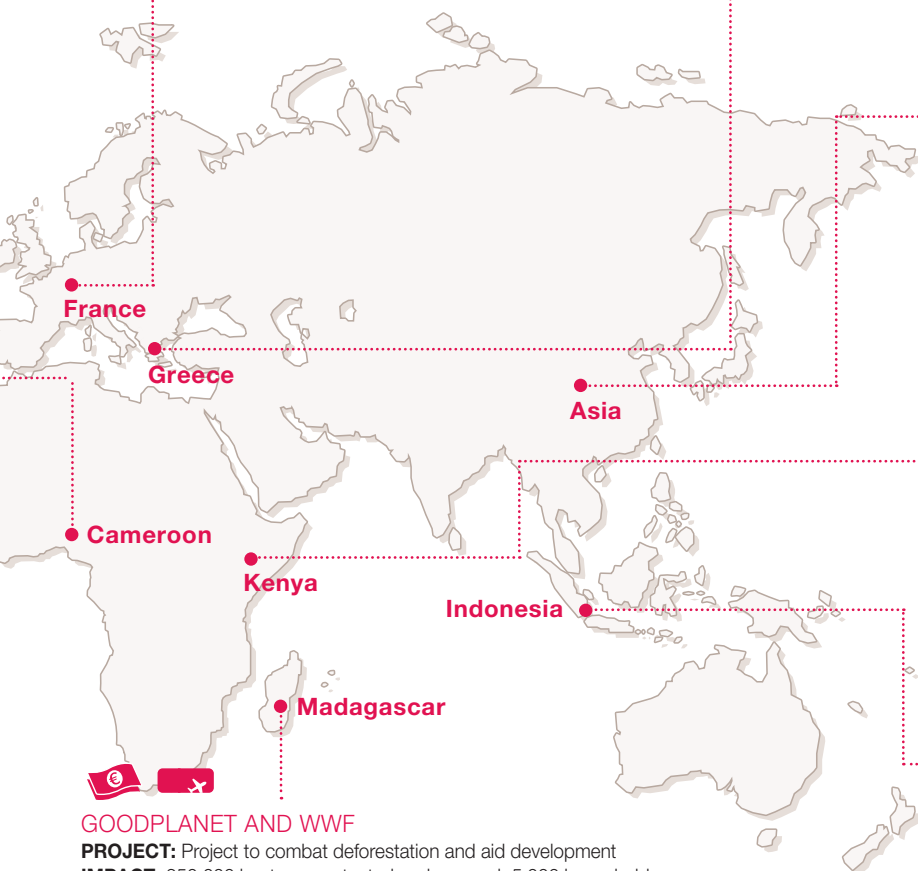
### CLOSE THE GAP

**PROJECT:** Providing reconditioned IT equipment for social projects  
**IMPACT:** 120,000 KLM computers donated, these will provide 300,000 school children with access to information and knowledge.



### WWF-NL

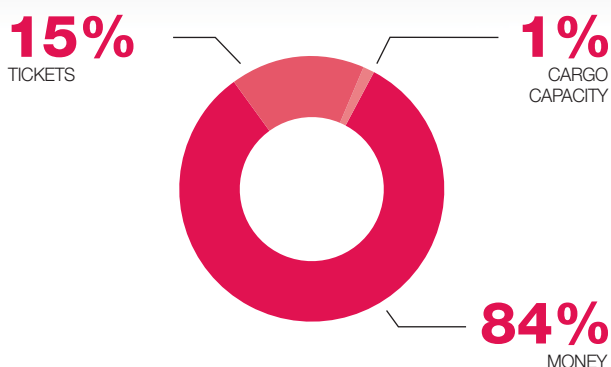
**PROJECT:** Partnership between WWF-NL and companies to improve the livelihoods in the Coral Triangle, the nursery of the global oceans. With a growing population and persistent poverty across Southeast Asia, coral reefs are being over-exploited through increased fishing pressure.  
**IMPACT:** Actions with local people to make fishing more sustainable and to reduce by-catch.



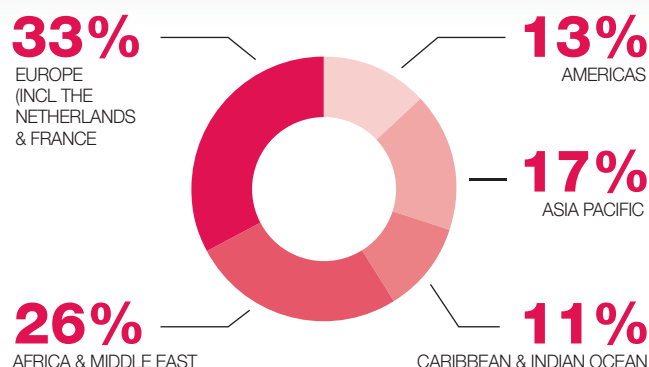
### GOODPLANET AND WWF

**PROJECT:** Project to combat deforestation and aid development  
**IMPACT:** 350,000 hectares protected and secured, 5,000 households given up slash and burn cultivation in favor of alternative farming methods.

### DISTRIBUTION BY TYPE OF CONTRIBUTION



### GEOGRAPHICAL DISTRIBUTION OF PROJECTS



# DIALOGUE WITH OUR STAKEHOLDERS

GROUP'S STAKEHOLDERS	MAIN ENGAGE- MENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES 2011
<ul style="list-style-type: none"> <li>→ Shareholders</li> <li>→ Investors</li> <li>→ Financial partners</li> <li>→ Rating agencies</li> </ul>	<ul style="list-style-type: none"> <li>→ Financial information</li> <li>→ CSR performance</li> </ul>	<ul style="list-style-type: none"> <li>→ Quarterly presentations to analysts</li> <li>→ Dedicated financial website</li> <li>→ Shareholder Club</li> <li>→ Advisory Committee for individual shareholders</li> <li>→ Yearly General Shareholders' Meeting: presentation of financial and CSR performance</li> <li>→ Annual publications</li> </ul>	<ul style="list-style-type: none"> <li>→ Report improvement as a result of questionnaires of non financial rating agencies such as VIGEO, SAM, EIRIS, CDP. Information about risk and linking CSR into the overall strategy is taken into account.</li> <li>→ Other outcomes: see chapter "Our approach to CSR "</li> </ul>
<ul style="list-style-type: none"> <li>→ Passengers</li> <li>→ Cargo customers</li> <li>→ Aircraft maintenance customers</li> </ul>	<ul style="list-style-type: none"> <li>→ Service quality</li> <li>→ Innovation</li> <li>→ Security and Flight safety</li> <li>→ Awareness-raising on CSR topics</li> <li>→ "Green" maintenance</li> <li>→ Environmental footprint</li> </ul>	<ul style="list-style-type: none"> <li>→ Customer Satisfaction surveys</li> <li>→ Materiality test</li> <li>→ Discussion panels and internet chats (InTouch)</li> <li>→ Dialogue with European Association of people with disabilities</li> <li>→ Onboard communication channels</li> <li>→ Dedicated business communities e.g. Club Africa, Club China</li> </ul>	<ul style="list-style-type: none"> <li>→ 565,000 customer satisfaction surveys</li> <li>→ Yearly survey among Flying Blue members</li> <li>→ fb@home : 12,000 participants</li> <li>→ Website <a href="http://www.sustainablejourney.nl">www.sustainablejourney.nl</a> set up for overview of KLM Dialogue results held on the 26<sup>th</sup> of October 2011</li> <li>→ Other outcomes: see chapters "Minimizing our environmental footprint" and "Building a sustainable relationship with our customers"</li> </ul>
<ul style="list-style-type: none"> <li>→ Employees</li> <li>→ Trade unions</li> <li>→ Professional associations and bodies</li> </ul>	<ul style="list-style-type: none"> <li>→ Working conditions</li> <li>→ Training and mobility</li> <li>→ Health and occupational safety</li> <li>→ Non-discrimination</li> <li>→ Diversity</li> <li>→ Social dialogue</li> <li>→ CSR awareness-raising</li> </ul>	<ul style="list-style-type: none"> <li>→ Staff surveys</li> <li>→ Materiality test</li> <li>→ Intranet and internal newsletters</li> <li>→ Dialogue with social partners</li> <li>→ Negotiation and collective labour agreement</li> <li>→ Innovation programs for Air France staff: PIQ and QIS</li> <li>→ Regular meetings with governments on HR topics, e.g discrimination, occupation safety</li> <li>→ Inter-company working groups (ORSE, ANVIE, IMS etc) at Air France with disability groups and the French National Federation of Merchant Aviation (Air France)</li> <li>→ Partnerships with universities</li> <li>→ Work council Committees focused on working conditions and environment and HR policies</li> </ul>	<ul style="list-style-type: none"> <li>→ KLM's works council agreed with policy on psychosocial risks at the workplace and on policy handling asbestos in case of building renovation.</li> <li>→ Third agreement on gender equality, and 8<sup>th</sup> 3 year agreement to promote employment of disabled people (Air France)</li> <li>→ KLM survey on safety culture among employees received a 33% response.</li> <li>→ Ipsos survey an IPM tool (Internal Perception Monitoring) to measure levels of employee satisfaction within the Group</li> <li>→ LGBT network resulted in more dialogue on diversity, a.o through CSR Café (KLM)</li> <li>→ Business Travel Plan (Air France)</li> <li>→ Other outcomes: see chapter "Promoting a responsible human resources policy"</li> </ul>
<ul style="list-style-type: none"> <li>→ International, European and national authorities</li> <li>→ Certification authorities</li> </ul>	<ul style="list-style-type: none"> <li>→ Climate change/ CO<sub>2</sub> reduction</li> <li>→ Environmental management</li> <li>→ Passenger rights</li> <li>→ Better knowledge of air transport issues</li> </ul>	<ul style="list-style-type: none"> <li>→ Dialogue and joint actions with national air transport authorities</li> <li>→ Working group on New European Regulations on passengers rights</li> <li>→ Draft proposals at AEA and IATA in particular for a global sectoral approach to climate change</li> </ul>	<ul style="list-style-type: none"> <li>→ More knowledge sharing with environmental and transport ministries on ETS guidelines, and Air France-KLM climate policies in France and The Netherlands</li> <li>→ Re-installation of climate change task force within AEA, IATA towards global climate regulations</li> <li>→ Renewal of ISO 14001 certification (Air France)</li> <li>→ Implementation of the recommendation of the Authority of Financial Market (Grenelle2)</li> <li>→ Other outcomes: see chapters "Our approach to CSR" and "Minimizing our environmental footprint"</li> </ul>
<ul style="list-style-type: none"> <li>→ Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>→ Environmental and social performances</li> <li>→ CSR integration in the supply chain</li> <li>→ Eco-design</li> <li>→ Local economic and social development</li> </ul>	<ul style="list-style-type: none"> <li>→ Applying the Sustainability Charter and environmental clauses for tenders</li> <li>→ Including more suppliers in REACH (Registration Evaluation and Authorization for Chemicals) monitoring</li> <li>→ Dialogue with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>→ Dialogue with suppliers: upcycling of old carpets of aircrafts (KLM); recycling of meal boxes (Air France)</li> <li>→ CSR pilot audits carried out among suppliers in high risk countries</li> <li>→ Other outcomes: see chapter "Our approach to CSR"</li> </ul>

