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- Governance
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Committed

- Environmental footprint
- Customer experience
- Social policy
 - Local development

2012

CORPORATE SOCIAL
RESPONSIBILITY REPORT

AIRFRANCE KLM

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Annexes

2012 was marked by the slowdown in global economic growth and significant market volatility, particularly in Europe. After four years of crisis, the situation of the European air transport industry is now more fragile.

For Air France-KLM, 2012 was the year in which our fundamentals were restored as the first necessary step towards the Group's recovery. Our working practices have been overhauled, new action plans have been determined for each of our businesses, costs have been reduced and our financial situation improved. We shall maintain discipline in terms of capacity management, investment and costs in 2013, a crucial year for the success of the Group's Transform 2015 transformation plan and the return to profitability. It is thanks to the mobilization of everyone across the company that we shall return to the path of profitable and sustainable growth.

The leading European airlines need to reinforce their position in the global aviation landscape faced with competition from the low cost carriers, the Gulf State airlines and the emerging countries, within a context of regional sector consolidation. In Europe, this consolidation movement, launched in 2004 with the merger between Air France and KLM, is now virtually complete with three large groups currently operating in Europe, as in the United States. The next stage will depend on the trend in the international regulatory framework towards a proliferation of open skies agreements.

As a global business, the mission of air transport is to connect people, economies and cultures, driving economic growth and social progress. In this regard, Air France-KLM has a number of key strengths. Backed by a modern fleet and the size of its network, our Group is the most present in the emerging countries with more than 60% of our long-haul capacity oriented towards growth markets. We have strengthened our partnerships with the members of the SkyTeam alliance and launched co-operation with Etihad.

Our Group is also recognized for its sustainable development performance. We have turned Corporate Social Responsibility, which is the heart of our strategy, into a decisive advantage. We assume our responsibilities and act to reconcile growth with

respect for the environment. We contribute to developing the regions where we operate and which we serve. In 2012, the Dow Jones Sustainability Index ranked Air France-KLM amongst the 19 most responsible companies in the world.

This distinction encourages us to play a lead role within our sector. To achieve the targeted reduction in greenhouse gas emissions from civil aviation, the Group supports, within the framework of IATA and the ICAO, the establishment of a global approach, guaranteeing equity between all airlines. We also contribute to research and innovation, particularly to stimulate the production of sustainable biofuels.

Proud of how far we have come, I hereby reaffirm our commitment to acting as a sustainable company 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.

“ It is thanks to the mobilization of everyone across the company that we shall return to the path of profitable and sustainable growth. ”

JEAN-CYRIL SPINETTA,
Chairman and Chief Executive Officer, Air France-KLM Group



A look back at the Group's situation in 2012 and the outlook for the next years

2012 was the year of implementation for the Transform 2015 plan. Could you describe the main phases of this plan ?

Alexandre DE JUNIAC — In early 2012, faced with negative results, the Air France-KLM Board of Directors set three priorities: restoring competitiveness through cost cutting, restructuring the short and medium-haul operations and rapidly reducing debt. The Group launched a transformation plan aimed at regaining competitiveness over the next three years. This plan has two phases. The first, announced in January 2012, was reflected in the implementation of immediate cost-saving measures while the second, presented in June 2012, aims to transform the Group through an in-depth remodelling of its organization and working methods. This second phase involved the negotiation of new collective labor agreements and the deployment of action plans.

Peter HARTMAN — Throughout 2012, Air France and KLM worked together on the concrete implementation of the Transform 2015 plan with each company carrying out a compre-

hensive review of its activities and processes, and defining strategic orientations to ensure the most appropriate response to the priorities. At both KLM and Air France we were mindful to respect the three principles underpinning the success of the Transform 2015 plan: equitable application across all employee categories, continuous investment in flight safety and working conditions, and a resolute focus on improving the quality of the service offered to customers.

Transform 2015 includes an Human resources dimension. How was this implemented?

Alexandre DE JUNIAC — To restore the company's competitiveness and return to the path of profitable and sustainable growth, we launched a negotiation process as part of the ongoing workplace dialogue. These negotiations, which began during the spring of 2012, were aimed at introducing measures to ensure a 20% improvement in our economic efficiency. In return, Air France made a commitment to preserving the scope of the company's activi-

ties, and avoiding layoffs and wage reductions. The negotiations resulted in the signature of new collective labor agreements for each staff category: Ground Staff, Cabin Crew and Pilots. Following the signature of these agreements and consistent with its commitment, Air France implemented the measures to manage over-staffing by offering employees a voluntary departure plan and encouraging, in particular, part-time working. Estimated at the end of March, targets of these measures, which include voluntary departures and assisted measures, are mainly achieved.

Peter HARTMAN — For KLM, the social dimension of Transform 2015 aims to improve productivity and reduce Support function staff by 10%. At the end of 2012, new collective labor agreements were signed with the unions.

The measures adopted, particularly the salary freeze and an increase in the number of hours worked for all staff categories, aim to reduce payroll costs while preserving jobs, "keeping the family together". By facilitating mobility and a temporary transition to working part-time, KLM made a commitment, within the framework of this agreement, to no compulsory layoffs. Professional mobility within the company remained a priority in 2012, enabling employees to acquire new skills and develop their employability.

The Air France medium-haul operation has undergone in-depth restructuring. Could you outline the main points?

Alexandre DE JUNIAC — In an uncertain economic environment and faced with ever-tougher competition, Air France launched a commercial offensive and adapted its offer to the new developments in the travel industry. The restructuring

“
Air transport remains a tremendous driver of development both around our hubs and at our destinations. Air France and KLM both play a major role in local economies.”

ALEXANDRE DE JUNIAC,
Chairman and Chief Executive Officer of Air France

Alexandre de Juniac, Chairman and Chief Executive Officer of Air France,
and Peter Hartman, President and Chief Executive Officer of KLM.



“
Not only do we want to develop a market for sustainable biofuel and set an example, but we also want to inspire others to join us in making the airline industry more sustainable.”

PETER HARTMAN,
President and Chief Executive Officer of KLM

vity between Air France, HOP! and Transavia will allow to better meet all our customers' needs.

Customer satisfaction is at the heart of the Air France and KLM commercial strategy. What changes do you plan to make?

Alexandre DE JUNIAC — For a service company, the principal objective is customer satisfaction. This is why the measures that we have implemented and plan to pursue in 2013 will be reflected in a very concrete improvement in our product aimed at making it the world's best in class.

On its long-haul network, Air France is applying the strategic lines defined by the Transform 2015 plan and intends to increase its economic efficiency. Growth is thus being targeted in areas offering strong potential and mainly concerns the opening of new routes such as Montevideo, Kuala Lumpur and Minneapolis, and increased frequencies to Bangkok, Guangzhou, Libreville or Havana.

With several million euros of investment in our Business class, we have initiated a comprehensive renovation of our product in terms of both on-board comfort and the welcome for passengers on the ground.

of the heavily-loss-making short and medium-haul operations is a key dimension of Transform 2015. These operations are vital to Air France-KLM's development in that they meet the needs of passengers travelling within Europe while feeding the long-haul flights departing from the dual Paris-CDG and Amsterdam-Schiphol hubs. The Air France group has organized the short and medium-haul operations around three complementary business units. For the activity

operated by Air France, we have enhanced the product offer and adapted the fare strategy. The activities of the leisure company Transavia France have been developed to include new destinations. Lastly, we have created the new HOP! Brand to capture the synergies between the Air France group's three French regional subsidiaries – Brit Air, Régional and Airlinair. The medium-haul network is undergoing a major reorganization. The segmentation of this acti-

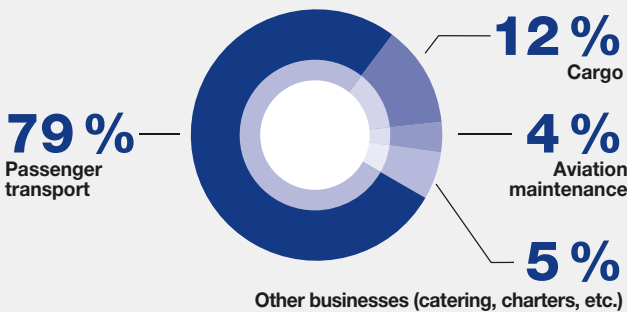
Financial results 2012

Revenues
€25,633 m

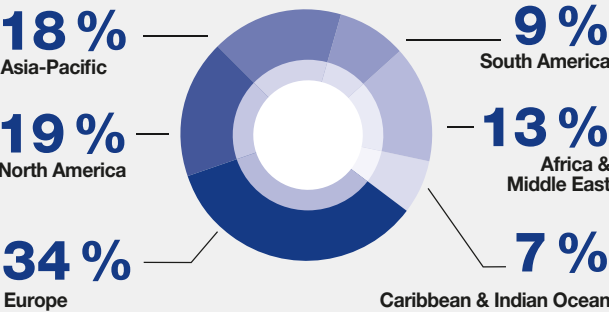
Result from current operations
€-300 m

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. For the period between January 1 and December 31, 2012, consolidated revenues amounted to €25.63 billion, up by 5.2% on the previous financial year. Over twelve months, the result from current operations was a negative €300 million (versus income of €-353 million at December 31, 2011).

BREAKDOWN OF REVENUES BY SECTOR OF ACTIVITY 2012 (percentages)

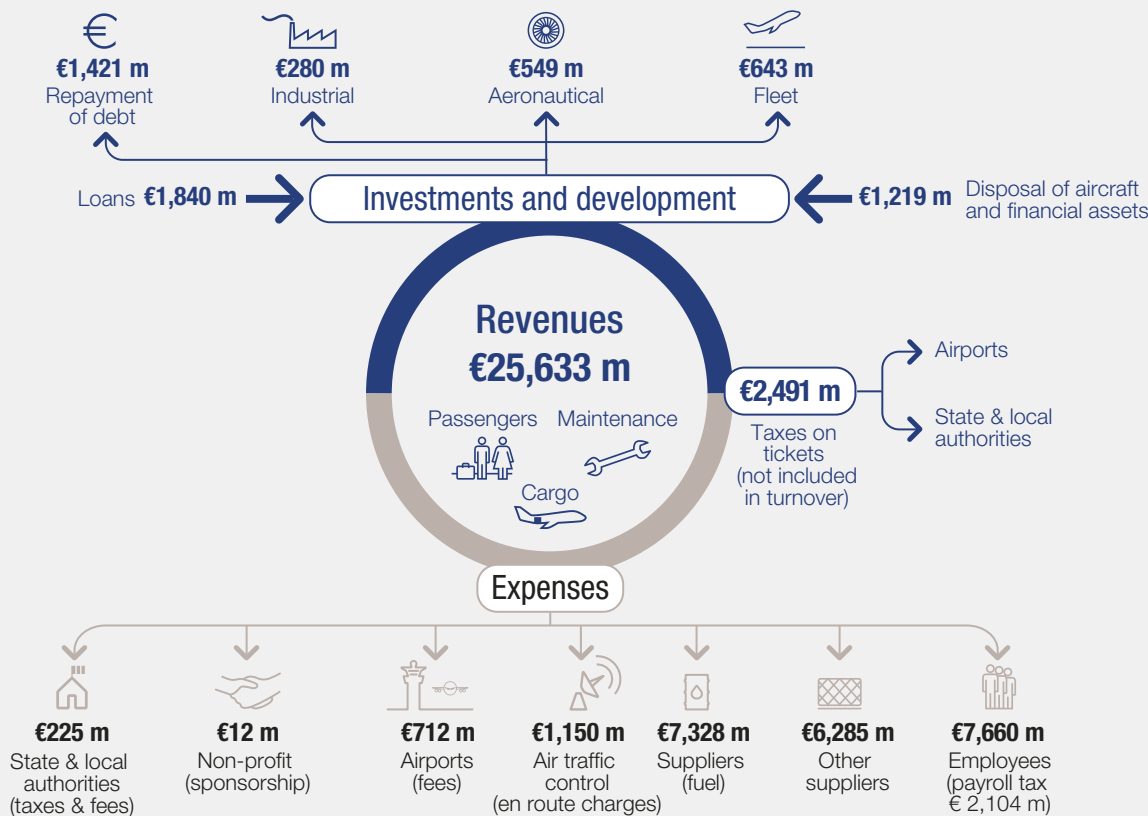


BREAKDOWN OF PASSENGER REVENUES BY NETWORK 2012 (percentages)



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.



●●● We also introduced a new training program to register the Air France's signature at the heart of the service and focus on our five core: customize, enhance, pay attention, have an eye for detail, daring. Customer focus, reactivity and team work are our guiding principles that have led us to choose this organization, the ambition to favour the roll-out of Transform 2015 and meet its objectives of a return to competitiveness and a more upmarket positioning of its products and services

Peter HARTMAN— In 2012, KLM pursued the development of its network around the Amsterdam-Schiphol hub both in Europe and on rapidly-growing markets like Asia and South America. We plan to increase our offer on long-haul flights thanks to more efficient use of the fleet and the deployment of new-generation aircraft.

We need to adapt and be flexible to benefit the business opportunities around us. Transparency, personalized services and customer centricity are getting increasingly important in the airline industry, topics in which we already play a leading role and which is a position we want to keep.

Therefore we continue our investment in 24/7 social media support to listen to and better serve the needs of our customers. Another step forward will be the implementation of our new World Business Class, starting in July 2013, created by a famous Dutch designer. The sustainability aspect is taken into account in this new concept.

This year KLM operated the longest-ever flight on sustainable biofuel. Could you tell us more about this and about the launch of the BioFuel program?

Peter HARTMAN— Sustainability is an integral part of our business strategy. We see that, within a context of soaring fossil-fuel prices, climate change and renewable energy remains a considerable challenge. In the medium and long-term, significant use of alternative sustainable biofuels is crucial, but cooperation is key. Our biofuel approach focuses on the development of a market for sustainable biofuel together with partners, our own sector, governments and customers. Already since 2008, we invite our customers to invest in renewable energy projects by

compensating the CO₂ emissions of their flight. Since 2012, we offer our corporate customers the possibility to operate some of their flights on sustainable biofuel through the KLM BioFuel program. Not only do we want to develop a market for sustainable biofuel and set an example, but we also want to inspire others to join us in making the airline industry more sustainable. The fact that we operated the longest sustainable biofuel powered flight ever, flying passengers from Amsterdam to Rio de Janeiro on the occasion of the United Nations sustainable development conference, Rio +20 on June 19, aims to do just that. I truly believe that sustainable biofuels are here to stay.

In current challenging context, what role does corporate social responsibility play in the Group's strategy?

Peter HARTMAN— In this context, doing business while taking into account the impact on the environment and wider society is the way forward towards the future. Sustainable development reflects both our commitment to responsible business practice and our ability to adapt to the changes with which we are faced. Mobilized around four key priorities, we continue to lower our environmental footprint, offer our customers high-quality and innovative services, ensure a responsible human resources policy and contribute to development at destinations we fly to. We strive to set new standards of excellence in corporate social responsibility by working together with all our stakeholders.

Alexandre DE JUNIAC— Air transport remains a tremendous driver of development both around our hubs and at our destinations. Air France and KLM both play a major role in local economies. Air France is the largest private-sector employer in the Île-de-France region, with 44,000 employees principally based at Paris-Charles de Gaulle and Paris-Orly. We contribute to local development thanks to the services operated by Air France and by our regional airlines. We are also a major industrial player with 9,000 highly-qualified jobs in maintenance. Air France Industries KLM Engineering & Maintenance ranks number two world-wide in aircraft maintenance, a rapidly-growing sector.

You were appointed Chairman and CEO of the Air France-KLM Group by the Group's Board of Directors. You will succeed Jean-Cyril Spinetta as from 1st July 2013.

Alexandre DE JUNIAC— My new role as Group Chairman and Chief Executive Officer will be to continue the turnaround at Air France-KLM by developing the special strengths of each airline, at the same time as we embark on a new phase in the construction of the Group. We cannot afford to fail. Our Transform Plan is on the pathway to success, and the majority of the projects agreed are now being deployed. Our priority in the years ahead will be to generate the financial room for manoeuvre we need to ensure our leading position in the airline industry and continue to invest in our products and services, in our fleet, and in training. Air France-KLM will need to be a major player in the emerging global consolidation process. ●

→ On March 25, 2013, Jean-Cyril Spinetta announced his decision to step down as the Group's Chairman and Chief Executive Officer and Board Director of Air France-KLM on July 1, 2013. On that date, Alexandre de Juniac will succeed Mr Spinetta and Frédéric Gagey will be appointed Chairman and Chief Executive Officer of Air France. Leo van Wijk will also step down as Air France-KLM's Deputy Chief Executive Officer on July 1, 2013 but will remain a Board Director. Peter Hartman, who will be replaced by Camiel Eurlings as President and Chief Executive Officer of KLM on July 1, 2013, will be appointed Vice Chairman of the Air France-KLM Board of Directors.

Aviation industry developments

Airline business

→ The airline industry is a facilitator of international trade and business. Operating in a highly competitive environment, concerning a highly cyclical business and standing out in the value chain as earning the lowest returns and bearing virtually the highest risk.

Liberalization and consolidation

→ Liberalization of air travel progresses slowly around the world with certain regions moving faster than others. The consolidation momentum continued through mergers, alliances and partnership agreements. Airlines can improve their position in the airline industry as shown by recent consolidation of airlines in the US.

Climate change

→ Aviation accounts for around 2% of global man-made CO₂ emissions. Mitigating climate change remains an important challenge in a context of resources scarcity and volatility of oil prices; a shift towards low carbon fuels is crucial. Collaboration throughout the sector and partners is key to reduce emissions using new technology, efficient operations, improved infrastructure and economic measures to fill the remaining emissions gap.

Customer behavior

→ The changes in customer behavior seen during the crisis now look to be structural. While price is very much a focus, customers are increasingly well informed and sensitive to the value of the service offered. Customer needs are also more and more personalized and, through internet and social media, they expect a quicker response.

Regulations

→ Stricter regulations are applied to consumer protection and security, resulting in more restrictions for customers and higher costs for carriers. 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. No sign of significant relief regarding regulation is expected.

Structural growth

→ Companies are currently curtailing their travel expenditure due to the economic but the need for personal contact for business or individual reasons remains intact. The air transport industry is underpinned by structural growth of 4% to 5% annually, and should be maintained over the coming two decades (See registration document 2012 page 34). However, high growth will be concentrated in the Asian region with great potential to provide air transport services connecting the growing megacities and populations of the emerging countries.

Vision 2050

→ International Air Transport Association (IATA)'s prediction for 2050 for aviation is 16 billion passengers will fly and 400 million tons of cargo carried. Sustainable technologies, efficient infrastructure and answering customer needs are key in this.