GROUP'S STAKEHOLDERS	MAIN ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES 2011
<ul style="list-style-type: none"> <li>→ Air transport and industry bodies</li> <li>→ Airports</li> <li>→ Air Navigation Service Provider</li> <li>→ Professional associations</li> </ul>	<ul style="list-style-type: none"> <li>→ Safety and security</li> <li>→ Airport accessibility</li> <li>→ Ground handling services</li> <li>→ New aircraft</li> <li>→ Sustainable biofuels for aviation</li> <li>→ Climate change</li> <li>→ Single European Sky</li> </ul>	<ul style="list-style-type: none"> <li>→ SkyTeam CSR working group</li> <li>→ Involvement of Air France-KLM in SESAR JU</li> <li>→ Air France partner of SWAFEA and FCA (Future alternative fuels)</li> <li>→ Working groups with FNAM and GIFAS on environmental impacts</li> <li>→ Involvement of Air France in CORAC (Committee for civil aviation research)</li> <li>→ Involvement of Air France-KLM in Sustainable Aviation Fuel Users Group (SAFUG)</li> <li>→ Support to the Roundtable on Sustainable Biofuels (membership through SAFUG)</li> <li>→ Sustainability Board of SkyNRG (JV of KLM, NSG and Spring Associates) with WWF-NL, Solidaridad, Copernicus Institute of University of Utrecht</li> <li>→ Dialogue with manufacturers and motorists to improve air quality and noise mitigation in line with ACARE</li> </ul>	<ul style="list-style-type: none"> <li>→ Positive advice of Sustainability Board for supply of Used Cooking Oil for series flights Amsterdam-Paris (KLM)</li> <li>→ Working groups with FNAM and GIFAS on environmental impacts and ecodesign.</li> <li>→ Other outcomes: see chapters "Our approach to CSR" and "Minimizing our environmental footprint"</li> </ul>
<ul style="list-style-type: none"> <li>→ Local communities</li> <li>→ Residents associations</li> <li>→ Local economic players</li> </ul>	<ul style="list-style-type: none"> <li>→ Noise</li> <li>→ Air quality</li> <li>→ Local dialogue</li> <li>→ Social and economic development</li> <li>→ Better knowledge of air transport issues</li> </ul>	<ul style="list-style-type: none"> <li>→ Training and skills-sharing with local associations</li> <li>→ Roissy area development: two Air France staff dedicated to Pays de Roissy-CDG</li> <li>→ International promotion Roissy Area associations (Aerotropolis, Hubstart, CAREX, ASTech) (Air France)</li> <li>→ KLM involvement in Alders Table and CROS (Schiphol Review Board)</li> <li>→ Member of the CCE and CCAR of the 10 biggest French airports (Air France)</li> <li>→ Cooperation in NS Hispeed (KLM)</li> <li>→ Working visits and tours at Air France and KLM facilities</li> <li>→ AIDA programme and IAMA institute in Africa (Air France)</li> </ul>	<ul style="list-style-type: none"> <li>→ Climate Event Amstelveen resulted in increased knowledge on CSR among SME (KLM)</li> <li>→ Air France contribution to the Grand Paris consultation process</li> <li>→ Participation to Grand Roissy Assembly and working groups on Orly area</li> <li>→ 2 issues of "Le Courier" Air France</li> <li>→ Contribution to FNAM White Paper on French Air Transport</li> <li>→ Other outcomes: see chapters "Minimizing our environmental footprint" and "Contributing to local development"</li> <li>→ Cooperation ("Samenwerkingsagenda") Amsterdam, KLM and Schiphol on sustainability</li> </ul>
<ul style="list-style-type: none"> <li>→ Scientific community</li> <li>→ Universities</li> <li>→ Research experts</li> </ul>	<ul style="list-style-type: none"> <li>→ Climate change</li> <li>→ Operational procedures</li> <li>→ Technological performance</li> </ul>	<ul style="list-style-type: none"> <li>→ IAGOS Program (Air France)</li> <li>→ Research Technical University Delft (KLM)</li> <li>→ Support of studies from University Amsterdam</li> <li>→ Membership in IDUT and supporting the chair Sustainable Tourism of Wageningen University</li> <li>→ Dialogue sessions with students of National Chengchi University Taiwan on sustainable development</li> <li>→ Air France reforestation project in partnership with GoodPlanet and WWF in Madagascar, to improve knowledge of forest carbon</li> <li>→ Research on "KLM's Impacts and Dependencies on Biodiversity"</li> </ul>	<ul style="list-style-type: none"> <li>→ Interim results given by University of Amsterdam to KLM and KLM Works Council as part of 5-year study in work related health issues</li> <li>→ Advise on steps to take to minimize the Biodiversity footprint at KLM</li> <li>→ First results on Madagascar project (Air France)</li> <li>→ Increased knowledge of MBA students on sustainability in corporate business</li> <li>→ Other outcomes: see chapter "Minimizing our environmental footprint"</li> </ul>
<ul style="list-style-type: none"> <li>→ Environmental NGOs</li> </ul>	<ul style="list-style-type: none"> <li>→ Climate change</li> <li>→ Fight against deforestation</li> <li>→ Preserve Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>→ KLM Partnership with WWF-NL</li> <li>→ Air France funds program to combat deforestation run by GoodPlanet and WWF in Madagascar</li> <li>→ KLM Participation in IUCN (International Union for Conservation of Nature)</li> </ul>	<ul style="list-style-type: none"> <li>→ Renewal of partnership WWF-NL and KLM for another four years</li> <li>→ First results on Madagascar project (Air France)</li> <li>→ Other outcomes: see chapter "Minimizing our environmental footprint"</li> </ul>
<ul style="list-style-type: none"> <li>→ Humanitarian and development NGOs</li> </ul>	<ul style="list-style-type: none"> <li>→ Humanitarian and development programs</li> </ul>	<ul style="list-style-type: none"> <li>→ Dialogue and cooperation with humanitarian projects: Air France Foundation, Acting for Life, KLM AirCares</li> <li>→ Employee engagement: Friends of the Air France Foundation, Wings of Support, Aviation without borders (France and NL)...</li> <li>→ Pilot "Get it Done" in order to improve social program by means of social media (KLM)</li> </ul>	<ul style="list-style-type: none"> <li>→ Dialogue with NGO's resulted in revising KLM strategy with social partners</li> <li>→ 116 projects supported by Air France Foundation</li> <li>→ New ECPAT awareness campaign on sex tourism onboard Air France aircraft</li> <li>→ Other outcomes: see chapter "Contributing to local development"</li> </ul>

## GROUP'S MAIN SUBSIDIARIES

The table presents the Air France-KLM structure and main subsidiaries over which the Group has at least 50% control, whose acquisition dates back at least one full year and which have a significant number of employees.

AIR FRANCE KLM HOLDING	AIR FRANCE	BRIT AIR		
	Passenger transport, Maintenance, Cargo (✕) (ii) (sp)	CITY JET	(✕)	ACNA (ii)
		VLM AIRLINES	(✕)	BRUNO PEGORIER (ii)
		REGIONAL	(✕)	OAT (ii)
		GROUPE SERVAIR		SERVAIR SA (ii)
		TRANSAVIA	(✕)	CPA (ii)
		CRMA	(ii)	BASE HANDLING (ii)
		BLUELINK	(ii)	PASSERELLE (ii)
		SODEXI	(ii)	JET CHEF (ii)
		AERO MAINTENANCE GROUP	(ii)	
AIR FRANCE KLM HOLDING	KLM	KLM CITYHOPPER B.V.	(✕)	
	Passenger transport, Maintenance, Cargo (✕) (ii) (sp)	TRANSAVIA AIRLINES C.V.	(✕)	
		KLM CATERING SERVICES SCHIPHOL B.V.	(ii)	
		CYGNIFI C B.V.	(ii)	
		COBALT GROUND SOLUTIONS LTD.	(ii)	
		KLM EQUIPMENT SERVICES B.V.	(ii)	
		KLM HEALTH SERVICES B.V.	(ii)	
		KLM UK ENGINEERING LTD.	(ii)	
		MARTINAIR HOLLAND N.V.	(ii)	
		EPCOR B.V.	(ii)	
		INTERNATIONAL AVIATION SERVICES LTD.	(✕)	
		KLM LUCHTVAART SCHOOL B.V.	(ii)	

✕ Passenger transport    ii Maintenance    sp Cargo (logistic or freight transport)    ii Ground services    ii Catering    ii Aircraft cleaning    ii Call center    ii Medical services    ii Assistance to passengers having limited mobility    ii Training