Air France-KLM key strenghts



77.4 million
passengers carried

1.4 million
tons of cargo

100,744
employees (FTE)

Network

→ Air France-KLM offers the largest international network, built around its two coordinated hubs, Paris-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 while limiting the overlap of destinations served by the two airlines.

Fleet

→ Air France-KLM invests in its fleet on a continual basis and operates a modern and efficient fleet: 573 aircraft in operation, average age 9.9 years.

SkyTeam

→ Air France and KLM are members of SkyTeam, the second largest alliance in the world: 19% market share, 19 member airlines serving more than 1000 destinations in 187 countries. The arrival of Xiamen Airlines further strengthened Skyteam's leading position in the Greater China region while Aerolíneas Argentinas is a strong asset in South America's second largest economy. The SkyTeam alliance strengthens the Group's product range in terms of its network and the services it offers to its customers, such as linked loyalty programs, new ground services for passengers and the SkyPriority program.

CSR main accomplishments



31%
Reduction of noise hindrance since 2000

15%
Reduction of relative CO₂ emission since 2000

➔ For further information, see pages 30-34



DJSI Supersector leader

For the 8th year running, Air France-KLM was ranked industry leader in the aviation sector category in the Dow Jones Sustainability Index. For the fourth time, the Group was ranked first in the wider "Travel and Leisure" supersector.

➔ For further information, see page 79

KLM BioFuel Program

The KLM BioFuel program was launched and enables companies to operate part of their flights on sustainable biofuel, thereby stimulating the further development of biofuels.

➔ For further information, see page 33

The longest sustainable biofuel-powered flight ever

On June 19, 2012, KLM flew from Amsterdam to Rio de Janeiro with an aircraft partly powered by biofuel using used cooking oil. The flight carried Dutch government officials to the Rio+20 summit on climate change.

➔ For further information, see page 32



New life for staff uniforms

Old Air France uniforms were recycled into fiber insulation for vehicles. Used lifejackets are turned into travel kits. A Dutch designer created a fashion bag for onboard sale from old KLM uniforms.

➔ For further information, see page 36

New sustainable products onboard

➔ 18 sustainable products have been added to KLM's product and service range, for example, UTZ certified coffee and "beter leven" certified chicken.

➔ Air France, along with Servair, its catering subsidiary, chooses local and seasonal products from France and its international destinations, along with organic and labeled products.

➔ For further information, see page 51



Commitment to internship

Air France has strengthened its commitment to internship by doubling the number of apprenticeship placements it provides to 1,000.

➔ For further information, see page 55



Signatures de service

Air France is training 11,000 cabin crew and 1,300 ground staff and managers at Paris-CDG in its unique approach to customer service.

➔ For further information, see page 47

A new contractual framework

To reach Transform 2015 plan's objectives, Air France and KLM signed new collective labour agreements for each employees category of staff.

➔ For further information, see page 54

Safety e-learning

In 2012, all KLM employees were invited to complete an online training module on safety. Particular emphasis was placed on safety in the workplace, flight safety and on well-being at work.

➔ For further information, see page 56



KLM Takes Care

Launch of the new KLM Takes Care online platform to inform and interact with customers on sustainability topics.

➔ For further information, see page 47

CSR e-learning 2,000

of the Group's employees have been trained.

➔ For further information, see page 59

Group purchasing from the sheltered sector €15 million

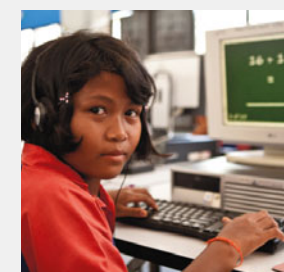
➔ For further information, see page 49



Innovation is everyone's business

Participatory approaches to develop innovation are in place at Air France, these involve ground operations, cargo and cabin crew. In 2012, 5,000 suggestions were made to Air France Industries.

➔ For further information, see page 59



Community projects at our destinations

€12 million contributed by the Group to environmental and social projects.

➔ For further information, see page 67



20th Anniversary of the Air France Foundation

In 20 years, the Foundation has supported 856 projects in 80 countries. More than 2,200 Air France staff members are mobilized and participate in the Friends of the Foundation network.

➔ For further information, see page 66



Governance

Our CSR approach

Air France-KLM's CSR commitment 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, and The Organization for Economic Cooperation and Development's (OECD) guiding principles.

Realizing our CSR ambitions

The Group's ambition is to set the standard in CSR and to remain the frontrunner in the airline industry. Air France-KLM's commitment to environmental protection, social equity and local development is laid out in its Corporate Social Responsibility Statement. This commitment is strengthened by our Climate Action Plan and Social Rights and Ethics Charter.

Adhering to national and international commitments

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten principles in the areas of human rights, labor standards, the environment and the fight against corruption (⊕ see the list of Global Compact Principles on page 78). The Group is committed to encouraging its partners to commit to this path, notably through its Sustainable Development Charter for Group Suppliers. Air France is a signatory of the Caring for Climate initiative led by the UN Global Compact and the UN Environment Program. KLM is partnering with WWF-NL since 2007 towards a more sustainable aviation industry by raising CO₂ and fuel efficiency and investing in sustainable biofuels. The Group supports national commitments to promote CSR. For example, Air France is a signatory of the Diversity Charter, the Charter for Corporate Commitment to Equal Opportunities in the State Education System, the Good Parenting Charter and KLM has 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

Air France-KLM aims to make sustainability an integral part of its business strategy. This commitment is supported at Executive level. All employees are encouraged to take part in developing innovative sustainability initiatives. The Executive Committee reviews the CSR strategy on an annual basis, as part of a "Group Strategic Framework" and is reviewed and approved by the Board of Directors during the annual Group strategy meeting. 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. KLM's CSR Council meets quarterly, bringing together executives and managers to give advice on CSR policy to the Board of Directors and Executive Committee. The Air France and KLM CSR departments are responsible for setting out policy and deployment at each airline.

Taking our responsibilities

To meet the expectations of its stakeholders and to implement appropriate risk management as part of its CSR policy, Air France-KLM has identified four key issues: environment, customers, employees and contribution to local development. The Group is working alongside all of its stakeholders in order to:

- reach a sustainable balance between aviation growth and its total environmental footprint;

“Air France-KLM aims to make sustainability an integral part of its business strategy.”



- integrate sustainability within the supply chain to offer customers responsible and innovative products and services;
- ensure a responsible social policy and encourage personal development to ensure the motivation and professionalism of its employees;
- adding economic and social value at the hubs and destinations where the Group operates.

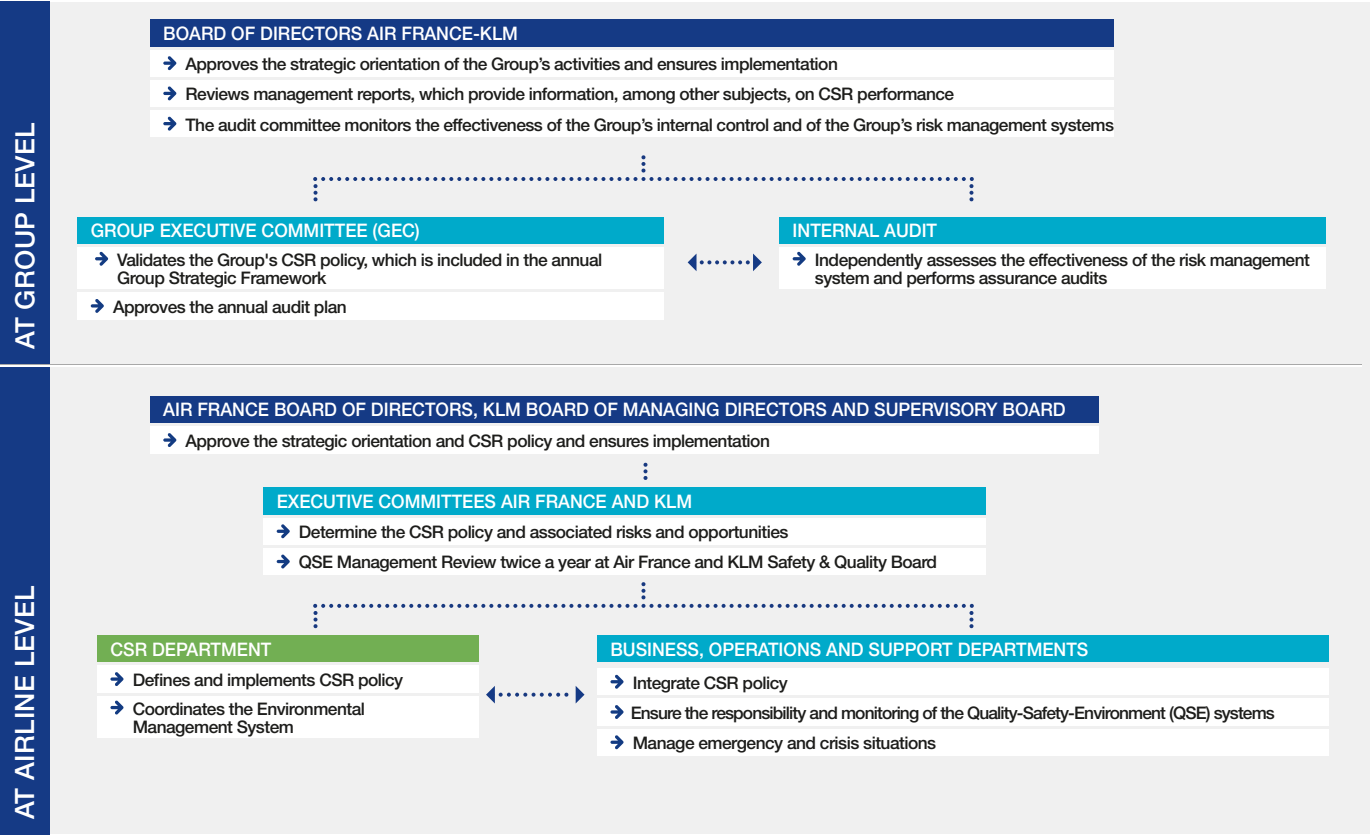
The Group has set out overall objectives that are integrated into each airline's objectives for these four key issues (⊕ see pages 27, 43, 53 and 61). At Air France, two Board Meetings per year are dedicated to reviewing QSE "Quality, Safety, Environment". At KLM, every quarter the environmental objectives are monitored in the Safety and Quality Board. The Executive Committee approves the new target setting yearly and monitoring takes place quarterly within divisions. Managing directors and senior executives at Air France and at KLM have CSR performance indicators linked to their variable remuneration covering environmental and social elements. In operational divisions at Air France and KLM, safety objectives in the workplace are taken into account, while for the procurement division, the CSR compliance of suppliers and the use of the sheltered sector are part of the yearly action plan.

Environmental management systems 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 onboard their aircraft. Several internal audits have been carried out throughout the organization to identify new opportunities for further improvement. In 2012, KLM's environmental certification was renewed for a further three years. Air France Industries (AFI) was awarded Single and Global Certification covering nine standards, including the evaluation of the ISO 26000 standard on CSR. In 2012, AFI carried out implementation tests of CSR impact assessment criteria for all new projects.

Reporting in line with international benchmarks

The Group has put in place a common reporting system to consolidate its social, societal and environmental indicators. This system is audited and checked annually by one of its statutory auditors, in line with the ISAE 3000 standard (International Standard on Assurance Engagement) (⊕ see pages 70-77). The CSR Report follows the GRI3 (Global Reporting Initiative) guidelines (⊕ see GRI compliance chart on page 78). In 2012, Air France contributed to the development of GRI4 guidelines. ●

CSR GOVERNANCE AND IMPLEMENTATION



Stakeholders

Listening and sharing

Listening, sharing and engaging play a major part in Air France-KLM's commitment. 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.

Stakeholders are identified by analyzing their relation to the Group's four key issues. For each stakeholder group, issues and risks have been assessed and means of consultation set out. Relationships with different stakeholders are reevaluated on an annual basis. The Group assesses employee perceptions by carrying out surveys and organizing forums several times per year. Externally, Air France and KLM have set up various forms of dialogue, including customer surveys, materiality tests, comments from SRI investors and by taking into account recommendations from non-financial rating agencies. (⊕ For more information about dialogue with our stakeholders, see the table on page 68).

Understanding our stakeholders

This ongoing dialogue helps the Group to better understand the societal changes, challenges and questions it is faced with. In 2012, stakeholder dialogue enabled Air France-KLM to further develop its biofuel policy and to consider new ways in which to reduce its overall environmental impact.

Dialogue also promotes exchange between business sectors. Air France and KLM share best practices in CSR through their membership of associations or coalitions of companies. For example KLM is a member of, the "Dutch Sustainable Growth Coalition", an initiative led by the CEOs of seven leading DJSI Dutch companies in sustainability, among which KLM. Its mission is to share, shape and stimulate sustainable business growth models with other companies.

Stakeholder expectations can also have a significant impact on the Group's operations. For example, in 2012, following complaints from residents living close to the airport about a particular noise produced by A320s, Air France and the DGAC requested Airbus to investigate the origin of the noise, which led to changes in the design of new aircraft.

Together with its partners in the KLM BioFuel program, KLM is further developing and pioneering in the biofuel supply chain.

Air France and KLM have implemented consultation mechanisms that enable their stakeholders to express their grievances. Air France and KLM's Customer Care

services are responsible for dealing with incidents affecting customers as quickly as possible. Both airlines are members of working groups (Commissions consultatives de l'environnement in France and Alders Table in The Netherlands), which bring together local community representatives, airlines and airports to examine local environmental issues.

Feedback from stakeholders has also influenced the Group's reporting: the 2012 CSR report includes more detailed information on risk management and human rights, in particular concerning the Group's employees and sub-contractors.

Involving our subsidiaries

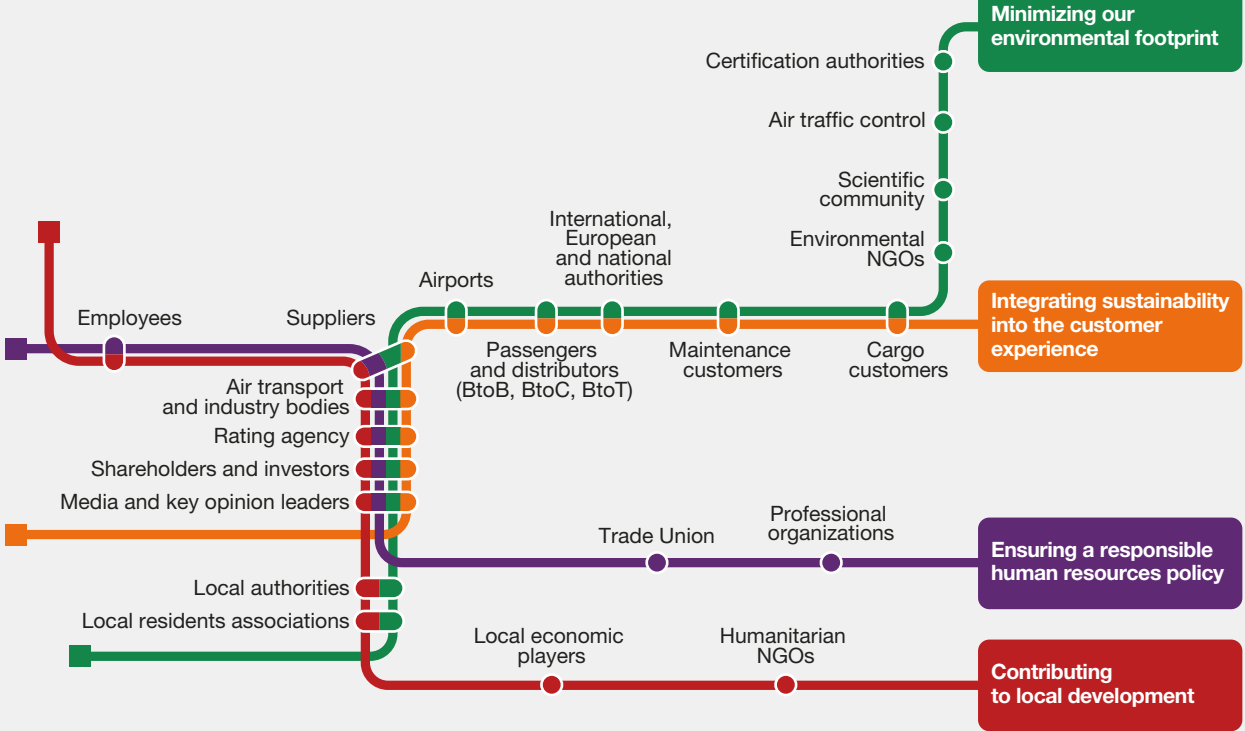
All European Air France-KLM subsidiaries signed the Social Rights and Ethics Charter in 2008, an important step in setting out a common strategy. Each subsidiary also defines its own CSR action plan, in line with its business activities and contributing to the Group's ambitions. The majority of the subsidiaries also take part in the Group's social and environmental reporting (⊕ see see pages 70-76).

Air France's catering subsidiary Servair has set out strategic paths concerning the Group's four key issues. Ambitious targets are set on an annual basis, particularly in terms of reducing waste, energy and water consumption.

“ Each sustainability issue represents an area where we seek to identify best practices and encourages companies to improve their performance. We are convinced that companies adapting to these challenges will be more successful in the long run. Despite mounting economic pressure and financial challenges, Air France-KLM continues to demonstrate its commitment to sustainable growth and development. They show their leading role in setting the agenda for sustainable development within the airline industry, advocating the use of next generation biofuels, route planning technologies and the need for new policies and legislation to further develop European aviation. ”

DANIEL WILD,
Head of Research, RobecoSAM Rating Agency

OUR STAKEHOLDERS MAP



Transavia France is active in environmental protection initiatives: modernizing its fleet, carrying out a carbon audit, and offering organic and fair trade products onboard. The airline also takes part in the Solid'air program, which each year supports projects to promote solidarity and the cultures of those countries it serves.

KLM Cityhopper, transavia.com and Martinair are implementing programs to reduce the weight carried onboard and to improve energy efficiency. They are also involved alongside KLM in shared waste management projects.

Sharing our commitment to CSR within SkyTeam

Air France and KLM share a strong commitment to CSR with other members of SkyTeam, which was the first alliance to adopt a CSR Charter. SkyTeam airlines have set up a dedicated CSR working group to ensure the roll out of common initiatives and to share best practices. This working group shares knowledge and meets on a yearly basis. In 2012 this took place at Alitalia.