## AIR FRANCE-KLM'S FLEET

**Operational aircraft as of December 31, 2011: 586**

Average fleet age: 9.7 years

	AIR FRANCE GROUP			KLM GROUP		
	AVERAGE AGE (years)	TYPES OF AIRCRAFT	NUMBER OF AIRCRAFT	AVERAGE AGE (years)	TYPES OF AIRCRAFT	NUMBER OF AIRCRAFT
SHORT AND MEDIUM-HAUL	9.6	A318, A319 A320, A321	145	5.7	737-300/-400 /-700 /-800 / -900	46
LONG-HAUL	9.1	A380, A330-200 A340-300 777-200/-300	104	11.9	A330-200 777-200/-300 MD11, 747-400	63
CARGO	6.3	747-400ERF 777F	5	7.5	747-400ERF	4
REGIONAL FLEET AF: BRIT AIR, RÉGIONAL, CITYJET, VLM KLM: CITYHOPPER	10.5	FOKKER EMBRAER, BOMBARDIER	125	11.2	F70, F100 EMB190	48
OTHER FLEET AF: TRANSAVIA FRANCE KLM: TRANSAVIA.COM, MARTINAIR	6.3	737-800	8	10	737-700/-800 747-400BCF MD11-F	38
<b>TOTAL</b>	<b>9.6 YEARS</b>		<b>387</b>	<b>9.8 YEARS</b>		<b>199</b>



# GROUP'S ACTIVITY BY NETWORK

## Passenger business

KEY FIGURES BY NETWORK AT DECEMBER 31, 2011 (12 MONTHS)	DESTINATIONS (Summer 2011)		CAPACITY IN ASK <sup>1</sup> (in million)		TRAFFIC IN RPK <sup>2</sup> (in million)		LOAD FACTOR (in %)		No. OF PASSENGERS (in thousands)		SCHEDULED PASSENGER REVENUES (in € million)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Europe	124	123	57,245	53,605	42,323	38,846	73.9	72.5	51,829	47,796	6,394	6,023
North America	24	23	59,070	55,319	50,912	47,449	86.2	85.8	7,255	6,810	3,277	3,088
Latin America	11	11	25,192	22,086	21,961	19,434	87.2	88.0	2,353	2,136	1,420	1,246
Asia-Pacific	25	22	58,790	54,976	50,168	47,524	85.3	86.4	5,855	5,546	3,160	2,974
Africa-Middle East	54	50	35,963	35,653	28,264	28,164	78.6	79.0	5,224	5,337	2,423	2,548
Caribbean-Indian Ocean	16	15	28,637	26,894	23,541	21,697	82.2	80.7	3,265	3,090	1,324	1,211
<b>TOTAL</b>	<b>254</b>	<b>244</b>	<b>264,897</b>	<b>248,532</b>	<b>217,170</b>	<b>203,114</b>	<b>82.0</b>	<b>81.7</b>	<b>75,781</b>	<b>70,715</b>	<b>17,998</b>	<b>17,090</b>

1. ASK: available seat-kilometer. 2. RPK: revenue passenger-kilometer. → For further information, see Registration Document 2011.

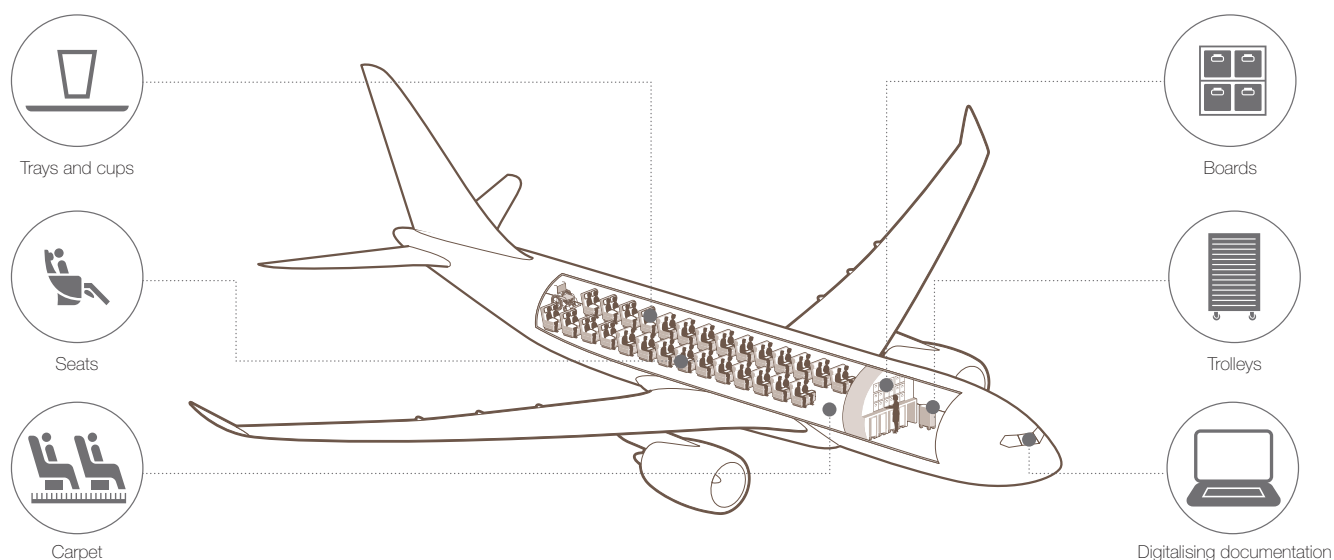
## Cargo business

KEY FIGURES BY NETWORK AT DECEMBER 31, 2011 (12 MONTHS)	CAPACITY IN ATK <sup>1</sup> (in million)		TRAFFIC IN RTK <sup>2</sup> (in million)		LOAD FACTOR (in %)		No. OF TONS (in thousands)		CARGO REVENUES (in € million)	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Europe	553	493	80	72	14.5	14.6	55	54	56	54
Americas	6,592	6,394	4,494	4,447	68.2	69.8	557	552	1,191	1,055
Asia-Pacific	5,988	5,818	4,558	4,661	76.1	80.1	522	534	975	1,036
Africa-Middle East	2,779	2,852	1,719	1,801	61.9	63.1	276	294	603	588
Caribbean-Indian Ocean	1,100	1,076	444	458	41.1	40.4	57	61	152	171
<b>TOTAL</b>	<b>17,013</b>	<b>16,613</b>	<b>11,294</b>	<b>11,439</b>	<b>66.4</b>	<b>68.9</b>	<b>1,467</b>	<b>1,495</b>	<b>2,977</b>	<b>2,904</b>

1. ATK: available ton-kilometer. 2. RTK: revenue ton-kilometer. → For further information, see Registration Document 2011.

## ONBOARD WEIGHT REDUCTION ON A LONG-HAUL PLANE (SOME EXAMPLES)

One kilo of weight saved on every aircraft results in a saving of 75 metric tons of CO<sub>2</sub> per year.



# NOTE ON THE METHODOLOGY FOR THE REPORTING OF THE ENVIRONMENTAL INDICATORS

In 2005-06, under the aegis of the Air France-KLM Group's Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (Les Nouvelles Régulations Économiques, NRE, May 15, 2001) and the European Regulation (EC 809/2004). As of the 2007-08 financial year, the Group chose to have a selection of environmental indicators (indicated by the symbols  $\checkmark$  and  $\checkmark/\checkmark$ ) verified by one of the Statutory Auditors, KPMG Audit, with the highest level of assurance, reasonable assurance, for fuel consumption and the related CO<sub>2</sub> emissions for air operations ( $\checkmark/\checkmark$ ) and a limited level of assurance<sup>1</sup> for the other verified indicators ( $\checkmark$ ).

## SCOPE COVERED AND SCOPE N-1

**For the flight operations**, the environmental consolidation scope covers:

- all the Air France commercial flights operated by Air France and its subsidiaries Brit Air, Régional and CityJet. The flights operated by Transavia France are also included in 2011. The subsidiaries are excluded for the total HC and NOx emissions;
- all the KLM commercial flights operated by KLM and its subsidiary KLM Cityhopper (KLC). The flights operated by KLM's Transavia and Martinair subsidiaries were included as part of the KLM Group as of 2010. They are not included in the indicators for low altitude emissions of HC, NOx and SO<sub>2</sub>.

**For the ground operations**, the consolidation scope for the environmental reporting is unchanged on that of last year and covers 100% of the sites in France and the Netherlands. The international outstations are not taken into account. → Air France consolidated subsidiaries are: Brit Air, Régional, CRMA, Sodexi and Servair and its subsidiaries (only for the activities in France). VLM, BlueLink, Transavia France and CityJet are not included in the reporting scope.

Furthermore, for Air France, the indicators in the domestic outstations are not reported when there is no detail available on the fixed charges invoiced by airports. The contribution of the domestic outstations affected by this issue is, however, marginal compared with the reported data.

Concerning the Air France Group, the reporting scope is based on worldwide premises representing around 88% of the Group.

- KLM consolidated subsidiaries are KLC (KLM CityHopper), KES (KLM Equipment Services), KCS (KLM Catering Services) and KHS (KLM Health Services), and Transavia NL and Martinair (for a portion of the indicators).

In 2011, three buildings belonging to Transavia and Martinair were included in the ground operations reporting scope.

**The 2011 reporting period** for the Group's environmental data has been changed and is now based on a rolling twelve months from October 1, 2010 until September 30, of the 2011 reporting year. This results from the change in the reporting period for the financial statements from the IATA year (April 1 to March 31) to the calendar year.

The national figures for greenhouse gas emissions will be published at a later stage and remain based on the calendar year.

## REPORTING TOOLS

The environmental indicators are assembled at local level via two reporting tools: Osysris (Enablon software) for Air France and CaeSaR for KLM, which are available, respectively, at each Air France and KLM subsidiary.

The reliability of the reporting process is supported by definitions of each indicator and user guides for contributors available in both French and English. Consistency tests have also been implemented.

The consolidation of the Air France-KLM Group's environmental data is carried out by the Air France Sustainable Development department.

## DETAILS AND METHODOLOGY, COMMENTS ON VARIATIONS

At Air France-KLM Group level, the regulatory requirements and the reporting and consolidation principles are outlined in a document entitled the Instruction Memo Environment, which is updated annually. The assembly of data, calculation methodologies and operational consolidation are defined in procedures which are specific to Air France and KLM, but which are harmonized, insofar as local regulations permit.

Within the framework of an approach based on continuous improvement, the methodologies used for certain performance indicators have been more precisely defined. When these changes have a significant impact on the data, comparison with the figures for previous years is not meaningful.

When the data is not available, the figure reported for the year is estimated based on the value reported for the previous year. In 2011, this estimation method was used for the Air France Group for the amount of waste produced

and the consumption of electricity and natural gas in certain buildings at the administrative head office and in a number of subsidiaries.

### Flight operations

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

The increase in the Group's CO<sub>2</sub> emissions between 2010 and 2011 is proportional to the increase in jet fuel consumption due to the pick-up in activity. Note that, for the KLM Group, the increased emissions as of 2010 are linked to the inclusion of the Transavia and Martinair subsidiaries.

Note that there are differences between the scope of the CO<sub>2</sub> emissions reported and those of the European Emissions Trading Scheme for greenhouse gas emission quotas (EU-ETS), which do not enable a comparison.

#### SO<sub>2</sub> emissions

The calculation of the SO<sub>2</sub> emissions from flight operations is based on the average sulphur content of the fuel loaded, respectively, on the Amsterdam and Paris platforms which is applied, respectively, to all fuel used during the year by KLM, Air France and the Air France subsidiaries.

The rise in SO<sub>2</sub> emissions from flight operations for the Group between 2010 and 2011 is mainly due to the higher average sulphur content in the fuel, together with the recovery in activity.

For the KLM Group, the reduction is due to the lower average sulphur content in the fuel used.

#### NOx and HC emissions

##### Total Emissions

##### Air France

For Air France, a specific tool was deployed in 2009 to calculate the total emissions of NOx and HC more precisely.

Only emissions for Air France are reported, the subsidiaries not being included in the calculation module.

The calculation methodology is based on the by Boeing<sup>2</sup> fuel flow 2 methodology. For more than 75% of the flights, recorded data has been used to calculate emissions specific to each flight. The emissions for other flights were estimated from the calculated average flight emissions. For these flights, a less precise estimation method than in 2009 was used. However, the impact on the published data is not significant.

##### KLM

Only the emissions relating to KLM and KLM Cityhopper are reported, the other subsidiaries not being included in the calculation for the indicators.

Two distinct methodologies are applied to calculate overall NOx and HC emissions depending on the aircraft type: the fuel flow methodology and the P3T3 methodology developed by General Electric.

##### Low altitude emissions

The methodology used for the calculation of low altitude emissions is common to Air France and KLM. It is based on the LTO (Landing-Takeoff) cycle and on engine data communicated by the ICAO<sup>3</sup>. The taxing time taken into account is the actual taxing time, which is more precise than standard values recommended by the ICAO methodology. Note, however, that the actual taxing time not being available for Transavia France, the standard ICAO values have been used for this subsidiary.

#### In-flight fuel jettison

An exceptional operation (less than one flight in 10,000 in 2010) involving the jettisoning of a quantity of fuel in flight to avoid an overloaded plane on landing whenever a flight is aborted. Each operation is effected in close coordination with air traffic control under strict conditions governing geographical location (avoiding urban zones) and altitude (generally at or above 2,000 meters).

#### Total noise energy

This indicator was established by the Air France-KLM Group to manage the evolution in the noise footprint of its activity. The total noise energy indicator is calculated according to the methodology defined by the DGAC<sup>4</sup>. It applies to all flights with the AF or KLM Commercial Code operated, franchised and chartered, code share excepted.

For this year, the noise energy calculation for the KLM Group excludes the B747-400 ER aircraft operated by Martinair.

The trends in noise energy and traffic are determined by comparing total noise energy calculated for the calendar year with that of 2000.

### Ground operations

#### Water consumption

The consumption of water is taken into account for all ground activities. Water used on board flights is not included. Prior to 2010, KLM had included the

water taken on board.

This year's decline is explained by savings made at Servair and the ending of construction work on maintenance buildings.

### Consumption of other energies

Prior to 2010, only the energy consumption for heating and cooling was published for the Air France Group and prior to 2011 for the KLM Group.

To be as exhaustive as possible, a new indicator was reported in 2010, including the different sources of energy consumed:

- natural gas for heating buildings, aircraft painting workshops in Maintenance and cooking (the catering activity in particular). The conversion factor of the quantity of gas used as energy is calculated by taking into account the quality of gas specific to France and the Netherlands;
- superheated and iced water for climate comfort. For Air France, superheated and iced water is supplied by ADP (Aéroports de Paris) at the Orly and Roissy sites. The KLM facilities do not consume this type of energy;
- Jet fuel A1 for testing engines;
- Domestic Fuel Oil (DFO) for power generators and ground support equipment;
- petrol and diesel fuel for vehicles and ground support equipment. The portion relating to coaches is no longer included in the Air France Group reporting scope since this activity is outsourced.

The decline between 2010 and 2011 for the Air France Group is partly explained by weather variations and partly by gas consumption being overestimated at one Air France site in 2010.

### Emissions from ground operations (CO<sub>2</sub>, SO<sub>2</sub> and NOx)

In 2011, CO<sub>2</sub>, SO<sub>2</sub> and NOx emissions and their trends are linked to the energy consumption listed above.

For Air France, the sharp rise in SO<sub>2</sub> emissions is due to more comprehensive accounting of the SO<sub>2</sub> emissions of some sites and a rise in the fuel consumption of some occasional activities.

NOx emissions related to engine testing are calculated based on a methodology similar to the one used for flight operations which reflects the actual testing conditions.

### VOC Emissions

VOC emissions are calculated based on the direct emissions of solvents contained in the products used; VOCs contained in evacuated waste are excluded. For Air France, the reporting scope was extended, as of 2010, to include third-party orders as well as paint kits. For the Air France Group, the decline between 2010 and 2011 is mainly due to an increase in the quantity of industrial waste containing VOCs (product withdrawals).

### HC Emissions

Hydrocarbon (HC) emissions include the emissions from vehicles and ground support equipment, engine testing and aircraft fuelling.

### Hazardous industrial waste

The quantity of hazardous waste which has not been communicated by service providers at the end of the reporting campaign is not taken into account. This is, however, estimated to be marginal.

The nature of recovered hazardous waste is determined based on European regulation.

For Air France, the rate of hazardous waste recovered in 2009 has been updated to include a modification concerning a subsidiary.

For KLM, the percentage mentioned corresponds to hazardous waste that has been recycled with a view to reuse. The significant increase in the quantity of hazardous waste between 2010 and 2011 is due to the evacuation, as hazardous waste, of water infiltrating into one of the KLM Cityhopper subsidiary's buildings in 2011.

### Effluents

Both Air France and KLM entities are required to comply with the French and Dutch legislation on effluents. Each relevant site has regulatory limits on effluents and the frequency of measurement.

The reported data reflects the number of times a regulatory threshold is exceeded relative to the number of measurements for each type of effluent.

For 2011, the results, expressed in terms of the number of times regulatory limits are exceeded as a proportion of measurements were, respectively:

- for Air France, 0/4 for Nitrogen compounds, 0/97 for Phosphorus compounds and 3/648 for metals;
- for KLM, 0/52 for Nitrogen compounds, 0/52 for Phosphorus compounds and 4/280 for metals.

Note that the metals reported are Cr, Cd, Ni, Cu, Pb, Sn and Zn.

1. The review work was conducted in accordance with the International Standard for Assurance Engagements (ISAE 3000) specific to the verification of extra-financial data.

2. Baughcum, S. L., et al. "Scheduled Civil Aircraft Emissions Inventories for 1992: Database Development and Analysis, Appendix D: Boeing Method 2 Fuel Flow. Methodology Description". Report NASA CR 4700, The Boeing Company, April 1996.

3. International Civil Aviation Organization.

4. French Civil Aviation Authority (Direction Générale de l'Aviation Civile).

# ENVIRONMENTAL INDICATORS

## Flight Operations

Flight Operations			AIR FRANCE-KLM GROUP				AIR FRANCE GROUP <sup>1</sup>				KLM GROUP <sup>2</sup>			
			2009	2010	2011	11/10	2009	2010	2011	11/10	2009	2010	2011	11/10
Unit														
CONSUMPTION														
Consumption of raw materials: fuel √ √		ktons	8,021	8,534	8,950	4.9%	5,036	4,860	5,047	3.8%	2,985	3,674	3,903	6.2%
EMISSIONS														
Greenhouse gas emissions	CO <sub>2</sub> √ √	ktons	25,269	26,879	28,193	4.9%	15,865	15,308	15,899	3.9%	9,404	11,571	12,294	6.2%
Emissions of substances contributing to acidification and eutrophication	NOx √	ktons	130.8	130.5	140.4	7.6%	82.3	82.0	89.7	9.4%	48.5	48.5	50.7	4.5%
	NOx low altitude (< 3,000 ft) √	ktons	8.9	8.7	9.0	3.4%	6.2	6.1	6.2	1.6%	2.7	2.6	2.8	7.7%
	SO <sub>2</sub> √	ktons	12.9	10.2	10.4	2.4%	7.7	6.6	7.2	9.9%	5.2	3.6	3.2	-11.3%
	SO <sub>2</sub> low altitude (< 3,000 ft) √	ktons	1.1	0.7	0.8	12.4%	0.7	0.5	0.6	15.2%	0.3	0.2	0.2	0.0%
In-flight fuel jettison	Occurrences of fuel jettison √	number	51	39	29	-25.6%	33	27	23	-14.8%	18	12	6	-50.0%
	Fuel jettisoned √	tons	1,979	1,671	1,152	-31.1%	1,381	1,180	945	-19.9%	595	491	207	-57.8%
Other emissions	HC √	ktons	3.6	3.3	3.3	0.0%	2.6	2.4	2.3	-4.2%	1.0	0.9	1.0	11.1%
	HC low altitude (< 3,000 ft) √	ktons	1.0	0.8	0.8	0.0%	0.7	0.6	0.6	0.0%	0.3	0.2	0.2	0.0%
NOISE IMPACT														
Global noise energy indicator √		10 <sup>12</sup> kJ	1.74	1.65	1.65	0.0%	1.18	1.10	1.11	0.9%	0.56	0.55	0.54	-1.8%

✓ Figures verified by KPMG for 2011 (limited level of assurance). ✓✓ Figures verified by KPMG for 2011 (reasonable level of assurance).

1. Air France Group scope: all flights under AF code operated by Air France, Brit Air, Régional and CityJet, and flights operated by Transavia France from 2011. Subsidiaries are excluded for HC and NOx global emissions.