In 2012, two of the four airlines listed on the non-financial Dow Jones Sustainability Indexes were SkyTeam members: 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 Airline 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. Peter Hartman President and CEO of KLM was Chairman of the IATA Board of Governors from June 2011 to June 2012. Jean-Cyril Spinetta, Chairman and CEO of Air France-KLM is a member of the European Commission's "Aviation Platform". ●

“ Accenture has the high ambition to be a sustainable company and sustainable mobility is an important part of this. We are delighted to have joined the KLM BioFuel programme, together with other Dutch companies, to take the lead and invest in a market which could have a major impact on the sustainability achievements of both aviation and Dutch businesses. ”

ANJA MONTIJN-GROENEWOUD,
Managing Director Accenture the Netherlands

Organization

Applying corporate governance principles

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, 4 of whom are Dutch. On March 31, 2013 there were four female members, 26.7% of total Board members. 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.

During the 2012 financial year, the Board of Directors commissioned an independent firm to conduct an evaluation of its functioning and that of its Committees. Generally speaking, the Board's operational functioning had improved since the last evaluation carried out by an independent firm in 2010 and the self-evaluations carried out in 2011 and 2012 thanks, notably, to the quality of the information and discussions, the transparency of the General Management, the level of the Board's involvement in defining the strategy, and the particular attention paid to the customer, the product and the Group's organization with the gradual integration of a number of functions at the holding company level. ●

BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES : STATUS 2012			
Composition	15 directors of which: → 12 directors appointed by the General Shareholders' Meeting (of which 2 representatives of the employee shareholders) → 3 representatives of the French State appointed by ministerial decree Merger of the posts 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).		
Independence of the Directors	6 Directors 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.		
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 fulfill their mandate.		
Number of meetings and average attendance rate	9 meetings; Attendance rate: 94.07 %		
Specialized committees	Audit Committee	Remuneration Committee	Appointments Committee
Number and independence of members	6 (of whom 3 independent)	3 (all independent)	4 (all independent)
Number of meetings and average attendance rate	6 meetings; 83.33%	1 meeting; 100%	1 meeting; 100%
Annual evaluation of the functioning of the Board of Directors and Committees	During the 2012 financial year, the Board of Directors commissioned an independent firm to conduct an evaluation of its functioning and that of its Committees.		
Internal regulations, compliance and ethics	The Board adopted its internal regulations, a Code of stock market compliance and a Code of financial ethics. Board's internal regulations are regularly updated and are available online: www.airfranceklm-finance.com		
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.		

⊕ For further information, see the Registration Document 2012 at www.airfranceklm-finance.com

Shareholders

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM implements a procedure for their identification. On December 31, 2012, Air France-KLM was 61.1% owned by French interests (compared with 69.8% on December 31, 2011) and more than 75% by European institutions.

Involving our investors

Air France-KLM has regular dialogue with financial analysts, institutional investors and SRIs. Beyond meetings organized to communicate financial results, senior executives regularly take part in conferences on air transport in Europe and the US. Investor Day provides an opportunity to discuss the strategic decisions made by the Group. The Transform 2015 plan and its first outcomes were examined at Investor Day 2012. More focus on non-financial results and balance between short and long term profit have become more significant.

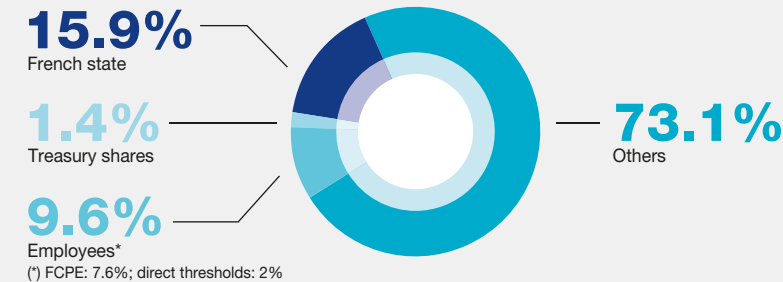
Listening to individual shareholders

The Group also continued active dialogue among its individual shareholders. Each quarter, the Group publishes its results and sends its ACTION'air letter to the 7,000 members of the Shareholders' Club. The Group takes part in briefings for individual shareholders, which provide an opportunity to present strategy, results and challenges facing the sector and to address shareholder concerns. In 2012 the Group met with shareholders in Bordeaux, Nantes, Nice and Toulouse. Visits to Air France sites, including hub facilities and crew facilities at Paris-CDG are organized for Club members. The Consultative Committee for Individual Shareholders has provided a forum to consider the way in which the Group communicates with individual shareholders since 2000. The Committee is comprised of twelve members and meets four times per year. In 2012, one of the Committee's meetings was dedicated to the Group's CSR policy.

Maintaining a high rate of employee share ownership

Air France-KLM has one of the highest proportions of employee share ownership of the companies in the SBF 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 the employee shareholders themselves and contribute to the work of the Audit Committee. ●

BREAKDOWN OF SHARE CAPITAL (December 31, 2012)



CHANGES IN EMPLOYEE SHARE OWNERSHIP

March 2009	March 2010	December 2011	December 2012
12%	11.8%	9.7%	9.6%

SHAREHOLDERS' GENERAL MEETING, MAY 31, 2012

One share equals one vote	Yes
Number of shareholders present, represented, granting power of attorney to the chairman or voting by mail	14,371 shareholders representing 111,468,698 shares
Attendance rate	37.65%

Safety

Safety is the absolute priority for Air France-KLM. It is essential for both customers and staff and imperative for the sustainability of air transport. For an airline, safety covers all measures put in place to reduce the risks associated with aviation. It should not be confused with aviation security, the role of which is to combat criminal and terrorist acts against aircraft and passengers.

Meeting international standards

All of the Group's businesses are subject to extensive controls and certification, and meet extremely strict standards and the highest level of regulations in the industry, at a European level with the European Aviation Safety Agency (EASA), and globally with the International Air Transport Association (IATA), whose IOSA operational safety audit is a benchmark within the industry. Following the IOSA safety audit in 2012, both Air France and KLM were awarded renewed certification, without qualification for a further two years. Almost a thousand points were checked. To achieve the highest attainable standard of flight safety, the Safety Management System (SMS) has been implemented across the two airlines. The SMS deals specifically with the management of risks in aviation, and is supported by a commitment at the highest level of management within the Group and by training and awareness building initiatives among all members of staff.

Promoting a culture of safety

The safety of operations rests upon a shared commitment to rigor, vigilance, individual responsibility and mutual trust. Air France launched the "Safety Culture" project in 2011 to develop the way operational staff take responsibility for and put in place flight safety objectives. The "Trajectoire" initiative was launched in 2009 to generate proposals for improvements to flight safety, since then, several hundred pilots have been involved in its work. KLM launched its SafetyF@cts online safety awareness initiative in 2012. Managers receive information on various topics related to safety every two months in an interactive format.

To ensure employee skills are maintained at the highest level, the Group constantly improves its training programs. Crisis prevention and management plans are in place at all destinations and exercise drills are carried out on an annual basis.

Ongoing vigilance

Airport and airline security have become extremely important in recent years. The Group's security procedures 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 operations, 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, national civil aviation authorities, the European Commission, the Association of European Airlines, IATA and the International Civil Aviation Organization (ICAO). In order to ensure the highest level of protection for their customers and employees in more than 100 countries and 200 cities, Air France and KLM's security departments constantly monitor international geopolitical developments. These dedicated teams are responsible for ensuring continuous flight operations and where necessary, for implementing additional security measures. ●

“ Safety management in our complex world, is managing the risks associated with our enterprise by looking for the unknown; seeing what is hidden; and controlling the outcome of that knowledge! ”

PIETER KORVER,
Director Flight safety,
Quality & Compliance, KLM

FOCUS

IT passes the test

The Air France site at Valbonne manages almost 300 IT applications, a third of which are considered critical and sensitive. In November 2012, a crisis simulation exercise tested how the company would cope if the entire data centre became unavailable. Thanks to the activation of a back up site, the airline operated as normal throughout the exercise, demonstrating the reliability and security of infrastructure.

Managing risk



Identifying and monitoring risk

As an airline group, 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 implemented a system to identify and monitor risks. Strategic and operational risk map processes have been established by all the relevant entities, supervised by Internal Audit & Internal Control. 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 instability or sanitary events, regulatory risks as 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, negotiating collective agreements and industrial disputes are also mapped. Market risks (fuel, currencies and interest rates) are managed by the Risk Management Committee. Every three months the entities of both airlines update the content of their major operational and financial risks, including market risks, by indicating the risk itself, the probability it will occur and its potential impact. Presentations on the most significant operational and financial risks are made by the Internal Audit & Internal Control

department to Group Executive Committee and the Audit Committee of the Board of Directors. The Group Strategic Framework determines once a year the strategic risks (competition, economic growth, etc.) as well as the related action plans within the context of its work to establish the Group's strategy. These risks and action plans are the subject of a presentation and discussion during the meeting of the Board of Directors devoted to the Group's strategy.

Complying with rules and regulations

The Group meets regulatory requirements governing air transport, covering flights, ground operations, aircraft maintenance and airport policing. Progress made in these areas has resulted in certification from independent organizations, such as IOSA, ISO 9001, QualiAF for the effectiveness of management systems and ISO 14001 for the validation of environmental management systems. To guarantee the safety of onboard catering, Air France is certified ISO 22000.

Ensuring independent monitoring and auditing

In addition to this risk management system, Air France-KLM has put in place internal monitoring and audit departments. The first of these is based on the COSO framework (Committee of Sponsoring Organization of the Treadway Commission), 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. Internal audits aim to improve the Group's processes and to help achieve fixed objectives at Group level or objectives set for particular purposes in each business. (⊕ For further information, see Air France-KLM Registration Document 2012). ●

FOCUS

E-CARE: a single application platform for managing operational risks

In 2012, Air France put in place a new system for managing operational incidents, as well as compliance audits. e-CARE also enables all members of staff to report any situation they think may present a potential risk. Used by all operational businesses and based upon a shared risk management matrix, the application platform's most important objective is to include all data related to flight safety. Almost 2,000 monthly reports are analyzed and when necessary are used to produce action plans. e-CARE will gradually be extended to customer service, environmental issues, workplace health and safety, security, food hygiene, etc. By the end of the roll out phase, e-CARE will have over 45,000 users.

Ethical principles

As a signatory of the United Nations Global Compact, Air France-KLM is committed to respecting fundamental human rights principles and the fight against corruption.

Respecting human rights

In its CSR Statement, Air France-KLM undertakes to respect human rights and to oppose all forms of child and forced labor. The Group is also committed to promoting these principles among its suppliers. The Social rights and Ethics Charter affirms the Group's commitment to foster a climate of trust and mutual respect in the workplace. The Charter applies to all Group employees, including European subsidiaries. The Charter also states that the Group will ensure that fundamental social rights are respected by all of its sub-contractors, throughout the world. The Group has identified strengths and improvements of human rights risk factors within its businesses. Measures to counter these risks cover various areas, e.g. the protection of customers' personal data, to an agreement on psychosocial risks at Air France and a CSR Charter for suppliers including social and environmental criteria. The Group started to check the compliance to this CSR charter by carrying out pilot CSR audits in 2011 followed by a greater amount of audits in 2012 (➕ see page 48). For example when sustainable biofuel is obtained no human rights should be violated and it should contribute to the social and economic development of local communities.

Applying business conduct rules

Air France-KLM ensures that ethical principles are met in the way it does business. As a framework for its operations, Air France-KLM has several rules of conduct. Some of these rules apply to all members of staff, while others are more specific. For example,

the Air France-KLM procurement and Air France HR departments each have a code of ethics in force, which is signed by all members of staff. The Board of Directors has adopted a Compliance Charter and a Financial Code of Ethics. The Compliance Charter imposes rules on trading shares on 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. KLM has a Code of Conduct in place that sets out the main principles concerning financial and business integrity, confidentiality, compliance and commitment to CSR. The Code serves as a framework for regulations in these areas within KLM. Air France-KLM does not tolerate any form of bribery, extortion or corruption. In line with the changing international legislative and regulatory context, an Air France and KLM manual on corruption prevention has been drawn up in 2012. The manual will be available in 2013 to all members of staff, and will be accompanied by a training module. 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. This procedure is accessible to all, discretionary and with no risk of sanction to the whistle blower. KLM intends to introduce a whistle blower policy with a general scope under which all matters can be reported in 2013, which will serve next to existing company (complaints) regulations.

Complying 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". This manual 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. An e-learning module on competition regulations has been made compulsory for all Air France and KLM executives holding posts that require such knowledge. At the end of the training and final assessment, employees sign a declaration in which they commit to comply with competition rules relevant to their work. In 2013, some of those members of staff concerned will undergo this training again. ●

“The Social Rights and Ethics Charter forms the shared foundation of the Group’s commitments by reaffirming the values and fundamental rights that guide the Group’s social and ethical policy. Every employee is encouraged to become acquainted with this Charter and proactively endorse it.”

JEAN-CYRIL SPINETTA,
Chairman and CEO
of Air France-KLM

Public Positions

Inclusion of airlines in the EU emissions trading scheme (EU ETS)

The EU Directive establishing the EU emissions trading scheme (EU ETS) has applied to aviation since 1 January 2012. The system applies to all flights to, from and within Europe. Air France-KLM has always supported the implementation of a market based measures mechanism that benefits environment far more than a straightforward tax, provided the mechanism is non-discriminatory and cost efficient. EU ETS, limited to intra European flights, is to be considered as a first step towards a worldwide system that should be defined at ICAO level. Negotiations at ICAO have intensified with the aim of arriving at a proposal for an international acceptable solution for a worldwide system. This proposal needs to be ready for the three-yearly Assembly in Fall 2013. "Carbon leakage" needs to be avoided and there should be a fair share for the aviation industry. Revenues of new market measures should be used for climate mitigation within the aviation sector, such as sustainable biofuels.

Single European Sky

To date, the Single European Sky is still not yet implemented. The Single European Sky regulation, passed in 2009 by the European Parliament, was intended to overhaul air traffic control in order to enable a 3-fold increase in capacity, improve the safety performance by a factor 10, enable up to 12% less CO₂ emissions and reduce ATM costs by 50%. Through active cooperation in the ACARE, AIRE and SESAR programs, Air France-KLM already is actively involved in the development of measures that make implementation possible any moment. Given the importance of a contribution of SES to worldwide CO₂ reduction, Air France-KLM and the airline associations call upon Member States to take their responsibility in finally reaching the Single European Sky.

Alternative fuels

Sustainable alternative fuels constitute one of the most promising ways to reduce air transport's carbon footprint. Air France-KLM provides financial support for research and is creating an international market for sustainable aviation biofuels that are environmentally friendly and are respectful of economic and social development. The Group supports the European Commission's Biofuel Flightpath initiative, which is being conducted in partnership with Airbus, Air France, KLM and other European airlines and European biofuel producers. All of those involved are committed to promoting the production of sustainable biofuels for aviation, to support the creation of a genuine European industry. Due to the limited amount of biomass grown in a sustainable manner for the production of liquid fuels, the Group supports the principle of comprehensive legislation that focuses the provision of these scarce resources to areas that have no alternative to liquid fuels such as aviation, shipping and long distance road transport. The Dutch government and KLM signed a "Green Deal" for the period

2011-2015. This agreement commits each party to specific actions to accelerate the realization of sustainable initiatives in the field of biofuels and waste treatment.

Supporting the competitiveness of European aviation

On the 27th September 2012, the Commission adopted a Communication on the EU's external policy on aviation. Air France-KLM shares the Commission's observations and analysis and supports it in its efforts to promote fair and equitable competition. Changes to the European regulatory framework are necessary to preserve the sector's competitiveness, especially in areas involving infrastructure costs such as en route charges and airport fees. Innovation and support for R&D projects are important tools in maintaining the competitiveness of the aviation industry. In this context, the ACARE (Advisory Council for Aviation Research and Innovation in Europe) strategic roadmap, which promotes research, innovation and proper policy instruments, is the appropriate framework to provide support for European initiatives. CORAC Council (Conseil pour la Recherche en Aéronautique Civile) is drawing up the roadmap for French research between now and 2050.

Consumer rights

Customer relations are at the heart of Air France-KLM's business. Safety, punctuality and reliability are key. In case of any unforeseen events Air France and KLM take all measures necessary for minimum delays. The Group contributes to the work undertaken by the European Commission on consumer rights and remains vigilant on the fair and equal application of rules to all airlines operating to and from the European Union, and the necessary reasonable application. The Group will pay particular attention to these issues during the review of regulations, which is on the Commission's agenda in 2013.

Airport infrastructure

The European Commission has proposed several laws aimed at solving the problems of congestion on the ground at airports, reducing delays and improving service quality. These proposed regulations relate to the allocation of slots, ground handling and noise. Regarding the issue of slots, Air France-KLM - like all airlines - considers that any revision of the current system must preserve internationally recognized principles. These principles enable the operation of a consistent slot allocation system, which preserves the competitiveness of European operators. ●

A photograph taken from the perspective of someone inside an airplane, looking out the window. The left side of the frame shows the white, curved structure of the airplane's wing and part of the tail fin. Below the wing, a vast, dense layer of white, puffy clouds stretches across the horizon. Above this layer, the sky is a deep, clear blue. The word "Environment" is written in a white, italicized serif font in the upper right portion of the image.

Environment



Minimizing our environmental footprint

AMBITION

We aim for a sustainable balance between aviation growth and minimizing our environmental footprint by mobilizing our industry, innovating our supply chain and reducing our own impact.

COMMITMENTS

Air France-KLM'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" and also minimizes its environmental impact in the field of noise, waste, energy and water. The Group goes beyond regulatory requirements by:

- Mitigating noise and emissions from our operations by renewing fleet and implementing the most efficient procedures.
- Continuing to modernize its fleet, optimizing its performance and collaborating with partners in the entire supply chain.

- Investing in sustainable aviation fuel and contributing to aviation and renewable energy research.
- Involving internal and external stakeholders in environmental action plans in line with eco-design principles and supports environmental protection programmes led by NGOs.
- Providing its passengers with transparent information on their related CO₂ emissions and the possibility to offset travel related CO₂ emissions and corporate customers with the opportunity to fly part of their business travel on sustainable biofuel.
- Supporting efforts to reach a new worldwide climate agreement and mobilises the aviation sector for a fair contribution to collective targets.