2. KLM Group scope: all flights operated by KLM and KLM Cityhopper. Transavia and Martinair are excluded for HC and NOx emissions, but they are included for fuel consumption, CO<sub>2</sub> and SO<sub>2</sub> emissions (exception of low altitude emissions).

## Ground Operations

Ground Operations			AIR FRANCE-KLM GROUP				AIR FRANCE GROUP <sup>1</sup>				KLM GROUP <sup>2</sup>				
			2009	2010	2011	11/10	2009	2010	2011	11/10	2009	2010	2011	11/10	
Unit															
CONSUMPTION															
Water consumption √			Thousands m³	979	951	886	-6.8%	742	749	694	-7.3%	237³	202	192	-5.0%
Electricity consumption √			MWh	421,581	416,149	408,408	-1.9%	327,094	321,818	309,655	-3.8%	94,487	94,331	98,753	4.7%
Other energies consumption⁴ √			MWh	327,150	470,552	543,749	NC	232,172	367,748	316,650	-13.9%	94,978	102,804	227,099	NC
EMISSIONS															
Greenhouse gas emissions	CO₂ √	tons	84,290	92,569	89,841	-2.9%	37,396	47,850	38,975	-18.5%	46,894	44,719	50,866	13.7%	
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds VOC √	tons	127	167	129	-22.8%	85	132	90	-31.8%	42	35	39	11.4%	
	Emissions of HC	tons	166	161	167	3.7%	112	106	108	1.9%	54	55	59	7.3%	
Emissions of substances contributing to acidification and eutrophication	NOx √	tons	917	879	810	-7.8%	639	605	541	-10.6%	278	274	269	-1.8%	
	SO₂ √	tons	18.7	13.2	19.6	48.5%	13.2	9.8	16.6	69.4%	5.5	3.3	3	-9.1%	
WASTE															
Waste production	Quantity of non-hazardous industrial waste √	tons	61,067	58,756	58,964	0.4%	42,664	42,309	42,155	-0.4%	18,403	1,447	16,809	2.2%	
	Quantity of hazardous industrial waste √	tons	5,961	5,914	7,000	18.4%	4,839	4,569	4,748	3.9%	1,122	1,345	2,252	67.4%	
	% of hazardous industrial waste recovered √	%	45%⁵	47%	45%	-2 PTS	36%⁵	36%	28%	-8 PTS	84%	84%	81%	-3 PTS	
EFFLUENTS															
Compliance rate of effluents with regulatory limits	Nitrogen compounds √	%	93%	100%	100%	0 PT	90%	100%	100%	0 PT	96%	100%	100%	0 PT	
	Phosphorus compounds √	%	100%	100%	100%	0 PT	100%	100%	100%	0 PT	100%	100%	100%	0 PT	
	Metals⁶ √	%	99%	100%	99%	-1 PT	99%	100%	99.5%	-0.5 PT	100%	100%	98.5%	-1.5 PT	

✓ Figures verified by KPMG for 2011 (limited level of assurance). **NC**: not comparable.

1. Air France and subsidiaries : Régional, Brit Air, Servair and its subsidiaries (France only), Sodexi and CRMA, CityJet, Blue Link, VLM and Transavia France are not included.

2. KLM and its subsidiaries : KLM CityHopper (KLC), KLM Equipment Services (KES), KLM Catering Services (KCS) and KLM Health Services (KHS). Transavia and Martinair are partially included.

3. Water consumption of KLM included onboard drinking water in previous years. This has now been excluded.

4. In 2009, were included energy consumptions for cooling and heating : natural gas, fuel oil, iced water and superheated water.

From 2010, Air France Group reports also natural gas and fuel oil other than for heating and cooling, gasoline and diesel for vehicles and ground support equipments, and jet A1 for testing engines.

From 2011, KLM group reports on diesel for vehicles and ground support equipment, and jet A1 for engine testing.

5. The data was updated as a result of adjustments made to a subsidiary.

6. Cr, Cd, Ni, Cu, Pb, Sn and Zn.

# NOTE ON THE METHODOLOGY FOR THE REPORTING OF THE SOCIAL PERFORMANCE INDICATORS

In 2005-06, under the aegis of the Disclosure Committee, and validated by the college of Statutory Auditors, the Air France-KLM Group's social performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (Les Nouvelles Régulations Economiques, NRE, May 15, 2001) and the European Regulation (EC 809/2004).

In 2011, work to optimize these indicators was undertaken to align, as of this year, the NRE social reporting with the requirements of article 225 of the application decree for the Grenelle II legislation. This update to the social performance indicators was submitted to the statutory auditors, KPMG Audit, for review before the beginning of the 2011 NRE social reporting process.

Since the 2007-08 financial year, the Group has chosen to have a number of its principal social indicators verified by one of the Statutory Auditors, KPMG Audit. These indicators are shown by the symbol  $\checkmark$  in the tables on pages 75 and 76. They are the subject of verification with a limited<sup>1</sup> level of assurance. Within the framework of planning for the Grenelle II law, the preparatory work was undertaken on the Employees by age and geographical region indicator, the nature of the work carried out and its conclusions are presented in the verification report on page 77.

## REPORTING SCOPE

The Air France-KLM Group's social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year.

The NRE reporting scope covers 96% of the average employees in the Air France-KLM Group at the end of the calendar year, expressed in full-time equivalent.

The subsidiaries of Air France and KLM over which the Group has at least 50% control, whose acquisition dates back at least one full year and which have at least 300 employees are included in this NRE social reporting scope. Note that the number of employees for Air France and KLM comprises their entire workforce including staff employed internationally.

→ For the 2011 financial year, the Air France consolidated subsidiaries are: Aero Maintenance Group, BlueLink, Brit Air, CityJet, VLM, CRMA, Regional, Servair Group (ACNA, Bruno Pegorier, CPA, Jet Chef, Only Air Traiteur, Servair SA, Passerelle and Base Handling), Sodexi and Transavia France, representing 76% of the employees of the subsidiaries in the Air France Group.

In 2011, this scope was extended to include two new subsidiaries: Aero Maintenance Group (309 employees, acquired in the early 2011 for which the data was available) and Jet Chef, a Servair Group subsidiary, with over 300 employees in 2011.

→ For the 2011 financial year, the KLM consolidated subsidiaries are: Cygnific, Cobalt Ground Solutions, KLM UK Engineering Limited, KLM Cityhopper (UK and B.V.), Transavia, KLM Catering Services Schiphol B.V. and Martinair, representing 93% of the employees in the subsidiaries of the KLM Group.

In 2011, the reporting scope of the KLM subsidiaries remains unchanged. The reference number of employees for calculating the coverage rate of the NRE social reporting is the average number of employees in full time equivalent during 2011 obtained from the Management Control BFC tool.

The reporting period for the Group's social data is based on the calendar year to ensure consistency with the social performance indicators of other French companies. Note that, since 2011, the financial year has also been based on the calendar year.

## REPORTING TOOLS

The indicators are compiled and consolidated using the Osyris (Operating System for Reporting on Sustainability) reporting software at the disposal of contributors from Air France, KLM and their subsidiaries across the entire reporting scope. Precise definitions of each indicator and user guides for contributors to the Osyris tool are available in both French and English.

Consistency tests have also been incorporated within the tool. The data is verified and approved locally at the level of each subsidiary by a local verifier who is responsible for the HR statistical data.

This system is supplemented by a general reporting procedure which defines the process for compiling, calculating and consolidating the indicators, based on an instruction memorandum circulated by the Air France-KLM Group's Finance Division.

The consolidation of the Air France-KLM Group's social data is carried out by Air France's Sustainable Development department.

## DETAILS AND METHODOLOGY/COMMENTARY ON CHANGES IN THE INDICATORS

### "Consolidated NRE social data for the Air France-KLM Group" table

This table presents the indicators relating to employees, recruitment, departures, the proportion of women employees and the percentage working part time. These indicators are consolidated at the level of the Air France-KLM Group.

The notes below refer to the references in the tables on pages 75 and 76.

### Employees

**Note 1:** The number of people employed by the Group (expressed as headcount) on both permanent (CDI) and fixed-term contracts (CDD) on December 31 of the reference year.

**Note 2:** On a comparable reporting scope, the headcount (CDD and CDI) for ground staff amounted to 70,624 employees at December 31, 2011 (a 0.2% decline versus the 2010 reporting scope without taking into account the employees in the two new subsidiaries, Aero Maintenance Group and Jet Chef).

### Recruitment on permanent contracts

**Note 3:** The indicator concerns employees hired on permanent contracts (CDI). For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on fixed-term contracts (CDD) transferring to permanent contracts (CDI) during the year.

For KLM, only employees recruited directly on permanent contracts are taken into account.

### Recruitment on fixed-term contracts

**Note 4:** This indicator was added to the reporting in 2010 which means that the information is not available for 2009.

### Departures

**Note 5:** The reasons for departure are detailed in the Annexes of Air France-KLM's Corporate Social Responsibility Report 2011.

Note the significant number of departures in 2011, i.e. 11,612 employees, most of which were due to the non-renewal of fixed-term contracts. The other reasons include departures within the framework of the voluntary departure plan launched in 2010 (1,264) and departures due to retirement, resignation, decease and termination of contracts during the trial period.

### Percentage of women - Organization of working time

**Note 6:** These indicators enable the percentage of women to be evaluated relative to the overall workforce and the proportion of part-time employees on both permanent and fixed-term contracts at December 31 of the reference year.

### Employees by geographical zone at December 31

**Note 7:** The few KLM employees in the Caribbean and Indian Ocean geographical zone are included in the number of employees in the North and South American zone.

The Air France Group employees in the French Overseas Territories and Dominioms, i.e. 684 employees, are included in the Caribbean and Indian Ocean geographical zone.

### "Other social data" tables

The indicators reported in the other social data tables are subject to different qualification and legal reporting obligations in France and the Netherlands, which means they are not comparable and need to be presented separately for Air France and KLM. The subsidiaries concerned in these tables are listed in the Reporting scope section above.

### Absenteeism - Health and safety in the workplace

A significant proportion of the work-related accidents reported by Air France in 2011 were due to cases of barometric otitis and musculoskeletal disorders which are recognized as work-related accidents in France whereas they are recorded as sick leave by KLM in accordance with Dutch law.

### Air France

**Note 1:** The absenteeism rates are calculated on the basis of a ratio of the days of absence over the days theoretically worked (excluding leave).

### KLM and KLM subsidiaries

**Note 1:** Since 2010 the calculation of the data has been aligned with that of the government body responsible for recording the national rate of absenteeism (Centraal Bureau voor de Statistiek) and includes the monitoring procedures to protect the quality of recorded data.

In the Netherlands, there is no difference between the management of absence following a work-related accident or due to illness. Absences due to illness or work-related accidents are handled in the same way. For this reason, all the

days of sick leave or absence due to work-related accidents are taken into account in the rate of absenteeism for illness.

### Health and safety – work-related accidents

There are significant differences in reporting methods for work-related accidents between France and the Netherlands (see paragraph on absenteeism).

### Air France

**Note 2:** Air France's definition of work-related accidents is in line with the definition under French law (at least one day of absence from work). Travel-related accidents are not included in the indicator but are the subject of specific monitoring and action plans.

### KLM subsidiaries

**Note 2:** In 2010, there was a difference in the interpretation of the reporting of work-related accidents by one KLM subsidiary. This is why the 2011 and 2010 data is not comparable.

Note also a reduction in accidents due to the active accident prevention policy pursued within KLM subsidiaries and particularly at KLM Catering Services.

**Note 3:** The frequency and severity rates are calculated based on:

### For Air France:

For ground staff, the actual paid hours worked.  
For flight crews, the hours of commitment.

### For KLM and KLM subsidiaries

For all staff based on the theoretical hours worked.

In 2010, there was a difference in the interpretation of the reporting of work-related accidents by one KLM subsidiary. This is why the 2011 and 2010 data is not comparable.

### Training

### Air France and Air France subsidiaries

**Note 4:** The Number of training hours by employee indicators are calculated based on all the training sessions, independently of whether or not their nature requires them to be included in the 2483 Regulatory Declaration.

The training data for the subsidiaries in the Air France Group are calculated without the Transavia France subsidiary.

### KLM and KLM subsidiaries

**Note 4:** KLM does not currently have a centralized reporting system solely for the costs of training within KLM and its subsidiaries although this indicator is now reported. Note that the disclosure of this information is not required by Dutch law.

### Number of disabled employees

### Air France and Air France subsidiaries

**Note 5:** For Air France, the number of disabled employees reported are those for whom a valid certificate, pursuant to French law (article L5212-2 of the French labour code), is available, whatever their ability to perform the tasks involved in their position. Note that the data for international employees is reported based on local legislation.

The number of disabled employees recruited corresponds to the number of permanent and fixed-term employment contracts signed during the year; an employee recruited on a fixed-term contract who then transfers to a permanent contract during the year will be reported twice.

Note that the rate of employment of disabled employees for 2011 was not yet known on the date the figures for the reporting of the NRE social indicators were produced within the framework of the Management Report and Registration Document.

### KLM and KLM subsidiaries

**Note 5:** For KLM, an individual is considered to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary as near as possible to the previous level and gives the employee the right to government benefits to compensate for any difference.

As of 2011, the number of disabled employees in the KLM subsidiaries has been calculated including the subsidiary Martinair.

### Collective agreements signed

### KLM

**Note 6:** It was decided, in agreement with the social partners, to defer negotiations until 2012 and therefore no collective agreements were signed in 2011.

<sup>1</sup> The review work was conducted in accordance with the International Standard on Assurance Engagements (ISAE 3000), specific to the verification of extra-financial data verification.

# SOCIAL INDICATORS

## Consolidated social data for Air France-KLM Group

	AIR FRANCE-KLM GROUP				AIR FRANCE GROUP*				KLM GROUP**			
	2009	2010	2011	11/10	Total Air France Group		Of which Air France		Total KLM Group		Of which KLM	
NRE SOCIAL DATA <sup>1</sup>	2009	2010	2011	11/10	2010	2011	2010	2011	2010	2011	2010	2011
<b>HEADCOUNT AT 31/12 (PERMANENT CONTRACTS AND FIXED-TERM CONTRACTS)</b>												
Scope of NRE social reporting ✓	96%	96%	96%	0.0%	95%	95%	100%	100%	98%	98%	100%	100%
Total staff ✓	108,367	105,928	106,618	0.7%	70,722	71,028	58,485	58,065	35,206	35,590	28,383	29,424
Ground staff <sup>2</sup>	73,015	70,747	71,277	0.7%	48,979	49,472	39,228	38,957	21,768	21,805	17,236	17,501
Cabin crew	26,121	26,144	26,380	0.9%	16,297	16,187	15,083	14,988	9,847	10,193	8,491	9,175
Flight deck crew	9,231	9,037	8,961	-0.8%	5,446	5,369	4,174	4,120	3,591	3,592	2,656	2,748
Staff under permanent contract	104,425	102,045	101,603	-0.4%	68,727	68,307	57,336	56,586	33,318	33,296	27,392	28,119
Recruitment under permanent contract at 31/12 ✓ <sup>3</sup>	1,562	1,383	2,481	79.4%	1,010	1,409	497	773	373	1,072	213	1,007
Recruitment under fixed-term contract at 31/12 ✓ <sup>4</sup>	NA	3,084	6,621	115%	2,432	5,452	623	3,053	652	1,169	248	589
Departures at 31/12 <sup>5</sup>	7,913	8,816	11,612	32%	6,539	8,998	4,379	6,194	2,277	2,614	1,066	859
of which redundancies (incl. Economic) ✓	1,177	662	995	50%	448	338	263	149	214	657	52	54
Percentage of women at 31/12 ✓ <sup>6</sup>	42.6%	42.5%	42.8%	0.6%	43.0%	42.9%	44.6%	44.6%	41.6%	42.4%	42.7%	43.6%
Percentage of part time employees at 31/12 ✓ <sup>6</sup>	23.9%	24.4%	24.5%	0.5%	18.6%	18.4%	20.3%	20.5%	36.0%	36.7%	37.4%	38.3%
<b>BREAKDOWN OF STAFF BY AGE AT 31/12</b>												
29 year and less	NA	NA	10,052		NA	6,353	NA	4,696	NA	3,699	NA	2,445
Between 30 and 39 year included	NA	NA	33,065		NA	23,456	NA	19,478	NA	9,609	NA	7,827
Between 40 and 49 year included	NA	NA	37,101		NA	23,834	NA	19,507	NA	13,267	NA	11,263
50 year and more	NA	NA	26,400		NA	17,385	NA	14,384	NA	9,015	NA	7,889
<b>BREAKDOWN OF STAFF BY GEOGRAPHICAL AREA AT 31/12</b>												
Europe (except France and The Netherlands)			5,072			2,661		1,913		2,411		988
North & South America	NA	NA	2,255		NA	1,862	NA	1,549	NA	393	NA	392
Caribbean/Indian Ocean (including French overseas territories) <sup>7</sup>	NA	NA	1,118		NA	1,118	NA	878	NA	0	NA	0
Asia/Pacific	NA	NA	1,710		NA	776	NA	771	NA	934	NA	934
Africa/the Middle East	NA	NA	1,594		NA	1,118	NA	1,101	NA	476	NA	476
The Netherlands			31,533			178		26		31,355		26,613
Continental France	NA	NA	63,336		NA	63,315	NA	51,827	NA	21	NA	21

✓ Indicators verified by KPMG for 2011 (moderate level of assurance).

NA: Not available.

\* **Air France Group:** Air France and Air France subsidiaries.

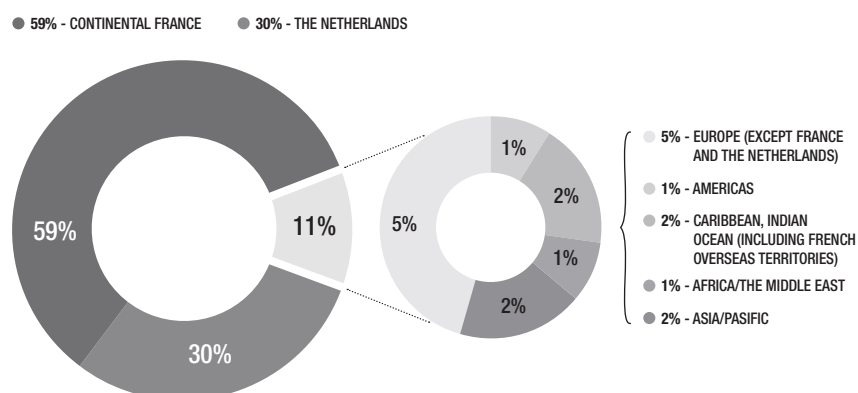
**Air France subsidiaries:** Aero Maintenance Group, Blue Link, Brit Air, City Jet, VLM, CRMA, Regional, Sodexi, Transavia France and Servair group : ACNA, Bruno Pegorier, Jet Chef, OAT, Servair SA, CPA, Passerelle, Base Handling.

The scope was extended to two new subsidiaries in 2011: Aero Maintenance Group and Jet Chef (in the Servair group).

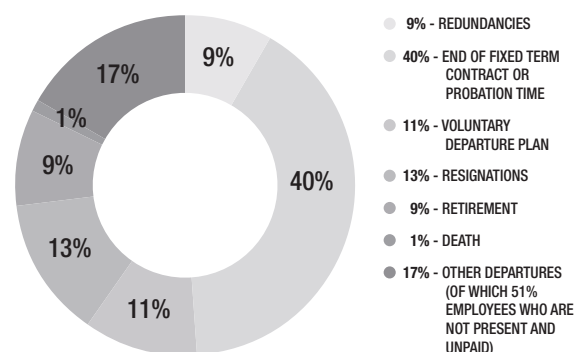
\*\* **KLM Group:** KLM and KLM subsidiaries.

**KLM subsidiaries:** Cygnific, Cobalt Ground Solutions, KLM Cityhopper (UK and BV), Transavia, KLM Catering Services Schiphol B.V., KLM UK Engineering Limited and Martinair.