AIRFRANCE KLM

Objectives		Main achievements 2012
CO ₂		
2012	AIR FRANCE → 3.7 liters/passenger/100km (93g CO ₂ /passenger/km)	→ 3.69 liters/passenger/100km: objective achieved
2015	AIR FRANCE → '2008 Fuel Plan': 300,000 tons of fuel saved between 2008 and 2012 → 'New fuel Plan': 1% reduction of fuel by 2015 (compared to 2011)	→ Objective achieved → 25 000 tons of fuel saved compared to 2011 thanks to the set up of the New Fuel Plan in June 2012
2020	AIR FRANCE → 1.5% improvement to energy efficiency per year	→ 3% improvement in 2012 compared to 2011
2025	KLM → Scalable production of sustainable and affordable biofuel. → Aim for 1% sustainable biofuel in 2015 in context of WWF-NL partnership	→ Set up of a long term biofuel supply chain strategy → Ca. 100 commercial biofuel flights Amsterdam-Paris, First transatlantic biofuel flight to Rio de Janeiro, Launch of KLM BioFuel program → Advance purchase agreement with ITAKA
2020	KLM → 20% reduction of CO ₂ emissions per ton/kilometer in 2020 (baseline 2009: 91.6g CO ₂ /ton.km)	→ ~3% reduction compared to 2009 (2012: 88.8g CO ₂ /ton km) → 30,000 ton CO ₂ reduction by fuel saving of 12 million liters
NOISE		
2012	AIR FRANCE → Expand activity while keeping noise emissions below 2005 levels (10 major French airports)	→ 30% reduction in noise energy compared to 2005
∞	KLM → Reduce noise at Schiphol in partnership with the aviation sector	→ Continue testing the new regulatory and enforcement system which should sustainably balance movements and noise mitigation
LOCAL AIR QUALITY		
2013	AIR FRANCE → Contribute to the reduction of polluting emissions caused by commuting in the Paris region with a 5% shift in transport modes	→ Rate of car use: 80% → Inter-Business Travel Plan (PDIE) signed on September 20, 2012 at Orly Airport by a group of companies representing almost 60% of the 27,000 employees based at the airport
2012	KLM → Towing with external power, while not using the Auxiliary Power Unit (APU)	→ Emission reduction due to 6600 hrs less APU use
∞	KLM → Increase the roll-out of electrically powered, ground equipment	→ 34 new electric conveyor belts, 6 new hybrid hydrant dispensers
WASTE		
2013	AIR FRANCE → Increase proportion of waste recycled to 50%	→ 41% hazardous waste recycled in 2012. Improvement of the non-hazardous waste traceability process
∞	KLM → Reduce non-recyclable waste, investigate techniques for internal waste processing	→ 600 tons reduction in the amount of catering waste incinerated
ENERGY		
2014	AIR FRANCE → Improve the energy efficiency of buildings through an 8% reduction in their energy consumption	→ 3% reduction in the energy consumption of buildings thanks to inclusion of this objective in suppliers' contracts and equipment improvement
2016	KLM → 2% annual improvement in the energy efficiency of buildings	→ 2.4% energy saving (896m ³ of natural gas and 2,146 MWh of electricity saved)

Our footprint in 2012

AIR FRANCE-KLM FIGURES

→ Carbon footprint

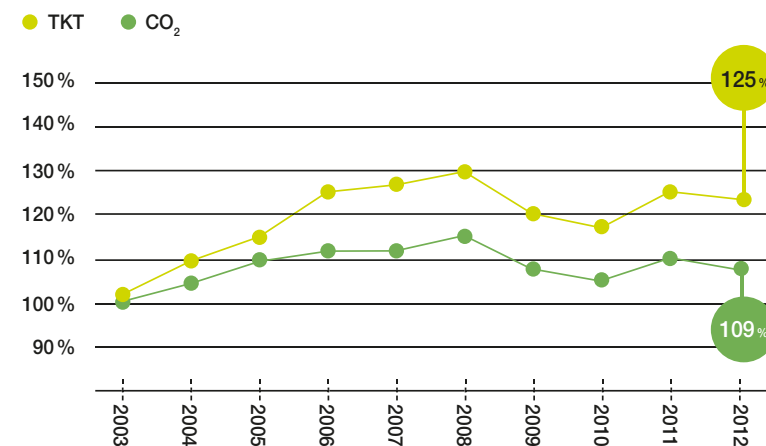
(⊕ read about our actions on page 31)

28.3
million
tons of
CO₂

Emissions of ground and flight operations (of which flight operations: 99.7%)

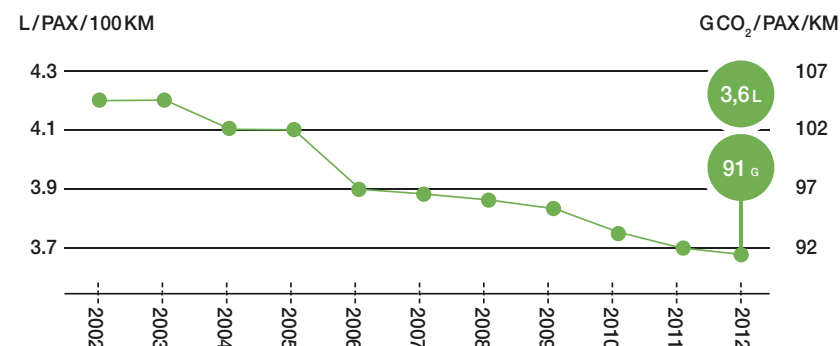
9
million tons
of fuel
Consumed

CO₂ EMISSIONS AND TRAFFIC



GROUP SPECIFIC FUEL CONSUMPTION

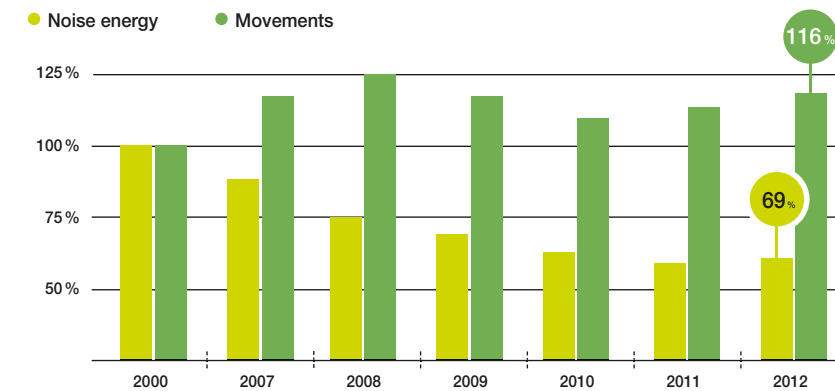
The Group has achieved a reduction of its relative CO₂ emissions of 15% in 2012, since 2000. In 2012, it achieved 3.6 liters/passenger/100km – 91g CO₂/passenger/km



→ Noise

(⊕ read about our actions on page 34)

GLOBAL NOISE ENERGY



31%
noise
reduction

Compared with 2000
despite a 16% increase
in movements

→ Air Quality

(⊕ read about our actions on page 35)

773 tons
of NO_x Emissions
of ground operations

16.1 tons
of SO₂ Emissions
of ground operations

→ Waste, water, energy

(⊕ read about our actions on page 36 and 37)

57,060
tons
Non-Hazardous waste

812,000 m³
Water used

58%
recycling
Hazardous industrial waste

905,785 MWh
Energy consumption (electricity, gas, other
energy)

Climate change

Implementing effective regulations

Combatting climate change is a global challenge, to which the aviation industry was the first to organize a joint response. Regulations at a global sectoral level can effectively control the industry's CO₂ emissions.

The EU's Emissions Trading Scheme (ETS) has applied to all European and non-European airlines landing in the European Economic Area since 1 January 2012. However, in November 2012, the European Commission suspended the application of this measure for intercontinental flights for the year 2012, flights within the EU remain subject to the scheme (⊕ see Public Positions, page 23).

In order to meet their obligations for 2012, Air France and KLM have already bought emissions permits corresponding to their flights operated within Europe, which are subject to ETS.

The International Civil Aviation Authority (ICAO) is committed to publishing proposals for regulating global aviation emissions. A legal and technical framework for a market-based mechanism is in development, which will enable carbon neutral growth by 2020, as per the resolution adopted in 2010 by the organization's 174 member states. The vote to adopt the measures will take place in October 2013 by the ICAO assembly. It is essential that the specific details of a framework towards a global market based mechanism are agreed upon.

International Air Transport Association (IATA) member airlines are mobilized to make a decisive contribution to this work and to facilitate the adoption of the most effective solutions possible.

Meeting international commitments

Air France-KLM has pledged to respect the commitments made by the aviation sector in 2009, namely:

- to improve energy efficiency by 1.5% annually until 2020 (excluding economic measures)
- stabilization and carbon neutral growth from 2020 onwards
- 50% reduction in CO₂ emissions by 2050, compared with 2005 levels

Involving in national commitments

Four years after the Commitments Agreement for the French aviation industry, Air France has achieved or exceeded its objectives in all of its areas of responsibility:

- Fuel consumption per passenger reduced by almost 4% between 2008 and 2011
- 27% reduction in CO₂ emissions for flights between mainland France and overseas territories in 2011, compared with 2005
- 30% reduction in noise emissions compared with 2005

In the context of the Green Deal on biofuel with the Dutch government, KLM has executed another series of flights on sustainable biofuel to Paris, the first transatlantic flight on sustainable biofuel to Rio de Janeiro and KLM launched the BioFuel program for corporate customers. ●



1. IPCC Fourth Assessment Report / Technical Summary (<http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-ts.pdf> p.49), 2007 and GleC-Ale 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, box 15.6), 2006

FOCUS

The “Climate Action Plan”, sets out the 6 ways in which the Group is mitigating impacts of climate change

- Support efforts towards achieving a global climate agreement, with a fair contribution for aviation
- Pursue fleet modernization and contribute to aeronautical research
- Involve stakeholders within and outside the Group around ambitious environmental action plans which further integrate eco-design principles
- Actively stimulates the implementation of sustainable aviation biofuels and is involved in research for renewable energy
- Support environmental protection programs led by NGOs
- Provide our customers with information on their travel-related CO₂ emissions and provide opportunities to offset these.

Carbon footprint

Air France-KLM has a longstanding commitment to deal with climate change by reducing its own carbon footprint.

The Group realizes this reduction through improving its operational efficiency, active fleet renewal, offsetting and using sustainable alternative fuels (⊕ see pages 32-33), in accordance with its Climate Action Plan (⊕ see focus page 30). It also contributes to our profitability due to fuel cost savings.

Air France-KLM improved its fuel efficiency by 1.5% in 2012 compared to 2011.

KLM aims to reduce its CO₂ emissions (per ton*kilometer) by 20% by 2020, compared with 2009 figures, including an expected reduction of 685,500 tons of fuel by 2020 thanks to its ambitious fleet renewal program (see hereafter).

Achieving operational efficiency

- Four key areas in fuel saving measures can be distinguished:
- Aircraft: reduce onboard weight, reduce engine and Auxiliary Power Units fuel consumption, reduce drag, etc. **A 1 kg reduction of onboard weight on all Air France aircraft results in an annual 76 ton reduction of CO₂ emissions.**
 - Airspace: flight path optimization, reduce aircraft waiting times, optimize altitude, etc. **The impact of European ATC on Air France's fuel consumption has been estimated at 6% per year, or around 70kt.**
 - Fuel carried onboard: optimization of regulation fuel quantities, optimization of operational fuel. **Route optimization, accurate planning, weight savings and taxiing with one or two engines switched off resulted in 2012 in a fuel saving for KLM of ca 9 million liters.**
 - Flight process: adapting procedures to minimize fuel consumption during the flight by taking into account

aircraft, engine manufacturer and supplier recommendations, etc. **Instead of concrete or gravel to balance an aircraft, KLM Cargo introduced water containers which can be emptied at the destination in order to save weight on the return flight.**

In 2012, at KLM, almost 10,000 tons of carbon emissions were avoided thanks to the numerous measures in place, such as the rollout of 5,500 new, lightweight trolleys.

At Air France, the implementation of the renewed ambitious Fuel Plan resulted in savings of 25,000 tons of carbon emissions in 2012. As part of this plan, Air France has for example replaced its entire fleet of long haul baggage containers with new containers which are 11 kg lighter, and thus more CO₂ efficient. The new Air France Fuel Plan will contribute to 1% reduction of Air France's fuel consumption by 2015.

Renewing our fleet

The main lever of CO₂ emissions reduction is fleet renewal as new aircraft are more fuel efficient. The average age of Air France-KLM aircraft is 9.9 years.

Air France and KLM continued the modernization of their fleet in 2012:

Air France: three 777-300ERs and two A380s added to the long haul fleet and two new A320-214s replaced five previous generation A320-211s.

KLM: replacement of MD11s with more energy efficient Airbus A330-300 aircraft. KLM CityHopper finished the replacement of the F100 fleet with 22 Embraer 190 aircraft resulting in reduction of CO₂ emission of 155,000 tons in 2012. Transavia.com replaced an 737-800 equipped with a next generation 737-800, equipped with lighter carbon brakes and lightweight construction materials for the galleys.

Offsetting emissions

Air France and KLM provide their customers with CO₂ emissions calculators, available on both of their websites and the option to offset these emissions. The Group offers certified sustainable carbon reduction credits that guarantee high-level offsets.

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. Gold Standard offsetting through KLM's CO₂ZERO program and the launch of its KLM BioFuel program for corporate customers enables KLM customers to take part in saving CO₂ emissions on a voluntary basis. ●

“Optimum fuel management is a strategic challenge. The new “Air France Fuel Plan” allowed 25 000 tons of fuel savings in 2012 by combining the various divisions' fuel savings. Saving ideas are collected from employees and from industry best practice and are implemented while respecting our absolute priority: safety.”

MATTHIEU LEFER,
Air France Fuel Plan manager.

Stimulating the industry

Air France is participating in a project to produce biofuel from forestry waste, led by the CEA (Commissariat à l'Énergie atomique et aux énergies alternatives). The first deliveries are scheduled for 2018 and represent around 15,000 tons per year. Air France and KLM support the European Commission's ITAKA initiative (Initiative Towards sustainable Kerosene for Aviation). This project, which is funded under the 7th European Framework Program for Research and Technological Development (FP7), will establish links between farmers, biofuel producers, distributors and users to break down the barriers to commercial rollout. In the short term, KLM has signed an advance purchase agreement with ITAKA to secure the use of large quantities of sustainable biofuels.

Supporting regulatory incentives

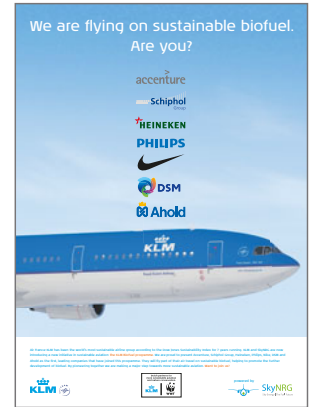
Air France and KLM are involved in the Biofuel Flightpath 2020 European initiative, which aims to produce 2 million tons of sustainable biofuels in Europe by 2020. In 2012, three working sessions bringing together key European players took place. Air France participates in the French Ini-FCA (Initiative Futurs Carburants Alternatifs) led by the DGAC (Direction générale de l'Aviation Civile). This working group aims to reach the European target at a national level, 200,000 tons per year.

Innovating in the supply chain

In 2009 KLM created, in cooperation with North Sea Group and Spring Associates, SkyNRG in order to develop a sustainable fuel supply from purchase to delivery. SkyNRG is now supplying more than 15 airlines throughout the world, including Air France-KLM. In 2012, KLM established a specific long term supply chain strategy with focus on innovative partnerships. For the middle long term KLM is now, together with Climate KIC partners, developing new biofuel supply chains and currently investigating other partnerships.

Involving customers and partners

To create a market for sustainable bio jet fuels Air France and KLM are collaborating with partners and customers. In the Biofuel Flightpath 2020, Air France and KLM explore the opportunity for a voluntary off-take agreement with 2 others airlines, in order to secure the market for newcomer producers. As part of its WWF-NL partnership and the Green Deal commitment, KLM launched in 2012 the KLM BioFuel program for corporate customers. The first of its kind in aviation. The seven launching customers of this program are also frontrunner companies in their own sector.



Sustainable alternative fuels

Sustainable alternative fuels are one of the most promising routes to achieving reduction in aviation's CO₂ emissions. They are essential in achieving Air France-KLM ambitions as well as for the aviation industry as a whole. The aviation industry, unlike other modes of transport has no alternative to liquid fuel, and moreover no alternative technology is likely to emerge before 2050. Because of this, Air France-KLM considers the transition from fossil fuels to renewables a priority, to ensure the future of commercial aviation. The Group's strategy is to explore the entire value chain from research to commercialization in order to achieve a breakthrough for scalable and affordable sustainable biofuel.



FOCUS

Bio to Rio

On June 19, 2012, KLM carried out the first transatlantic biofuel-powered flight using a Boeing 777-200, transporting passengers from Amsterdam to Rio de Janeiro for the Rio+20 conference. The flight was partly powered by biofuel from used cooking oil, supplied by SkyNRG. Simultaneously KLM launched its "BioFuel program" in the presence of the Dutch Secretary of Infrastructure and Environment with 7 leading companies.

“ Air France-KLM demonstrates vision and leadership in the use of sustainable biofuels. RSB has set the world's highest standard for respecting people and the environment in biofuel production. Thanks to the efforts of KLM and SkyNRG, the world's first RSB certified supply chain for jet fuel is now fully operational. This is a great moment for sustainability. ”

PETER RYUS, CEO Roundtable on Sustainable Biofuels (RSB) Services Foundation



Stringent sustainability criteria

→ Air France-KLM supports the use of different types of renewable feedstock, on condition that its production meets stringent sustainability criteria, including: substantial reduction in CO₂ emissions, a minimal impact on biodiversity, no competition with food production or the availability of food resources, and a positive impact on the social development of local communities.

→ Through the SAFUG Group (Sustainable Aviation Fuel User Group) that today counts 23 airlines as members, Air France-KLM is a member of the RSB (Roundtable of Sustainable Biofuels) whose 12 sustainability criteria are recognized by the European Commission.

Noise



31%

The Group's ongoing investment in its fleet has meant a 31% reduction in noise energy between 2000 and 2012.

€34 M

Paid in 2012 by Air France-KLM for soundproofing.

While accommodating the increasing demand for mobility, a challenge for the aviation industry is to maintain the noise hindrance at an acceptable level for those living near to airports. Air France-KLM made the reduction of noise a requirement in its Corporate Social Responsibility Statement.

Reducing noise hindrance

Operating a modern fleet of aircraft reduces noise hindrance. The Group's ongoing investment in its fleet has meant a 31% reduction in noise energy between 2000 and 2012. This reduction is an achievement not at least because the number of movements has increased by 16% over the same period of time (see diagram page 29).

Improving departure and approach procedures can also help to reduce noise hindrance for local residents. Air France and KLM actively contribute to the implementation of noise abatement procedures. The environmental benefits of each new procedure are assessed, approved and made public by the French and Dutch civil aviation authorities.

Night flights regulations are very constraining. They deal with the number of allocated slots and the respect of their scheduled times, and aircraft must comply with noise criteria. Air France and KLM are very committed to comply with these rules.

For night flights, Air France and KLM apply the so-called Continuous Descent Approach.

Dialogue with residents

Air France and KLM strengthen ties with residents and other local stakeholders through dialogue. In France, this discussion is held in the context of CCEs (Environmental Consultative Commissions) and CCARs (Advisory Residents' Assistance Commissions). Air France is involved in these at all airports where it operates. In The Netherlands, KLM participates at the Alders Table for discussion on noise. For a second year, the Alders Table has tested the new regulatory and enforcement system which should sustainably balance movements and noise mitigation.

In the Schiphol Regional Consultative Committee (CROS), KLM works with the representatives of local residents, Schiphol and Air Traffic Control The Netherlands to establish measures and solutions designed to reduce the disturbance that local residents of the airport might experience from flights.

Reducing impact

The French and Dutch governments have shown an ongoing commitment to reduce the impact of noise hindrance for local residents. They have implemented policies that aim to include exposure to aircraft noise in urban planning considerations. These policies seek to prevent new residents moving to areas exposed to noise, and also to reduce the impact of noise by soundproofing existing housing. In France and in The Netherlands, airlines finance soundproofing of homes located around the airport. In 2012 the Group paid €34 million towards soundproofing (€18 million by Air France, €16 million by KLM).

Assessing nuisance

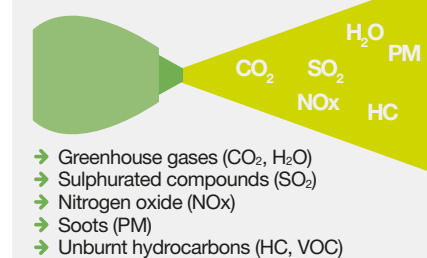
Noise is measured by sound level, however other factors can impact the hindrance created by noise: the frequency with which it occurs, sound dissonance, etc. The CORAC (French Council for Civil Aviation Research) has launched a psycho-acoustic study on the perception of aircraft noise. The study aims to identify noise hindrance factors and to guide aircraft manufacturers in their research.

At the instigation of ACNUSA, public authorities have launched the DEBATS study (Discussion on the Effects of Aircraft Noise Affecting Health), whose purpose is to "Better understand the effects of aircraft noise on health".

Air France sits on the steering committees of both CORAC and DEBATS. ●

Local air quality

MAIN EMISSIONS OF AN AIRCRAFT ENGINE



Aviation does not only have an impact on the climate (see pages 30-31), but has also an impact on the air quality as well in areas close to airports due to emissions from aircraft engines, ground operations on the airport premises and maintenance activities. Also engine tires and brakes are a source of gases and particles emitted. Local air quality and its implications in terms of human health are a growing concern. Air France and KLM closely monitor air quality indicators (see environmental footprint, pages 28-29), support research to improve air quality and take measures in the area of ground handling equipment and vehicles.

More electric ground handling equipment

To reduce emissions associated with the use of combustion engine powered ground handling equipment, several measures were taken in 2012:

Air France

- Awareness campaign on reducing Ground Power Unit use, installation of several electric power converters, 30 parking spaces no longer require a GPU, saving 112,000 liters of fuel.
- 20% of diesel powered self-propelled passenger stairs were decommissioned thanks to the opening of satellite S4 at CDG, which provides direct access to the terminal building.

KLM

- In order to minimize the use of Auxiliary Power Unit in 2012 at Schiphol, KLM increased the number of electrically powered cooler/heater units by 55%, bringing the total number of electrical cooler/heater units to 14.
- Replacement of 31 diesel powered conveyor belts by electric ones and introduction of 6 hybrid dispensers.

Favor fuel-efficient vehicles

Air France-KLM Cargo and Martinair Cargo introduced the very first "green dual-fuel truck" in its trucking network. This eco-friendly truck carries door-to-door shipments be-

tween the Schiphol warehouse and customers located at Schiphol.

KLM has included a 4% CO₂ emissions reduction target over ten years into its policy for cargo trucking suppliers. In June 2012, Air France's road freight operations saw delivery of its first "eco truck", which uses between 25% and 30% less diesel, thanks to its dual diesel-LPG fuel system. KLM E&M has tested a biogas-powered truck as part of its "green lane" project, with the objective to make the daily transport between Amsterdam and Paris more sustainable in the near future.

In 2012, KLM expanded the use of fully electrical cars in operations of catering, maintenance and staff transportation. Four electric vehicles are tested by Air France at CDG airport to ensure their autonomy and reliability prior to wider implementation.

KLM strives to make the remainder of its vehicle fleet more sustainable. A successful pilot project involving 40 vehicles powered by 100% 2nd Generation biodiesel showed that the CO₂ emissions during production process can be reduced up to 80%. The feasibility of implementation of 2G biodiesel on the long term is currently under consideration.

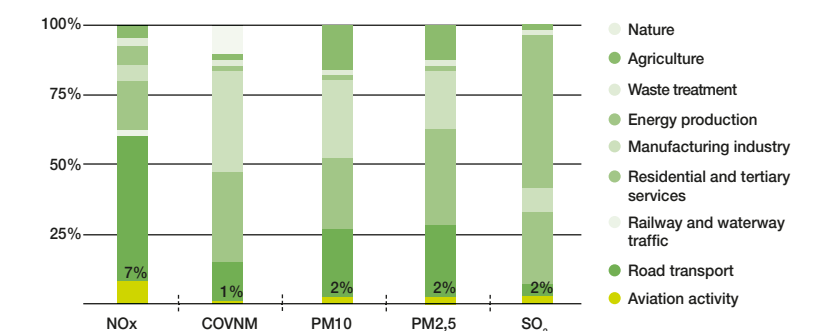
Control indirect and induced emissions

In 2012, Air France and its subsidiary Servair carried out a carbon audit, in line with ADEME (Agence de l'environnement et de la maîtrise de l'Énergie) methodology. Although direct emissions (Scope 1) from the combustion of kerosene represented 92% of its total, Air France carefully assessed its indirect emissions (Scope 2) and its induced emissions (Scope 3).

Cleaning of KLM's uniforms, overalls, pillows and blankets has been centralised at Schiphol, which by decreasing the number of transport kilometers with 40%, contributes to the reduction of local emissions. ●

EMISSIONS OF POLLUTANTS PER SECTOR IN THE PARIS REGION

(source: AirParif, latest inventory 2007)



FOCUS

Sustainable transport agreements between companies

Air France is a partner in inter-company transport plans at Paris-CDG and Paris-Orly. These plans aim to pool resources between companies to promote responsible mobility, to engage in dialogue and to develop innovative solutions to expand responsible car use by employees. In 2012, the Group published a guide designed to make the current public transport options easier to understand.

Waste, water and energy

Throughout the supply chain Air France-KLM strives to minimize the generation of waste and maximize the use of the waste that is left. Waste is also identified by our customers as one of the main environmental issues we should take care of. The Group takes waste into account from product specifications to waste treatment such as recycling, upcycling or energy production.

Avoiding and recycling waste

Air France aims to increase the share of recycled waste by 50% by the end of 2013. Among the initiatives put in place in 2012, new reusable headphones will save around 400 tons of waste per year. As part of its Optiprint project, Air France reduced its printing by 40% between 2008 and 2012, saving paper the equivalent of 70 tons of CO₂.

KLM also avoided paper waste by reducing the quantity of newspapers carried onboard and has reduced the number of languages the business class menu is available in, from 3 to 2.

More than 70% of KLM's non-hazardous waste at Schiphol is due to catering and onboard waste. This represents around 15,000 tons annually, the equivalent of 14,000 Dutch households' annual waste production. In order to reduce the volume of transport and processing of cabin waste, KLM Catering Services introduced a juice press to separate the fruit juices (600,000 kg) from cartons and plastic bottles. Juices and liquids are now being digested instead of incinerated.

As part of its SCRAP program, Air France recycled 18 tons of aviation scrap metal, avoiding the production of 162 tons of CO₂. KLM has expanded its scrap metal program (ca. 50 tons) covering 4 other types of waste: furniture, equipment, pallets and blankets.

In 2012, Servair reduced the amount of its waste that is incinerated by 3.2%, compared with 2011. It achieved this by increasing the quantity of boxes it recycles by 150 tons and newspapers and magazines by 500 tons.

Giving waste a new life

In November 2012, Air France organized the collection of 800 used mobile phones. Where possible, phones were reconditioned and sold on the second hand market.

Air France also collects used uniforms, which are turned into insulation fiber for vehicles. This initiative involved 35,000 employee uniforms.



Air France is working with an "upcycler" to transform out-of-date jackets into travel bags.

A hand bag and luggage tags fashioned by top designer Omar Muni were made from upcycled KLM uniforms and were included in onboard sales offer (see opposite pictures).

Saving water

Air France saves 8 million liters of water annually, thanks to the "ECOSHINE" procedure, which uses pads to clean the exterior of aircraft. Since January 2012, this procedure has been extended to the cleaning of aircraft landing gear. The product is biodegradable (96%), non-toxic, non-flammable, and significantly reduces the need to treat wastewater.

Reducing energy in buildings

New buildings used by Air France and KLM are designed to take into account environmental criteria, along with ergonomics and the well-being of those who use them.

Air France-KLM Cargo personnel have moved into the new "TransPort" building at Schiphol, which was designed as one of the most energy efficient buildings

“ Air France Industries recycled 3,000 tons of industrial waste, representing 60% of all waste produced. 900 tons found a new use, such as lifejackets transformed into travel bags. ”

CLAUDE SANTIN,
Quality Safety Environment
and Sustainable Development,
Air France Industries Manager



in the Netherlands. Similarly, KLM's IT department has moved into a new building, including "Cradle 2 Cradle" principles. KLM has also aligned the operating time of office ventilation with occupation time, resulting in 10% reduction in power consumption in several buildings. 83% of the electricity used in KLM buildings is green energy from hydro-electric power. At the beginning of 2013, Air France's Equinoxe building obtained HQE certification. The building is also a pilot for R&D for best environmental practice that could be extended to other Air France buildings.

Air France has committed to improving the energy performance of its buildings, by reducing their energy consumption by 8%. This concerns industrial buildings, such as the Cargo warehouses at Paris-Orly as well as office buildings, such as the Altaï building at Paris-CDG.

Improving our activities

Air France and KLM operate an ISO 14001 Environmental Management System (EMS). This standard is based on optimal control of all relevant environmental aspects, proactive monitoring of regulatory requirements, continuous mitigation of environmental impacts. It provides a structured way to achieve the environmental targets set. It acknowledges the Group's commitment to proactive environmental protection and the way it manages industry-related environmental risks.

Air France achieved certification in July 2008 and continues its efforts through a coherent Corporate Action Plan. KLM's Environmental Management System (EMS) has been ISO 14001 certified for all its operations in The Netherlands since 1999. The certificate was renewed in 2011 for Air France and in 2012 for KLM for another three years.

Besides ensuring compliance with regulations, the EMS is used as a tool to stimulate improving environmental performance and innovation and to pay structural attention to the supply chain.

In 2012, Martinair continued to implement the Air France KLM's CSR policy. In order to obtain the ISO 14001 certificate in 2013, several actions were initiated and new procedures were implemented.

Maintaining ISO 14001 certification is part of Air France's 2012 contract of objectives. The direction of environmental policy in 2013 is both in line with the company's new context, as well as the "Transform 2015" project. As such, initiatives to save resources (energy, fuel, etc.) and waste management will be continued. ●

FOCUS

Energy saving measures

Through energy saving measures in the context of KLM's energy efficiency plan in 2012 a saving of 2.4% of the building related energy consumption was achieved. In particular, thanks to the installation of separate heating and hot water boilers KLM was able to switch off several large central boiler houses during the summer of 2012. This, along with the installation of a heating control system, resulted in an overall 5% reduction in the amount of gas used.

10%

KLM aligned the operating time of office ventilation with occupation time, resulting in a 10% reduction in power consumption in several buildings.

83%

Of the electricity used by KLM buildings is generated by hydro-electric power.

Research and innovation

Air France-KLM supports research and innovation in order to better understand the environmental impact of its businesses and to act on this effectively.

Progressing on climate, noise and air quality

Air France is a member of the Council for Research in Civil Aviation (Conseil pour la Recherche Aéronautique Civile - CORAC). Based on the ACARE model, and led by the DGAC and GIFAS, the French aviation industry, airlines, airports, ONERA, institutions and relevant government departments have come together with the aim of ensuring the consistency of research and innovation. A roadmap setting out a shared path until 2050 has been drawn up and three groups of scientific experts have been formed. These groups are focused on Climate Change, Noise and Air Quality. In 2012, the Air Quality network produced a report on current knowledge concerning air quality in French airports and their surrounding areas. The network went on to propose three topics for more extensive research, which aims to reduce aviation's impact on local air quality.

Investing in biofuels

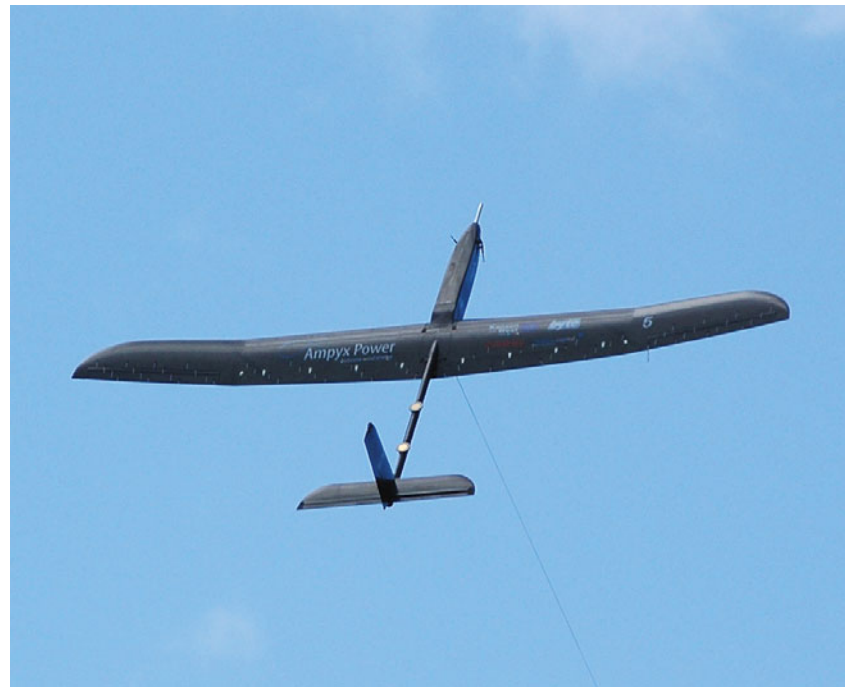
More than 20 French partners, including Air France have come together under the leadership of the DGAC in a Group called Ini-FCA (Initiative Futurs Carburants), which inventories national projects and supports the most innovative among these, such as Probio3, which is studying lipids from microbial production. Together with Schiphol Airport, the University of Utrecht, DSM, SkyNRG, Imperial College London, KLM is involved in the "Climate KIC" project, which aims to identify and remove barriers to the structural use of sustainable alternative fuel. This initiative is seeking to implement an independent supply network for these fuels, which are sourced from sustainable European resources and could represent 20% of the demand for jet fuel in Europe in 2025 (⊕ see pages 32-33).

Researching airborne wind energy

Together with Rabobank, Schiphol and TU Delft, KLM invests in the development of "Airborne Wind Energy", through the Mainport Innovation Fund. The Airborne Wind Energy system consists of a sailplane flying patterns in the sky connected through a tether to a generator on the ground (see picture above).

Supporting internal innovation

Through the Innovation Quality Program (⊕ see page 59), Air France is involving its staff in its approach to progress and innovation. In 2012, the "quality process"



trophy was awarded to an innovation that reduces excess kerosene purged on A330/340s. One of the yearly KLM innovation awards was given the Embraer turnaround project where reduction of 15 min turnaround time created considerable cost savings.

Evaluating electric taxiing

Air France and KLM have begun work on evaluating various electric taxiing systems for their medium-haul aircraft. KLM has signed a letter of intent with a supplier which is able to equip the front landing gear of its 737s with an electric motor, while Air France is working with its suppliers on equipping A320s. Solutions currently under consideration would enable 200,000 liters of fuel to be saved per year, per aircraft.

Co-development of solutions

As part of a joint innovation project Air France-KLM has developed the new 35% lighter "Herculight" cargo pallet, which is made of composite materials instead of the traditional aluminum. The replacement of existing pallets could lead to significant fuel savings, which the IATA estimates at around \$3,000 per year, per pallet. The durability and airworthiness of these pallets was assessed by KLM in 2012 and operational roll out is due to begin in 2013. ●

35%

As part of a joint innovation project with pallet supplier, Air France-KLM has developed the new 35% lighter "Herculight" cargo pallet, which is made of composite materials instead of the traditional aluminum.

200,000 liters

Electric taxiing currently under consideration would enable 200,000 liters of fuel to be saved per year, per aircraft.

Biodiversity

Preservation of biodiversity is a major challenge, although the impact of airline industry on it is indirect. It mainly occurs through the emission of CO₂, which contributes to climate change. Air France-KLM are involved with several initiatives that protect biodiversity.

Madagascar forest conservation program

The Holistic Forest Conservation Program (PHCF) was launched in 2008 by Air France, the GoodPlanet foundation and the WWF and covers an area of 500,000 hectares. Four years in, the project's results are very positive (see picture below).

The Program's ambition is to reduce deforestation and degradation of forests, to participate in the development of local communities whilst at the same time protecting Madagascar's unique biodiversity. The Program also aims to advance scientific understanding of forest carbon.

All of the objectives set in 2008 have either been reached or exceeded:

- 34,000 households informed about alternatives to slash and burn agriculture, 5,000 of these have already adopted at least one of the techniques suggested
- 23,000 hectares of forests have been restored
- 2,200 hectares reforested
- 470,000 hectares of new protected areas created to conserve forests and biodiversity
- 110 transfers of natural resource management (TGRN) to populations covering 332,900 hectares, of which 32 have already been formalized



→ 35 million tons of CO₂ over 20 years: the estimated potential for CO₂ emissions reduction, according to scientific studies

Air France, GoodPlanet and WWF are working together, along with a number of experts and under the patronage of the Ministry of Environment and Forests and the Ministry of Agriculture. The project partners are working with authorities in Madagascar to ensure that achievements to date are sustained and to develop future ambitions.