## Breakdown of staff by geographical area



## Breakdown of staff departures by cause





## SOCIAL INDICATORS

## Other social data for the Air France Group (according to local legislation)

AIR FRANCE (100% OF THE STAFF HEADCOUNT, REGISTERED AND PAID AT THE END OF THE CALENDAR YEAR) *	2010	2011	11/10
<b>ABSENTEEISM <sup>1</sup></b>			
Due to illness √	3.90%	3.83%	-2%
Due to work accidents √	0.59%	0.61%	3%
Maternity leave √	1.52%	1.15%	-24%
<b>HEALTH AND SAFETY</b>			
Total workplace accidents √ <sup>2</sup>	2,454	2,139	-13%
Number of fatal workplace accidents	2	2	0%
Frequency rate of workplace accidents √ <sup>3</sup>	29.14	26.23	-10%
Severity rate of workplace accidents √ <sup>3</sup>	1.05	1.07	2%
<b>TRAINING</b>			
Number of training hours by employee √ <sup>4</sup>	31	32	3%
<b>DISABLED STAFF</b>			
Total staff with disabilities √ <sup>5</sup>	1,602	1,634	2%
Total staff with disabilities recruited during year √	30	30	0%
<b>COLLECTIVE AGREEMENTS √</b>			
	19	18	
<b>AIR FRANCE SUBSIDIARIES</b>			
	2010	2011	11/10
Scope of reporting for Air France subsidiaries	76%	76%	0%
<b>HEALTH AND SAFETY</b>			
Total workplace accidents √ <sup>2</sup>	944	870	-8%
<b>TRAINING</b>			
Number of training hours by employee √ <sup>4</sup>	24	21	-13%
<b>DISABLED STAFF</b>			
Total staff with disabilities √ <sup>5</sup>	434	481	11%
Total staff with disabilities recruited during year √	47	32	-32%
<b>COLLECTIVE AGREEMENTS √</b>			
	25	43	

√ Indicators verified by KPMG for 2011 (moderate level of assurance).

\* Data in italics concerns only Air France in Continental France and the French overseas territories.

## Women in the Group (in %)

		2011
Board of Directors		20.0%
Executive Committees	GROUP ( GEC)	0%
	AF	13.3%
	KLM	8.8%
Senior managers/executives	AF	25.8%
	KLM	20.2%
Ground staff managerial	AF	30.8%
	KLM	24.1%
Flight crew managerial	AF	CABIN CREW 51.7%
		COCKPIT CREW 3.4%
	KLM	CABIN CREW 71.7%
		COCKPIT CREW 3.4%
Ground staff non managerial	AF	39.9%
	KLM	30.7%
Flight crew	AF	CABIN CREW 65.4%
		COCKPIT CREW 7.0%
	KLM	CABIN CREW 86.0%
		COCKPIT CREW 5.0%

## Other data for KLM Group (according to local legislation)

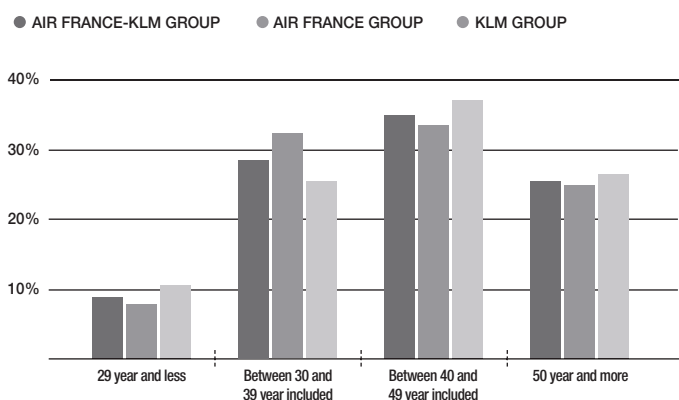
KLM ( 100% OF THE STAFF HEADCOUNT, REGISTERED AND PAID AT THE END OF THE CALENDAR YEAR) *	2010	2011	11/10
<b>ABSENTEEISM <sup>1</sup></b>			
Due to illness √	6.44%	6.11%	-5%
Maternity leave √	0.67%	0.63%	-6%
<b>HEALTH AND SAFETY</b>			
Total workplace accidents √ <sup>2</sup>	225	217	-4%
Number of fatal workplace accidents	0	0	0%
Frequency rate for workplace accidents √ <sup>3</sup>	4.90	4.54	-7%
Severity rate of workplace accidents √ <sup>3</sup>	0.24	0.16	-33%
<b>TRAINING</b>			
Total training costs in K€ √	62,667	69,422	11%
Total training costs in € per full time equivalent √	2,645	2,891	9%
<b>DISABLED STAFF</b>			
Total staff with disabilities √ <sup>5</sup>	641	656	2%
<b>COLLECTIVE AGREEMENTS √</b>			
	3	0	
<b>KLM SUBSIDIARIES</b>			
	2010	2011	11/10
Scope of reporting for KLM subsidiaries	93%	93%	0%
<b>HEALTH AND SAFETY</b>			
Total workplace accidents √ <sup>2</sup>	199	70	NC
Number of fatal workplace accidents	0	0	0%
Frequency rate for workplace accidents √ <sup>3</sup>	27.64	5.88	NC
Severity rate of workplace accidents √ <sup>3</sup>	0.19	0.08	-58%
<b>TRAINING</b>			
Total training costs in K€ √	22,584	21,206	-6%
Total training costs in € per full time equivalent √	2,782	2,961	6%
<b>DISABLED STAFF</b>			
Total staff with disabilities √ <sup>5</sup>	66	81	23%
<b>COLLECTIVE AGREEMENTS √</b>			
	11	4	

√ Indicators verified by KPMG for 2011 (moderate level of assurance).

NC: not comparable.

\* KLM: Data concerns KLM without international staff.

## Breakdown of staff by age (in %)



# STATUTORY AUDITOR'S ASSURANCE REPORT ON A SELECTION OF ENVIRONMENTAL AND SOCIAL INDICATORS OF AIR FRANCE-KLM GROUP FOR THE YEAR ENDED DECEMBER 31, 2011

*This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with professional guidelines applicable in France.*

As requested and in our capacity as Statutory Auditors of Air France-KLM S.A., we performed a review in the aim of providing:

- limited assurance on a selection of environmental and social indicators for the year ended December 31, 2011 selected by Air France-KLM group and identified by the symbol √,
- reasonable assurance on the indicators "fuel consumption" and "CO<sub>2</sub> emissions" related to air operations for the year ended December 31, 2011, identified by the symbol √√.

This selection of indicators ("the Data") is presented in the tables "environmental indicators" and "social indicators" of the "2011 Registration Document" and the "2011 Corporate Social Responsibility Report" of Air France-KLM group.

These Data were prepared under the responsibility of the Air France Environment and Sustainable Development division, in accordance with the internal performance reporting procedures, which may be consulted at the Group's head office ("the Protocol"). The notes on the methodology for the reporting of the social and environmental indicators, provided with the tables "environmental indicators" and "social indicators", specifies data collection and calculation methodologies used to determine the published indicators.

Our responsibility is to provide a conclusion on the Data based on the work performed. The conclusions expressed below relate solely to these Data and not to the whole Air France-KLM group's "2011 Registration Document" and the "2011 Corporate Social Responsibility Report".

## NATURE AND SCOPE OF THE WORK

We conducted our procedures in accordance with ISAE 3000 standard, in compliance with applicable professional guidelines in France.

### Limited assurance

We conducted the following procedures in order to obtain limited assurance about whether the selected Data identified by the symbol √ are free from material misstatement. A higher level of assur-

ance would have required a more extensive work.

- We assessed the reporting Protocol relating to environmental and social performance indicators with regard to its relevance, reliability, objectivity, clarity and completeness.
- We conducted interviews with the Air France Environment and Sustainable Development division in order to verify our understanding of the reporting process and the organization in place, and the application of the reporting Protocol.
- We performed detailed tests on the implementation of the Protocol on a sample of entities\* ("the selected Entities"). For the selected Entities, we verified the understanding and application of the Protocol, and we verified the calculations on a test basis, and reconciled data with the supporting documentation.
- We performed consistency tests on the consolidation of the Data at Group level.

The contribution of the selected Entities to the Data represents an average of 84% for consolidated environmental Data published and 80% for consolidated social Data published.

### Reasonable assurance

We conducted the above mentioned procedures in order to obtain evidence over the indicators "fuel consumption" and "CO<sub>2</sub> emissions" related to air operations, identified by the symbol √√ sufficient to give reasonable assurance that those indicators are free from material misstatement.

We were assisted in our work by the Environment and Sustainable Development professionals of our firm.

## COMMENTS ON THE GROUP'S REPORTING PROTOCOL AND IMPLEMENTATION

Based on the work performed, the following comments were made on the reporting Protocol and its implementation:

- Due to differences between legislative frameworks, the definitions of some social indicators are different between Air France and KLM. The figures are disclosed separately and cannot be compared.
- Due to specific technical features, the calculation methodologies used for the indicators related to the NO<sub>x</sub> and HC total emissions of air operations are different between Air France and KLM.
- The Group continued the extension of the reporting scope to its subsidiaries, for instance by integrating the Air France subsidiary Transavia France and

KLM subsidiaries Transavia and Martinair to the scope of some environmental indicators. However, the integration of the significant subsidiaries to the environmental and social reporting scope should be pursued in 2012, in order to ensure that all the Data are reported based on a Group scope.

- The estimation methodologies of the environmental indicators could be specified in the definition sheets.
- The internal control system has been improved at Air France Data collection level, in particular regarding the indicators "Volatile Organic Compounds – VOC emissions" and "Industrial Waste", but needs to be strengthened at the level of:
- environmental data collection and validation for KLM ground operations,
- data import in the Group's reporting tool OSYRIS for the environmental indicators.

## CONCLUSION

### Limited assurance

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Data presented in the tables "environmental indicators" and "social indicators" of the 2011 Registration Document and the 2011 Corporate Social Responsibility Report of Air France-KLM Group, identified by the symbol √, are not prepared, in all material respects, in accordance with the above-mentioned Protocol.