Supporting biodiversity protection programs

Air France-KLM supports the development of the REDD system (Reducing emissions from deforestation and forest degradation) which aims to reduce carbon emissions and protect forest species, whilst at the same time improving the living conditions of local people.

KLM continued its involvement in IUCN Leaders for Nature Inspirational Programme for Ecosystems. Signatories to this program met throughout the year to discuss their experiences of various projects and also took part in "biobased ecoservices" workshops and contributed to the work of the REDD.

As part of its partnership with WWF-NL, KLM supports three nature conservation programs: The Coral Triangle in Indonesia, green island economy on Bonaire and a large forest project in Brazil.

KLM takes a proactive approach to protecting biodiversity within its business, through its sustainable catering offer onboard (using sustainable fish, soya and palm oil ⊕ See pages 50-51). ●

FOCUS

Future travellers

The "Missing Chapter" foundation, brought the KLM Board of Directors and children together for dialogue on sustainability issues. As travellers of the future, the children gave new perspectives on sustainable aviation. New ideas about onboard weight reduction and new technologies were generated. The Pays de Roissy-CDG association, of which Air France was a founder member, has also organized a competition for schools close to Paris-CDG. The theme "what will planes look like in the future" allowed children to think about the future of aviation, which they did by drawing and making models. The first prize, a "first flight experience" was won by two classes from Goussainville, a city adjacent to Paris-CDG airport.

35 million tons of CO₂

It is the potential for CO₂ reduction of Madagascar Air France's project over 20 years.

Society



Integrating sustainability into the customer experience

AMBITION

We integrate our CSR commitments in the customer experience by aiming for excellent service and the development of high quality products. In cooperation with our suppliers and partners we take sustainability effectively into account throughout the entire value chain.

COMMITMENTS

To enhance customer preference and build a sustainable relationship with partners and suppliers Air France-KLM is committed to:

- Listening to and co-creating with customers, making them feel welcome, and being attentive to their needs;

- Pursuing its CSR engagement by innovating and investing in its products and service;
- Further integrating sustainability in purchasing policy;
- Involving customers in its CSR initiatives.

Objectives

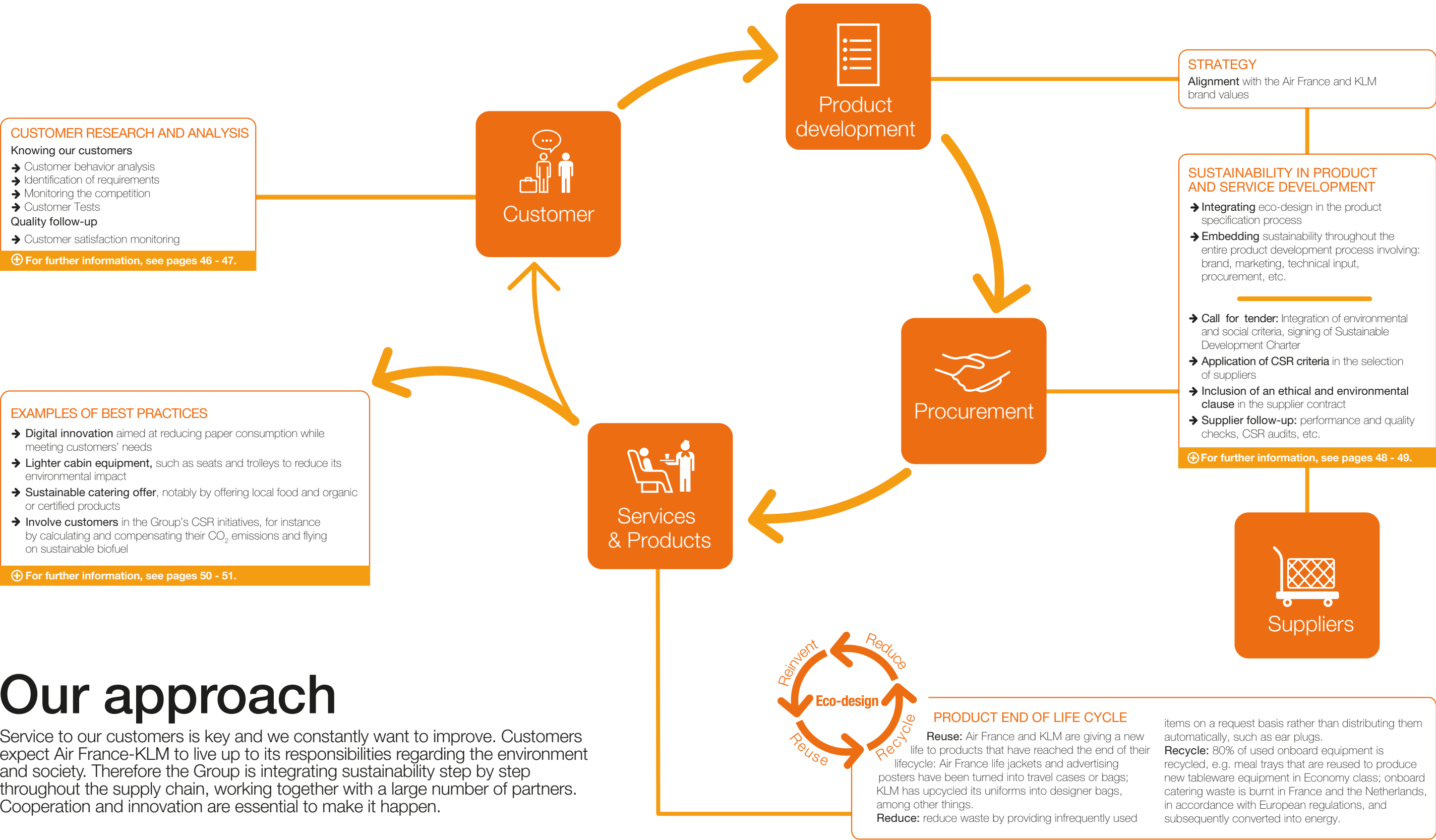
- Increasing customer satisfaction
- Improving service quality for customers in our three businesses
- Continue integrating CSR in products and services
- Strengthen its responsible purchasing policy:
 - Achieve a 70% sign up rate for CSR Supplier Charters in 2012
 - Increase the number of CSR audits

Main achievements 2012

- Increase of global customer satisfaction by 0.7 pt to 7.09 for Air France and 0.6 pt to 7.25 for KLM (10 pts scale)
- "Services signatures" training for 11,000 cabin crew and 1,300 ground staff in Air France's unique approach to provide customer service
- 24/7 with the best possible assistance in case of unforeseen events, Air France and KLM set up a dedicated multi-disciplinary team working within the Operations Control Centers of each airline
- To provide customers 24/7 with the best possible assistance in case of unforeseen events, Air France and KLM set up a dedicated multi-disciplinary team working within the Operations Control Centers of each airline
- Real-time shipment tracking for Air France, KLM and Martinair Cargo customers
- The NF service certification (European norm NF EN 15838) of Air France's subsidiary BlueLink has been extended in 2012 to all Customer Relationship Centres throughout the world. The audit certified BlueLink's expertise in customer knowledge exceed the levels required by the audit
- Air France's new service and catering for "Business" and "Premium Economy" class on medium-haul flights
- Introduction of KLM "Economy Comfort" in Europe
- Opening of Air France's largest passenger lounge (3,150 m²), the Paris-CDG S4 Satellite
- Tablets for ground staff to improve service quality
- Opening of Self Service Baggage drop off points at Paris-CDG and extension of 6 new drop off points at Amsterdam Schiphol
- Deployment of "Heart for the customer & quality" project to increase satisfaction levels of all partners in the Cargo service chain
- €43 million investment by Air France Industries and KLM Engineering & Maintenance in the Zephyr engine test bench at Paris-CDG
- Social Media support 24/7 available in 7 languages, Flying Blue support integrated
- End 2012: 7 million fans on Facebook and 655,000 Twitter followers for Air France and KLM
- Eco-design criteria integrated in specifications for new Air France Long Haul Economy class crockery
- 18 new products that meet KLM's sustainable catering commitments added to the menus served onboard
- Launch of KLM BioFuel Program for Corporate customers
- 72% of charters were signed at the end of December 2012
- 13 audits were carried out in 2012, an increase of 40%

EXTERNAL RECOGNITION

- For the second year running, TTG China Travel Awards has presented Air France the title of "Best European Airline in China".
- At the 9th National Marketing Prize at Anàhuac-Air Ries in Mexico, Air France was named "Brand of the Year" in the Air Transport category.
- KLM was awarded by SkyTrax World Airline 2012 the "Best Airline Staff Service in Europe", among 18 million passengers of 200 airlines in 160 countries.



Our approach

Service to our customers is key and we constantly want to improve. Customers expect Air France-KLM to live up to its responsibilities regarding the environment and society. Therefore the Group is integrating sustainability step by step throughout the supply chain, working together with a large number of partners. Cooperation and innovation are essential to make it happen.

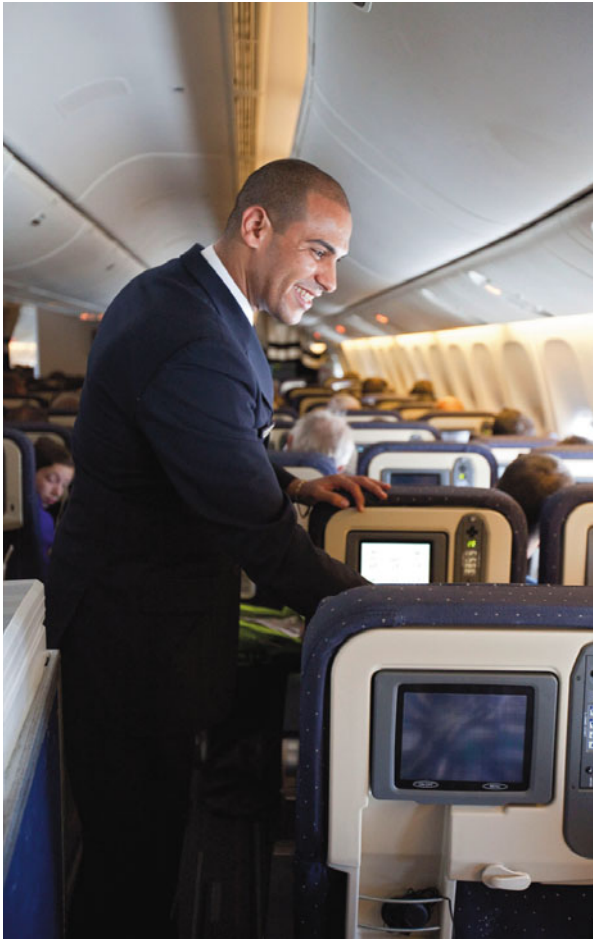
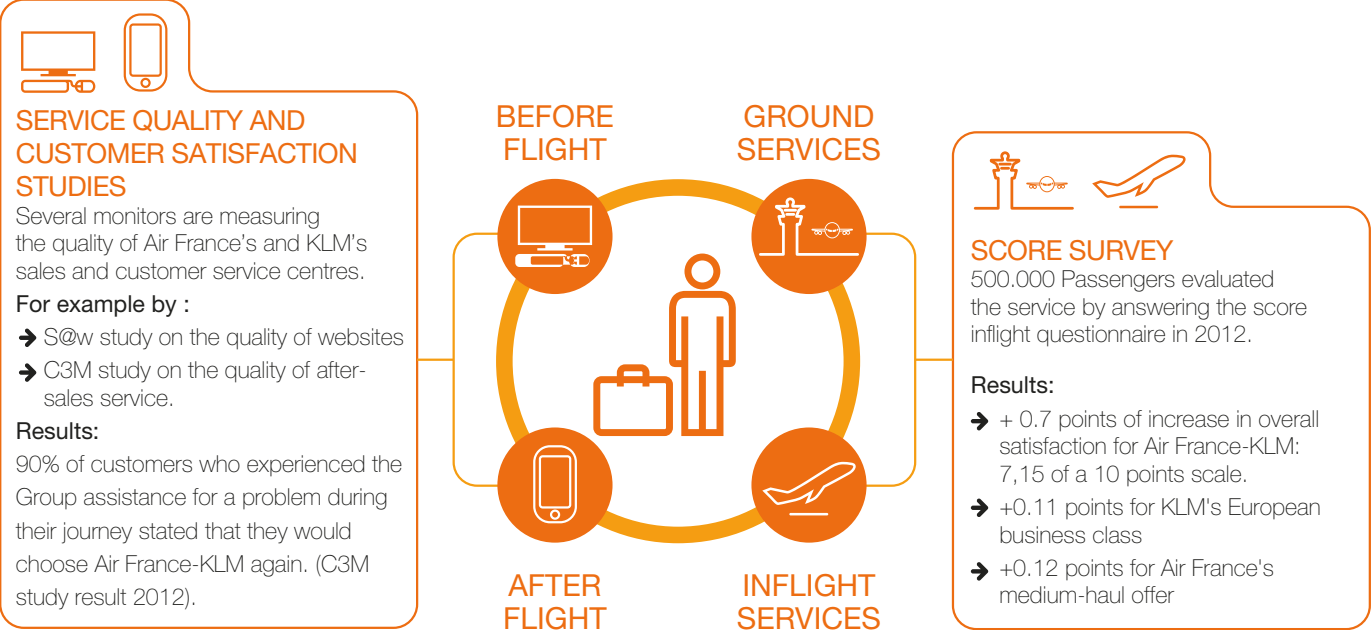
Customer dialogue

Customer dialogue and taking into account feedback are key to improve our services and products and at the same time making them more sustainable.
Some dialogue and research actions carried out in 2012:

➔ Air France welcomed forty members of FlyerTalk, the largest online community of airline passengers, to spend 2 days at Paris-CDG to express their opinions on Air France and its competitors. The event included meetings with product managers and the CEO, workshops and visits (Servair, Satellite 4).

- ➔ At the “CSR meeting SkyTeam” event, Air France-KLM Cargo shared their CSR commitments with 250 customers.
- ➔ KLM organized several product tests for customers to assess the new KLM World Business Class seat.
- ➔ In 2012, Air France-KLM centralised activities like customer satisfaction surveys, quality measurements and benchmarking in one department, Customer Insight, in order to put the customer at the heart of product and service development. ●

CUSTOMER INSIGHT



Making the difference in customer relationship

➔ KLM World Master Class for cabin crew in order to improve customer service for business class passengers. In 2012, more than 2,400 cabin attendants followed the World Business Master Class in which special attention was paid to the personal treatment of the World Business Class passenger. The central theme was hospitality and how to achieve this in the best and safest way.

➔ The Service Signatures training: In 2012, 11,000 cabin crew, and 1,300 ground staff and managers followed the training in Paris-CDG to share its unique approach to customer service. Air France is investing in the talents of its staff to stand out from the competition and win over customers. This ambitious project will be extended world-wide to all departments from 2013, jointly with KLM. ●

“ Aside from having the appropriate knowledge, providing service requires, first and foremost, an attitude which must be consistent with the brand image and values. Regain the pleasure of pleasing and the pleasure of sharing. ”

NATHALIE SIMMENAUER, Customer Culture Project VP, Air France

FOCUS



KLM Takes Care

June 2012, KLM launched “KLM Takes Care”, bringing together all CSR initiatives under one name. The website provides articles and videos and gives customers the opportunity to give ideas on sustainable topics. The KLM Takes Care logo makes sustainable KLM initiatives visible and recognizable for customers, e.g. on menus on board and electric vehicles on the platform (klmtakescare.com).

Sustainable procurement

A proactive role of procurement is essential to remain frontrunner in sustainability. As a service provider Air France-KLM is largely dependent on the procurement of its products and services, working together with approximately 4,200 contracted suppliers. The Group's main purchase streams are fleet, fuel, airport & navigation fees, onboard products and engineering & maintenance. Given the significant proportion of external expenses relative to total revenues, optimizing, innovating and ensuring sustainability principles throughout the supply chain are priorities for the Group's profitability.

Integrating sustainability in our purchasing policy

Air France-KLM's Procurement Division has had a sustainable purchasing approach in place for a number of years. This aims to incorporate CSR principles into relations with suppliers, and strengthening the management of ethical, social and environmental risks. Our approach consists of four steps:

1 Prior to the launch and / or during the tender: The supplier receives the "supplier questionnaire", addressing CSR issues and a request to sign the "Sustainable Procurement Charter", based on the principles of the UN Global Compact. Alternatively, suppliers may provide an equivalent document outlining their own CSR policy for checking and approval. In 2012, the percentage of contracted suppliers who have demonstrated their CSR commitment increased to 72%.

“Procurement is a gatekeeper of sustainability. However, not only our own actions count. We need to manage the process of integrating sustainability in the entire supply chain with great care.”

PETER SCHELVIS, Air France-KLM Group Chief Procurement Officer

- 2 Criteria for assessing the environmental and social impact of a product or service are integrated in the specifications where relevant. This impact is taken into account when evaluating tenders submitted by suppliers, and forms an integral part of the calculation of the total ownership costs and life-cycle analysis.
- 3 The supplier contract includes an ethical and environmental clause.
- 4 Besides the regular monitoring system like safety and quality audits, the Group started to carry out CSR audits for its suppliers in 2011. As a continuation of these audits the Group increased its number of audits performed in 2012 to 13. These audits are mainly focused on suppliers in "high risk countries" which were identified by an analysis on environmental, corruption and human rights' risk indices. The follow up of the environmental findings identified that 60% of them had been resolved thanks to corrective actions put in place by the suppliers. In addition to the onsite audit program, in 2013 the sustainable procurement program is going to be completed with supplier assessments in order to create a better insight on CSR performance and best practices for a larger scope of suppliers.



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Involving buyers

Each buyer of Air France-KLM has to sign a code of ethics, which includes rules to be followed when dealing with suppliers. This document, along with the Sustainable Procurement Charter is available on the Procurement website. An internal system has been set up to guide buyers in making responsible purchasing decisions:

- Web links providing information on environmental best practices.
- Training and seminars to build awareness among buyers and to develop their skills ensuring they take environmental and social criteria into account wherever possible in their work.



Involving suppliers in CSR initiatives

Through its procurement policy and its purchase volume, Air France-KLM is able to make a difference in the supply chain by setting sustainable product criteria. Dialogue and close cooperation with suppliers are key in the Group's sustainability approach. The Group maintains an ongoing dialogue with suppliers through performance management meetings, the events it organizes, and by taking part in forums and working groups. It also provides information via a dedicated website (www.af-klm.com/procurement). Even if integrating sustainability in some areas is more challenging than others; for example due to the product type, such as fuel, or a limited number of suppliers, such as aircraft manufactures, the 2012 initiatives below, demonstrate the Group's commitments to encourage responsible practices in the supply chain.

- Air France made eco-design a selection criterion in the tender for new Long haul Economy crockery. The supplier selected based its eco-design on the airline's new specifications and has developed a tool that calculates the amount of CO₂ saved by this new product.
- Air France-KLM and Alitalia have signed a 3-year agreement with a towel manufacturer based in The Netherlands. During the production of towels unnecessary waste is avoided as much as possible.
- Air France received the 2012 APF Innovation Award, which is awarded by APF Entreprises for its re-usable headphones in long-haul Economy Class. The project, which was developed with the sheltered sector, has resulted in an annual 400 ton reduction in waste.
- Air France is a signatory to the French government's charter "For sustained and innovative procurement policy and subcontracting with the sheltered sector". In 2012, procurement from the sheltered sector totaled €15 million.

- During the call for tender process for Air France-KLM Cargo road transport, suppliers were asked to provide information on CO₂ emissions, which was taken into account during the decision-making process. In the Amsterdam area a concrete example is one supplier making use of the dual fuel truck, reducing CO₂ emissions.
- Engineering & Maintenance refurbished two Air France B747s with the new Economy Class cabin. The supplier dismantled the old seats and recovered components (frame, seating, electrical cables, etc) to be recycled or scrapped in a proper manner resulting in less environmental impact.
- Thanks to its large purchase volume and in cooperation with partners, KLM brought one of its supplying companies to change their type of product (chicken) to a more sustainable alternative ("Better Life" chicken, a label initiated by the Dutch Society for the Protection of Animals). Initially this was a challenge for the supplier because of financial investment, product availability and the commitment of their subcontractors. ●

“The Dutch Society for the Protection of Animals, deploying the Better Life hallmark, has managed to improve the wellbeing of millions of animals through cooperation with business partners and farmers. The active participation of reliable brands like KLM shows leadership on responsible sourcing, setting an example towards other companies and consumers.”

FRANK DALES, CEO of the Dutch Society for the Protection of Animals

FOCUS

The role of purchasing in local development

Examples illustrating the volume of products purchased by the Group annually from local producers for their service onboard:

- Around 4 million bottles of wine and champagne served on board Air France flights are sourced from the main French wine producing regions (100% of Air France's wine cellars).
- 8 million portions of butter and cheese, 237 tons of biscuits, 250 tons of raw and smoked fish and 3 million hot meal portions are produced in Brittany.
- KLM Catering sourced 14.4 million portions of cheese and butter and 465,000 liters of organic dairy products from the Netherlands.
- Wine was also sourced locally, with a wine grower from the Dutch province of Zeeland supplying 20,000 bottles.

Services and products best practices

1 Digital technology: an essential asset

→ Around the clock available
Through social media, Air France-KLM staff is 24/7 available for its customers, servicing in 7 languages and including Flying Blue support.
→ e-newspapers
Air France distributes several million of newspapers and magazines to customers around the world every year in its lounges, departure areas and onboard aircraft. Digital newspapers and magazines for tablets have been

available in lounges at Paris-CDG since March 2013, their availability is due to be extended. They make a significant impact in terms of reducing cabin waste and CO₂ emissions because less weight is carried onboard (280 kg less for an A380). The shift to digital press will take place gradually and in close cooperation with all stakeholders.
→ e-freight
The digitalization of cargo documents will eliminate more than 7,800 tons of paper, the equivalent of 80 Boeing 747 cargo planes.

6 New lightweight seats

Thanks to improved ergonomics, Air France's new Long haul Business Class seats are lighter and more comfortable. It provide three-fold benefits: an increase in customer satisfaction (+0.8 points in SCORE survey), better economic performance due to a weight reduction of 8%, a saving of 450 tons of fuel per year and improved environmental impact, due to lower CO₂ emissions of 1,420 tons per year. Transavia.com launched the "Boeing Sky concept" with innovative seat covers of upcycled E-leather, offering greater comfort, as well as using LEDs for cabin lighting.

7 Sustainable catering

Air France was the first airline in the world to launch the ISO 22000 food security certification in 2006. Air France and its catering subsidiary Servair take measures to favor local and seasonal products for example:
→ Products which guarantee sustainable farming and animal welfare standards, such as organic salmon, organic yogurts and Red Label farm chicken, etc.
→ 100% natural jam and honey. A sheltered sector supplier in France manufactures the 1.46 million portions of jam and honey served onboard every year.
→ A growing number of palm oil-free sweet and savory snacks served onboard.

KLM's sustainable catering policy is each year further developed by expanding the number of certified or labeled in-flight products that involve the preservation of biodiversity, animal welfare and the use of sustainable soy and palm oil. In 2012, 18 products were added to the list that meet these standards, e.g. 100% UTZ certified coffee and "Better Life" certified chicken and veal. KLM is the first airline to offer certified palm oil snacks and to carry the GreenPalm logo. Responsible sourcing has been extended to international destinations with MSC certification for fish in Paramaribo. OAT, a subsidiary of Air France, has been certified to manufacture organic meal trays.



2 Commercial Desk

The Air France and KLM Commercial Desks provide 24/7 flight related support to passengers, especially in case of flight disruptions and delays, involving all relevant departments.

3 Co-creation with customers

Regarding the fact that e-services enable customers to be more independent in managing their own journey and less dependent on human "interference", KLM ground staff launched an ideas program in which they have discussions with customers at the airport on how to keep a personal touch and to improve products and services.

4 Infrastructure modernization: Hub 2012

Modernization of infrastructure is helping to transform the Group's business, enabling it to offer more services to customers. These include; a simplified customer experience, the new S4 Terminal and more attention to detail for Premium customers.

5 SkyPriority

SkyTeam offers a common and consistent service standard for both Business Class Passengers and SkyTeam Elite members (Flying Blue Platinum & Gold); the services include fast lanes for check in and security & dedicated boarding and baggage handling at all participating SkyTeam airports. SkyTeam is the first global alliance offering such a broad service.

8 KLM BioFuel program

KLM has launched a new service for its business customers in The Netherlands, whereby corporate customers have the opportunity to fly part of their business travel on sustainable biofuels. This program is unique in the airline industry. Accenture, Ahold, Nike, DSM, Philips, Heineken and Amsterdam Airport Schiphol were the launching customers in 2012. Through their involvement in this project, they are able to lower their own environmental footprint and contribute to the further development of a market for sustainable biofuels.

9 CO₂ Calculation and Compensation

The Group's customers have access to a CO₂ calculator and offsetting programs, furthermore CO₂ emission reporting is offered to corporate customers.

10 Customer dialogue and feedback

Since 2007, Air France-KLM has invited its customers to express their expectations of the Group, in terms of sustainable development and their perception of initiatives in place. Priority actions identified for the Group in 2012 are: minimizing its environmental impact and promote socio-economic development at its destinations. Air France-KLM provides its corporate account managers with CSR training, to give business customers a better understanding of the initiatives the Group has put in place. ●

Ensuring a responsible human resources policy

AMBITION

Through supporting the Air France-KLM Group Transformation Plan and maintaining a responsible social policy, we aim to create a motivating environment for our employees to achieve the best company results. We continue developing skills to ensure the professionalism and employability of our staff to meet the needs of internal resources linked to our overall business goals.

COMMITMENTS

Air France-KLM carries its ambition through the following commitments:

- Lead change through quality dialogue with employees and employee representatives;
- Promote health and safety at work;

- Develop the employability of staff by offering training, and by improving mobility and flexibility;
- Promote and respect well-being at work and the work-life balance of employees;
- Encourage diversity and talent development.

Objectives

- Promote effective dialogue with employees and their representatives
- Enhance mobility
- Develop the way we welcome work-study students
- Train staff members to develop their employability
- Reduce the number of workplace accidents by 30% between 2012 and 2014
- Pursue commitments to encourage diversity

Main achievements 2012

- Ground staff: Workplace agreement and Human Resources and Skills Planning Agreement
- Pilots: Productivity agreement
- Central Works Committee and European Group Committee: respectively 26 meetings and 3 meetings
- 1,381 employees changed jobs within the company and 102 ground staff gained executive status
- 304 announcements released on the Job Market
- Proportion of interns doubling from 0.5% to 1% of employees, representing more than 1,000 apprentices welcomed
- 95% of staff (100 % of cabin crew) have completed training
- 7.78% of the company's payroll dedicated to training
- Personal training entitlements (DIF) represented 14.6% of overall training for ground staff (+0.6% compared with 2011). Cabin crew: 15% of training hours carried out as part of DIF
- 3% decrease in the number of workplace accidents (frequency rate: -0.1%)
- 2% decrease in the severity rate
- Third 3-year agreement on gender equality, payroll compensation for 474 women
- Employment rate of disabled employees: 4.42% (4.17% in 2011)

Objectives

- Stimulate employability through mobility
- Facilitate training and personal development
- Health and safety in the workplace: ambition to reach zero accidents
- Total workplace accidents: Goal of less than 4 serious accidents involving hospitalization
- Frequency rate for workplace accidents: Goal of remaining below the ratio of 4.1 "accidents involving time off work per million hours worked"
- Decrease absenteeism rate
- Support diversity
- Increase flexibility

Main achievements 2012

- 394 employees took part in a career program and 453 employees in a workshop,
- 124 employees received coaching to improve skills
- Validation of Prior Learning: 91 participants in 2012 (100 in 2011).
- In the past two years 164 employees received a diploma for intermediate vocational education through VPL (27 have not yet received a diploma)
- Approval received from the Works Council for a renewed policy on radiation
- Further implementation of a Safety Management System.
- 3 serious accidents involving hospitalization
- Frequency rate: 4.73 accidents involving time off work per million hours worked
- Decline of absenteeism levels: percentage went down from 6.11% in 2011 to 5.24% in 2012
- The introduction of a tool kit for all managers supported by KLM Works Council
- CSR café on Diversity
- 2 sessions, open to all employees to exchange views on diversity within KLM
- New collective labour agreements to stimulate mobility and facilitate part time work
- Pilot New Way of Work at IT and Marketing department

Social dialogue

Responding to economic challenges

As part of the Transform Plan, adapted within Air France and KLM, each airline is reviewing all collective labor agreements related to payroll, staffing and working hours. As part of the ongoing workplace dialogue, a negotiation process specific to each company enabled the establishment of a new labour conditions framework aimed to achieve the Plan's objectives.

In addition to immediate measures, a series of more structural measures were defined at Air France via the negotiation process aimed at a 20% improvement in economic efficiency by 2014 relative to the 2011 results using the different levers in the workplace agreements. At KLM, Transform 2015 HR related goals to improve productivity and reduce costs, has led KLM to invite all unions for several consecutive meetings to jointly discuss the financial situation of KLM and the future of the airline business in general. These discussions helped to create the context in which negotiations took place. Additionally, a target was set to reduce overhead staff by 10% without compulsory redundancies.

Setting out a new contractual framework

At Air France, the revision process conducted with the representative unions began in spring 2012. These negotiations were aimed at enabling the implementation of the measures required to achieve the 20% improvement in economic efficiency in return for the preservation of the airline's scope of operations, the guarantee of no layoffs and no salary reductions.

The negotiations resulted in the signature of a productivity agreement with pilots in November 2012 and, for ground staff, in a new Workplace Agreement signed in October 2012. A Human Resources and Skills Planning agreement for Ground Staff was also signed in October 2012, followed by an agreement on the organization of working hours, signed in January 2013.

Following the signature of the agreements, and consistent with its commitment, Air France implemented measures to manage overstaffing: Voluntary Departure Plans and assisted measures.

The discussions with Cabin Crew representatives were extended beyond December 2012.

In December 2012, KLM signed new collective labour agreements with cabin, cockpit and ground unions, which will remain in force until 2015. KLM's management and unions have agreed to take significant steps to reduce labor costs while at the same time preserving

jobs. Among the measures adopted are a wage freeze and an increase in the number of days worked for all staff. Additionally measures were included to reduce staff within the framework of KLM's commitment "Keeping the family together" in order to avoid layoffs. Equality of treatment between ground staff, cabin crew and pilots was at the heart of the negotiations.

Continuing social dialogue

The transparency of social dialogue has been key since the Transform Plan 2015 was launched. During the 26 meetings of the Air France Central Works Committee that took place in 2012, union delegates were consulted and informed about results and measures intended to enable the company's recovery. Three European Group Committee meetings were organized on issues such as changes taking place into the Group's organization.

At KLM regular monthly meetings were held with unions representing Pilots, Cabin Crew and Ground Staff. In 2012, 29 additional meetings were scheduled to reach a common understanding on the financial situation for negotiations on the new collective labor agreements. As part of the collective labor agreement 2012-2014 KLM and unions also agreed to discuss upcoming new pension legislation and the design of a future proof pension scheme.



Facilitating training and mobility

Training remains one of the ways to support change within the Group, and individual employees' career development by strengthening their employability and improving their skills.

In 2012, Air France-KLM maintained a high level of access to training. At Air France, training carried out within the scope of the "DIF" (Personal Training Entitlement) rose slightly. Cabin crew were entitled to undertake this training during working hours, representing a change to rules previously in force.

KLM continued its efforts to ensure more employees acquire a formal diploma through VPL (Validation of Prior Learning).

As part of Transform 2015, the job grade system at Air France has been streamlined. This has meant a reduction in the number of hierarchical levels, which helps to simplify organizations, facilitates mobility between jobs and helps to keep payroll growth in check. This initiative is backed by tools to facilitate career guidance and mobility, such as a "Mobility unit", an "Observatoire des Métiers" and a "Job Market".

The 255 employees of KLM's Engineering & Maintenance division who were faced with the reorganisation of the D-check, all found employment elsewhere within E&M. Supported by the works council and unions, the transition was accompanied and facilitated through training and advice to individual employees to accommodate a successful change. This approach is considered to be an example for other divisions and departments within KLM on how to put KLM's commitment to "Keeping the family together" into practice.

The KLM "Open Doors to Your Future" workshop informs employees about the various options for career

development available to them. Programs to encourage mobility among employees are also in place, such as "Room for Growth" at KLM's commercial division. The Asian Trail was introduced in 2012 and consists of a yearly Air France-KLM development program for 10 talents within Asia. The selected employees received workshops, training, the opportunity to share experience with their counterparts from other countries.

Despite the economic climate, Air France and KLM are continuing to fulfill their responsibilities towards young people entering the labor market. Internships provide students with high quality professional experience. In 2012, Air France reinforced its commitment to internships by doubling the number of interns (1,000 new apprentices), and KLM welcomed 801 interns, a figure which has remained stable over the years. ●

7.78%

Of payroll is spent on training at Air France.

2,939€

Spent on training per KLM employee.

FOCUS

Air France-KLM: Recognition and ranking

- ➔ On the 19th December 2012, Air France CEO Alexandre de Juniac was awarded "Manager of the Year" by the magazine "Le Nouvel Économiste". He dedicated this award to the efforts of all of the airline's employees.
- ➔ Air France and KLM regularly feature in rankings of the best employer to work for. According to a survey carried out by LinkedIn, KLM was in the top 5 Favourite Dutch employers. Universum ranked Air France in the top ten ideal employers in a survey carried out among 31,000 students. VNU Media and Effectory of Best Employer awarded KLM second place in the "Best Employer" category. This study involved 190,000 employees in The Netherlands who were asked to rate the company they work for.



Health and safety

Air France-KLM has reaffirmed health and safety at work as a key priority within Transform 2015. The Group continues initiatives already in place and builds further on the results already achieved. No compromises will be made on safety.

Setting objectives

In 2012, awareness building was continued. Air France achieved a 3% decline in the number of occupational accidents although this figure still remains below target. KLM, with 3 serious accidents, has met its target of less than four accidents that require hospitalization. However, the goal of remaining below the ratio of 4.1 “accidents involving time off work per million hours worked” was however missed by 0.63 point. These objectives are monitored at the highest level within the Group. At Air France, the ongoing involve-

ment of the Executive Committee is apparent in each business through three-year contracts that include specific targets.

Preventing accidents

To place accident prevention and safety culture at the heart of its business, the Group is taking action in several areas:

- ➔ Integrating occupational safety criteria into project management and in the development of ergonomic procedures.
- The Ergo-coach program was adopted by KLM's Engineering & Maintenance (E&M), training staff on health and safety in the workplace. Cargo increased the number of ergo-coaches to 40.
- Air France's “Central Ergonomics Unit” and its ergonomic experts work closely with operational users.
- ➔ The involvement of field managers and employees

enables potentially dangerous situations to be detected and encourages preventative measures to be taken.

KLM's “SafetyF@cts” provides managers with bi-monthly online interactive training on Safety awareness.

The annual Air France Health and Safety in the Workplace Conference recognized effective safety initiatives implemented by managers of operational units.

- ➔ Feedback systems to share experience of incidents and how they were dealt with.
- Air France's new “e-care” incident management and audit system is used by operational divisions to centralize and handle all safety data.
- To reduce the number of burn accidents by KLM cabin attendants during flights, measures were taken including improvement of hot meals packaging. Coffee makers were installed lower to make them easier to reach.
- ➔ Sharing “Best Safety Practice” involves conferences and forums to build awareness and provide information on occupational health risks and their prevention.
- ➔ Risk prevention training for staff members is updated on a regular basis to keep pace with changes in regulations and tools available.
- KLM's Cargo and E&M have introduced a “Work Permits” system, which guarantees compliance with KLM safety standards for all employees of suppliers and sub-contractors, making working conditions safer for everyone.