### Reasonable assurance

In our opinion, the indicators "fuel consumption" and "CO<sub>2</sub> emissions" related to air operations, identified by the symbol √√ in the '2011 Registration Document' and the '2011 Corporate Social Responsibility Report' are prepared, in all material respects, in accordance with the above-mentioned Protocol.

Paris La Défense, March 26, 2012

### KPMG Audit

Department of KPMG S.A.

Valérie Besson, Partner  
Michel Piette, Partner

\* **Environment:** Direction Générale Industrielle Air France (Roissy, Orly and Villeneuve Le Roi), Direction Générale de l'Exploitation Air France (Roissy and Orly), Direction du Cargo Roissy, Régional, Servair group and its subsidiaries (Servair 1, Acna Roissy), CRMA, KLM Schiphol for ground operations. Air France and its subsidiaries CityJet, BritAir, Régional and Transavia France, KLM, KLM CityHopper, Transavia and Martinair for air operations.

**Social:** Air France in France, Régional, KLM in The Netherlands, Transavia, KLM Catering Services.

## GLOBAL COMPACT ON COMMUNICATION ON PROGRESS



Air France-KLM established a Corporate Social Responsibility Statement which covers the ten principles of the United Nations Global Compact. Below an overview of where the information can be found in the report regarding these principles and where additional information can be found.

GLOBAL COMPACT PRINCIPLE	PAGES	EXTRA INFORMATION AVAILABLE OUTSIDE THE CSR REPORT	SOURCE
<b>HUMAN RIGHTS</b> 1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses	20, 22, 25, 57, 59	→ Air France-KLM Social Rights and Ethics Charter. → Contract clause on labour protection, and Sustainability Charter for suppliers.	In-house documents, <b>AIR FRANCE WEBSITE:</b> <a href="http://corporate.airfrance.com/en/sustainable-development">http://corporate.airfrance.com/en/sustainable-development</a> <b>KLM WEBSITE:</b> <a href="http://www.klm.com/csr">www.klm.com/csr</a>
<b>LABOUR LAW</b> 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.	52-59	→ Air France: Charters for the prevention of harassment at the workplace, for Occupational Safety and Accident prevention, Agreement on psychological and social risks. → KLM: preamble of the Collective Labor Agreement, Occupational Health & Safety Policy Statement.	In-house documents, Air France and KLM websites Air France-KLM Registration Document 2011 (pages 98 and following)
<b>ENVIRONMENT</b> 7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	28-41	→ Code for Good Environmental Practices (GEP). → Environmental protection clause for suppliers.	In-house documents, Air France and KLM websites Air France-KLM Registration Document 2011 (pages 114 and following)
<b>FIGHT AGAINST CORRUPTION</b> 10. Businesses should work against corruption in all its forms, including extortion and bribery.	16, 18, 20, 25	→ Air France-KLM Financial Code of Ethics. → Code of Ethics to be signed by Air France and KLM buyers. → Whistle blower procedures. → KLM Code of Conduct.	In-house documents, Air France and KLM websites Air France-KLM Registration Document 2011 (pages 18-19)

## GRI CORRESPONDENCE TABLE

GRI 3 principles and recommendations were taken into account for the writing of this report. GRI has performed the Application Level Check to show to which extent the GRI guidelines have been utilized in the report. The check confirmed the A level. The complete GRI indicators table can be found on the Air France and KLM websites: [www.klm.com/csr](http://www.klm.com/csr) and <http://corporate.airfrance.com/en/sustainable-development>.

MAIN CHAPTERS OF THE REPORT	PAGES OF THE REPORT	STRATEGY AND ANALYSIS	ORGANIZATIONAL PROFILE	REPORT PARAMETERS	GOVERNANCE, COMMITMENTS AND ENGAGEMENT	MANAGEMENT APPROACH AND PERFORMANCE INDICATORS						
						ECONOMIC	ENVIRONMENTAL	LABOR PRACTICES & DECENT WORK	HUMAN RIGHTS	SOCIETY	PRODUCT RESPONSIBILITY	SECTOR SUPPLEMENT INDICATORS
Foreword	3	X										
Interview	4	X										
Financial results	7		X									
Key figures	8		X	X								
CSR main accomplishments	9											
Our organization	12					X						X
Our approach to CSR	20	X			X	X			X	X		
Minimizing our environmental footprint	28				X		X					X
Building a sustainable relationship with our customers	44				X						X	
Promoting a responsible human resources policy	52				X			X	X			X
Contributing to local development	60				X	X				X		X
Annexes	68			X	X		X	X				X



# INDEX

- Aviation Platform**, p. 23
- Climate Action Plan**, p. 29
- Observatoire des métiers**, p. 55
- Pays de Roissy-CDG association**, p. 63-64
- Safety champions**, p. 57
- Acting for Life**, p. 65
- Aérotropolis**, p. 63
- AFMAé (association)**, p. 63-64
- Airemploi**, p. 63-64
- Air France and KLM Connect**, p. 48-49
- Air France Foundation**, p. 65-66
- Air/rail comodality**, p. 19
- Aircraft dismantling**, p. 38
- Airport infrastructure**, p. 19
- Airports residents**, p. 3, 35, 64-65
- Alders table**, p. 35, 63
- Assistance in case of disruption**, p. 47
- Aviation sans frontières**, p. 67
- Balanced approach**, p. 33
- Biodiversity**, p. 41
- Biofuels**, p. 4, 19, 36-37
- BtL**, p. 37
- Business conduct rules**, p. 18
- Business travel plan**, p. 40, 64
- Carbon footprint**, p. 34-35
- Cargo**, p. 5, 32, 51
- CDA (Continuous descent approach)**, p. 35
- CDP (Carbon Disclosure Project)**, p. 23
- CEA**, p. 37
- Climate change**, p. 31
- CO<sub>2</sub> emissions calculator**, p. 34
- Consumer Health and Safety**, p. 48-49
- Consumer rights**, p. 19
- CORAC**, p. 35
- CSR café**, p. 59
- CSR Group statement**, p. 20
- Customer**, p. 44-51
- Customer expectations**, p. 47-49
- Customer service**, p. 47-49
- Customer surveys**, p. 47
- Deforestation**, p. 41
- Disability**, p. 25, 58-59, 63
- Diversity**, p. 58
- DJSI**, p. 23
- Eco-design**, p. 24-25, 39, 50
- Electric vehicles**, p. 40
- Energy consumption**, p. 38-39
- Environmental Management System (SME)**, p. 38
- Equal opportunities**, p. 58
- Ergonomics**, p. 56
- European Union Emissions Trading Scheme (EU-ETS )**, p. 3, 19, 31
- European White Book on transport policy**, p. 19
- Fleet**, p. 13, 32-33, 70
- Flight safety**, p. 14
- Food safety**, p. 22, 49
- Fuel consumption**, p. 34-37
- Fuel Plan**, p. 34
- Global Reporting Initiative (GRI)**, p. 21, 78
- Governance**, p. 16-17, 21
- GPEC**, p. 55
- Grand Paris**, p. 63
- Grand Roissy**, p. 19, 35, 63
- Health and safety at workplace**, p. 56-57
- Hubstart**, p. 63
- Humanitarian and Development Programmes**, p. 65-67
- IAGOS**, p. 35
- Innovation**, p. 48-51
- Internal audit**, p. 15, 21
- Internship**, p. 58
- ICAO**, p. 3, 19, 31, 33
- IOSA**, p. 14
- ISO 14001**, p. 15, 21, 38
- ISO 26000**, p. 21, 38
- JEREMY (association)**, p. 63-64
- Job market**, p. 55
- KLM AirCares**, p. 65-66
- LGBT**, p. 58
- Local air quality**, p. 33, 40
- Local development**, p. 60-67
- Maintenance**, p. 6, 24, 38-39, 51, 59
- Materiality test**, p. 22
- Mobility**, p. 55
- Musculoskeletal Disorders**, p. 56-57
- Network**, p. 8, 13
- New technologies**, p. 47-49
- Noise**, p. 33, 35, 64
- Non-financial rating agencies**, p. 23
- NRE social and environmental indicators**, p. 72-77
- Offsetting**, p. 34
- Psychosocial risks**, p. 57
- REACH**, p. 25
- Recycling**, p. 24-25, 38-39, 50
- Responsible products and services**, p. 48-50
- Safety Management System**, p. 14
- Service quality**, p. 47-49
- Shareholders**, p. 17
- Sheltered employment sector**, p. 25, 58-59, 63
- Single European Sky**, p. 19
- SkyNRG**, p. 24, 37
- SkyTeam**, p. 13, 22
- Social Rights and Ethics Charter**, p. 20, 22, 58
- Social dialogue**, p. 55
- Social networks**, p. 47
- Solidarity**, p. 55-67
- Sponsoring**, p. 65-67
- Stakeholders**, p. 22, 68-69
- Subsidiaries**, p. 23
- Supply chain**, p. 24-25
- Sustainable alternative fuels**, p. 4, 19, 36-37
- Sustainability Charter for Group suppliers**, p. 24-25
- Trade Unions**, p. 55
- Training charter**, p. 55
- Training**, p. 55
- Transform 2015 (transformation plan)**, p. 3, 4
- United Nations Global Compact**, p. 3, 20-21, 78
- Voluntary redundancy programme**, p. 55
- Waste**, p. 38-39
- Water consumption**, p. 38
- Working conditions**, p. 56-57
- Workplace accidents**, p. 56

## List of main abbreviations

- ACNUSA** → Autorité de contrôle des nuisances sonores aéroportuaires
- AEA** → Association of European Airlines
- AESA** → European Aviation Safety Agency
- CCAR** → Consultative Commission for Aid to Local Residents
- CCE** → Environmental Advisory Committee
- CO<sub>2</sub>** → Carbon dioxide
- DGAC** → Direction générale de l'aviation civile
- DJSI** → Dow Jones Sustainability Indexes
- EU-ETS** → Emissions Trading Scheme
- GRI** → Global reporting initiative
- IATA** → International Air Transport Association
- ICAO** → International Civil Aviation Organization
- NOx** → Nitrogen oxide
- QSE** → Quality, Safety and Environment
- Roissy-CDG** → Aéroport Roissy-Charles de Gaulle
- SESAR** → Single european sky air traffic management research

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