Improving workplace quality

Numerous initiatives are in place to help employees with work-life balance and to improve their performance. In 2012, Air France continued to implement the three-year agreement on preventing psychosocial risks and improving quality of life in the workplace. In this context, an alert system enables data on psychosocial risks to be collected. The Anti-Harassment Charter also includes provisions for flagging up and dealing with situations where employees are in difficulty. As part of Transform 2015, a plan to support quality of life at work was shared with unions at Air France. To centralize the various existing initiatives a KLM Advisory desk was introduced, offering advice to employees on next steps to take in matters ranging from disagreement with their manager to being confronted with sexual harassment or suspecting of fraudulent actions. The desk employees, who act according to standards of confidentiality, are familiar with the dif-

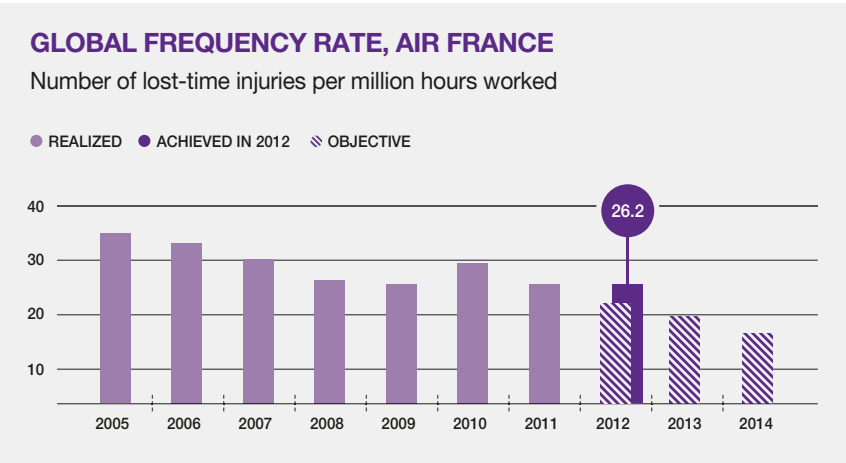
ferent types of complaint schemes of KLM and will advise accordingly. Employees can contact the desk anonymously.

Ensuring social protection

Air France-KLM employs around 11,000 people at destinations who all benefit from the values and commitments laid out in Air France-KLM's Social Rights and Ethics Charter. The Group applies local collective labor agreements, which are made with unions or other relevant parties, according to local standards. In the renewal process of collective labour agreements, the Group's salary guidelines are applicable and take into account the local inflation level and cost of living index. The majority of the Group's local staff benefit from social security, including a decent standard of living during their retirement. In addition, the Group offers complimentary insurance where public provision does not meet the required standards. In a joint Air France-KLM effort occupational safety registration was addressed to ensure all accidents are reported in order to take measures to prevent reoccurrence. Also, a self audit tool was introduced to determine possible improvements. Subcontractors are obligated by an agreement to abide to safety regulations. For employee complaints, for example about working conditions, the local HR manager is available to handle these adequately and in a confidential way. ●

“Never compromising on safety is at the heart of what we do together. The KLM Safety Program focuses on safety awareness by helping and challenging each other. Part of the program is “Just Culture” where we learn from safety mistakes by making them transparent. That is the way to ensure that Safety remains part of our business.”

JORDIE KNOPPERS,
Program manager KLM Safety Culture



FOCUS

PIQ idea is an “all round” success

At Air France Industries engines are mounted on a square frame during maintenance. Apart from the risk of impacts that may damage the engine, maintenance using this frame is difficult and can lead to musculoskeletal disorders. Philippe, an engineer, created a round frame, which is better suited to the shape of the engine, and also to the ergonomic considerations of the workstation. This is just one example of real improvements that reduce the risk of falls and injuries.

FOCUS

Extending The New World of Work

At KLM, “The New World of Work” initiative, which was tested in 2011 in the IT and HR departments was extended to other departments such as Marketing in 2012. Within a framework of conditions employees can decide for themselves when to work and where to work, with workplace options ranging from individual compartments, meeting settings to laptop docking stations meant for a quick email check. The New World of Work aims to increase efficiency, reduce office costs and offer employees a chance to improve work life balance.

Diversity



Adhering to our commitments

In line with its Social Rights and Ethics Charter, Air France-KLM's social policy is based on integration through work, respect for equal opportunities, combatting discrimination and promoting diversity. Equal opportunity rules apply in particular to recruitment and internal selection processes. Air France employees involved in these processes are subject to the Recruitment, Selection and Redeployment Code of Ethics. Air France has put in place a new e-learning training module on "Diversity and Management".

Furthering integration of disabled people

In The Netherlands, a person is considered legally disabled when after a period of sick leave, he or she is permanently unable to fulfill their contractual duties. KLM makes it easier for disabled people to return to work by offering them a position compatible with their disability. In 2012, KLM employed 696 people with disabilities. Air France continued to stand by the commitments made in the 8th 3-year agreement to promote the employment of disabled people with the recruitment of 20 new members of staff. The airline has set up several partnerships to meet its recruitment objective, to promote the integration of disabled employees and to change attitudes towards disability.

Respecting gender equality

Professional and wage equality between men and women has been a key issue and progress area in HR management at Air France for almost a decade. Under the third 3-year agreement on gender equality in the workplace, the company is committed to reducing any wage disparities between men and women. In 2012, 474 women received payroll compensation. In its Good Parenting Charter, Air France has made a commitment to developing parental representation across the business, creating a positive environment for employees who are also parents (particularly for pregnant women) and respecting the principle of non-discrimination in the career development of employees with children. KLM's commitment to respecting equality and respect for sexual orientations was highlighted during the "KLM CSR week". The "Over the Rainbow" social network for Lesbian, Gay, Bisexual and Transgender (LGBT) employees has grown to more than 300 members. ●

“ At Air France we firmly believe that diversity within our teams and our spirit of solidarity are a key strength, making us more innovative and bringing us closer to our customers, helping us to live up to their expectations. ”

CATHERINE LECLÈRE,
Head of Diversity, Air France

Involving employees

Listening to staff

For the third year running, Air France has surveyed members of staff on their perception of CSR. The same survey has been used to monitor perceptions of Flying Blue customers since 2008. The 7,000 surveys collected enabled Air France to ensure that its CSR initiatives correspond with employee expectations. 60% of staff members feel that they are personally involved in the airline's CSR policy. Almost 8,000 employees contributed to the annual "Boussole" survey on travel in the Paris region (⊕ see pages 35 and 62). Thanks to suggestions submitted over a period of four years, Air France has expanded the number of open shared offices at its Paris sites, put in place an eco-driving course and expanded car sharing. Consultation on expanding telecommuting is in development.

Increasing CSR awareness

KLM organizes quarterly "CSR cafés" featuring guest speakers with the goal to inspire and inform employees about different sustainability topics. Guest speakers were for example WWF-Indonesia and a member of the KLM Supervisory Board. Air France and KLM took part in Sustainable Development Week by building awareness and informing employees on the numerous initiatives already in place. At KLM Cargo a dedicated CSR day was organized with presentations from executives from Cargo, transavia.com and Martinair. In 2012 a new group of young KLM professionals participated in the Leaders for Nature Forum from the International Union for Conservation of Nature (IUCN-NL). KLM Works Council set up a two-year working group with the goal to analyze in which way the Works Council can play its role to further embed CSR within the organization. In 2013 the working group will share its conclusions with KLM.

Training staff in CSR

More than 2,000 members of staff have already taken Air France-KLM's e-learning module on CSR. 96% of those having followed the course said it was "satisfactory" or "highly satisfactory". Training is also available to sales personnel at Air France and KLM, to enable



them to engage with their customers on CSR and to highlight the Group's initiatives. Cabin crew within the Group are regularly updated on progress achieved in optimizing flight procedures, reducing onboard weight, the sustainable catering on offer and waste reduction measures. Through regular training, flight operations staff are made aware of opportunities to further reduce fuel consumption.

Innovating continuously

Air France-KLM involves its employees in its approach to continuously innovate. At Air France, innovation initiatives are in place in the airline's various businesses, from ground operations to cabin crew. Air France Industries' Innovation Quality Program (PIQ) has been rewarding the best ideas for a number of years. In 2012, almost 5,000 PIQ ideas were submitted, 75% of which will be implemented, resulting in savings of €33 million. The Moonshine program at the KLM's Engineering & Maintenance division aims to improve work processes, ergonomics and safety, thereby leading to reduce turn-around time of aircrafts and fuel savings. Employees' experiences from their daily practices and their suggestions for areas of improvement are major input sources. Results in 2012 include a multi service cart incorporating all the equipment required for the quick and efficient change of Boeing 737 wheels and brakes. ●

Comments from employees who carried out CSR training

“ — This training is really important to fully understand the commitments made by the Air France-KLM Group.

— All managers should take this course.

— I'm glad I took this course, it has enabled me to appreciate the efforts made by the Group in favor of the environment. ”

Contributing to local development

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 businesses 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.

COMMITMENTS

Air France-KLM carries out its ambition through the following commitments:

- Contribute to the local economy through its 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;
- Assist by providing human, logistical and financial support for development programmes; encourage its employees to participate in development projects.

Objectives

- Contribution to local development at hubs
- Continuation of long-term dialogue with local stakeholders
- Promotion of economic development at our destinations
- Maintain a strong commitment to development projects

Main achievements 2012

- Participation of the Grand Roissy at an international level
- Cooperation between KLM, Schiphol and City of Amsterdam to set up long term Sustainability Agenda for Amsterdam Metropolitan region
- Contribution to skills development for young people:
 - Air France: 4,626 students involved in aviation careers discovery program with Airemploi, 724 young people trained or provided with guidance by JEREMY (including 179 at Air France) and 426 young apprentices at AFMAé (61% of whom are at Air France)
 - KLM: internships for more than 800 students; sponsoring education programs for 120 elementary school children
- Involvement in working groups on the sustainable development of the Roissy and Orly areas
- Ongoing dialogue in working groups Alders Table and CROS
- 2,500 local suppliers used by the Group in the countries served (excluding main hubs)
- Joint venture with Kenya Airways strengthened, involvement in the creation of Air Côte d'Ivoire
- Support for forestry conservation programs providing environmental and economic benefits:
 - Air France & Good Planet in Madagascar (5,000 households have adopted sustainable and profitable agricultural techniques, 500 nursery growers trained)
 - KLM supports the WWF-NL REDD project in Brazil
- The Group provided €12 million in funding for social and environmental projects
- Air France Foundation: involvement in 102 projects
- KLM AirCares: support for several projects through 7 partnerships involving education, health and sanitation

JOBS CREATED BY AIR TRANSPORT ⁽¹⁾

- Indirect jobs in France: 989,000 employees
- Indirect jobs in The Netherlands: 290,000 jobs (incl catalytic effects)
- Air France: over 44,000 employees in the Paris region
- KLM: 34,617 KLM Group employees of which 30,401 in the Amsterdam Schiphol area

SUPPLIERS

- Air France-KLM: over 4,200 suppliers worldwide, around 2,500 of which are located at destinations
- Air France purchases in France⁽²⁾: €2.1 billion. In the Paris region: 500 contracted suppliers
- Air France purchases from sheltered sector companies: €15 million, across 80 suppliers (2/3 based in the Paris region)
- KLM purchases in The Netherlands: around €900 million from contracted suppliers

AVIATION'S CONTRIBUTION TO THE ECONOMY (INCLUDING DIRECT, INDIRECT, INDUCED AND CATALYTIC EFFECTS) ⁽¹⁾

- In the Netherlands: 3.1% of GDP, representing €26 billion
- In France: 3.9% of GDP, representing €75 billion

TAXES, FEES AND CHARGES

- Airport and navigation fees: €1.86 billion paid by the Group to airports and ATC
- €225 million paid by Air France and KLM to State and local authorities, including local taxes (on noise, apprenticeship, property tax, etc.)

(1) source: Aviation benefits beyond borders – Air Transport Action Group – October 2012, The Netherlands figure - source: Report BCG/McKinsey 2011 (2) 2011 Data. Air France Group. Excluding fuel. Contracted suppliers, as per company headquarters address.

Our hubs

Impacting local economic development

The hubs at Paris-CDG and Amsterdam Schiphol provide highly attractive business environments. With 89% of the Group's employees based in France and the Netherlands, Air France and KLM contribute significantly to job creation at their hubs: KLM is the 3rd largest private sector employer in the Netherlands and employs more than 30,000 of the 60,000 people directly employed at Schiphol airport. Air France employs 44,000 people in Ile-de-France, making it the largest private sector employer in the Paris region. In 2012, the airline demonstrated its commitment to mainland France with new investments such as the Engine Test Cell at Roissy, where 400 employees work, and the new maintenance center of Regional in Clermont-Ferrand.

The Group's businesses also generate numerous indirect and induced jobs around the hubs: ground handling and catering services, cleaning and subcontracting necessary for aircraft operation. 60% of the Air France Group's purchases in France are made in the Paris region, representing a total amount of €1.27 billion (excluding fuel). KLM spending in The Netherlands amounts around €900 million excluding fuel.

Efficient ground transportation is vital to a leading global air transport network. The accessibility of our airports is also an important factor in the development and attractiveness of the areas where Air France and KLM's main hubs are located, for the airlines, passengers and employees.

KLM contributes with partners in various projects on airport accessibility. The Paris Region Economic, Social and Environmental Council (Conseil Économique Social Environnemental Régional d'Ile-de-France) asked Air France to contribute its know-how to the task of improving the accessibility of Paris' airports. Following on from the Inter-Company Transport Plan (PDIE) at Paris-CDG airport, Air France along with 3 partners at Paris-Orly have come together to create a PDIE to take effective joint action on responsible transport. Air France has also contributed to setting up two on-demand transport links (Filéo), providing connections to the hub at Paris-CDG and facilitating access to jobs.

The Group takes part in discussions on projects set to shape the areas surrounding its hubs over the coming twenty years, such as the consultation process on the Grand Paris and Grand Roissy projects. Air France took part in the Grand Roissy Area



Conference in February 2012 in order to contribute to regional development strategy. It also participates in "Grand Roissy Economique", a commission that aims to provide coordination to the business community in the area.

The Dutch government continued the implementation of the air transport policy ("Luchtvaartnota"), adopted in 2011, and reasserted the major importance of Schiphol airport to the Dutch economy. Moreover, the government has identified 9 sectors that are key to the economy, and has brought together businesses, scientists and government agencies to work together on boosting the international competitiveness of these sectors.

KLM has actively contributed to this process. The airline also works with Schiphol airport and The City of Amsterdam to strengthen international competitiveness

60%

60% of the Air France Group's purchases in France are made in the Paris region, representing a total amount of €1.27 billion (exc. fuel)

800

More than 800 internships at KLM

and positioning on sustainable development in the region. Students and entrepreneurs from The Amsterdam School for Creative Leadership have put forward various innovative ideas related to sustainable development at the airport and in the City of Amsterdam. Air France is also involved with other organizations (Aerotropolis Europe, Hubstart Paris) to promote the airport and its economic attractiveness at an international level. For the second time, the airline has participated in the international Hubstart seminar on sustainable airport hubs.

Ongoing dialogue with local stakeholders

Air France and KLM take a proactive, transparent approach on issues to mitigate noise and enhance quality of life with all local stakeholders. KLM continued with its commitment to pursuing dialogue with local residents through the Alders Table, which is a consultative organization in which government agencies, neighboring residents and the aviation sector take part to discuss the future development of Schiphol. KLM is also a member of CROS, the Schiphol Regional Consultative Committee.

KLM regularly organizes visits to its facilities for stakeholders and officials giving them an impression of the airline business and exchange views on a variety of issues such as CSR and innovation.

As part of the "Amstelveen Climate Group", Amstelveen local authorities, KLM and other local companies organized an event for SMEs in order to share best practices in CO₂ emissions reduction and improving energy efficiency.

The Chairman and CEO of Air France has met with the "Association des Collectivités du Grand Roissy" of elected officials, which covers more than 50 municipalities adjacent to the airport, to discuss major local development projects and the airline's economic and social challenges.

Through the "Pays de Roissy-CDG" association, of which Air France was a founder member in 2003, the airline works alongside local stakeholders to play a part in local development. In October 2012, local officials, industry and government representatives attended a ceremony to mark the start of construction of 61 apartments to house airport staff.

Promoting skills development

The aviation industry also contributes to training and helping people to access the labor market, particularly for those people living close to airports: 50% of jobs at the Paris-CDG hub are held by people living in

neighboring districts. Air France and KLM both have longstanding commitments to facilitating access to jobs for young people from communities close to their operations; they do this through their involvement in training organizations for careers in aviation, and associations and education programs for young people.

As part of its commitment to ensure equal opportunities, Air France runs an internship program called "OPEN". The program is aimed at middle school students, some of who are disabled, who live in communities close to the airport, but mostly do not have contacts in the company. This "discovery" internship at the airline helps students to think about their future careers. In 2012, KLM offered internships for over 800 students throughout the company, KLM Academy is intensively collaborating with several schools and education centers in the region and organizing student events at universities to attract future talents.

KLM supports the "Suitcase of Happiness" education program in four local elementary schools. KLM has donated 1,617 computers and servers to the Global Start program, which provides IT and Communications training to young people who have dropped out of formal education, and the long-term unemployed. KLM's IT and Operations teams have worked with students from Technasium on concepts for a faster and more secure boarding system at Schiphol. ●

“As an international airline, Air France is a major player in Grand Roissy and is involved in local initiatives for the development of our territories.”

PATRICK RENAUD, President of the "Association des Collectivités du Grand Roissy"

FOCUS

Air France-KLM, committed to jobs for vulnerable people

Over 7 years, Air France's spending in the sheltered sector has increased more than five-fold, to €15 million in 2012. Sheltered sector companies are approached systematically for each call for tender. Two thirds of the 80 sheltered sector suppliers are located in the Paris region. 207 full time equivalent jobs have been created with 3 sheltered sector organizations in the Paris region. Since 2012 100% of economy class and crew blankets have been cleaned in these centers.

KLM has set up a laundry service at Schiphol to centralize the cleaning of uniforms and linen used onboard. The contractor was selected in line with environmental and social criteria, as it employs people who have difficulty accessing the labor market.

Local partnerships

Association Pays de Roissy-CDG
Promotion of local social and economic development.
Involvement:
→ Air France, founding member.
→ More than 320 members take part in 5 working groups (on jobs, housing, economic development, transport and culture), coordinated by two Air France employees.

Hubstart and Aerotropolis
Promotion of the area at an international level to create the best possible conditions for businesses around Roissy.
Involvement: Active involvement in these two bodies.

ASK
Partnership between KLM, the City of Amsterdam and Schiphol to develop the long term Agenda for the Amsterdam Metropolitan region on sustainability, accessibility, economic development, employment and education.
Involvement: KLM participation in various project teams/working groups.

Information and training programs on aviation careers
Involvement: Air France is a founding member of 4 associations
→ Airemplot provides information about jobs and training in aviation.
→ JEREMY promotes the integration of local young people who do not hold formal qualifications.
→ AFMAé trains apprentices for careers in aviation at its training center.
→ Engineers for Schools (IPE): 8 Air France executives are made available to the national education authorities, with the objective of bridging the gap between education and business.

Val-de-Marne 2nd Chance Foundation
Scheme to help young adults who do not hold formal qualifications access the world of work.
Involvement: Air France Industries, founding member. Organizing internships and site visits. Donation of reconditioned furniture from the airline.
KLM Education Programs to attract future talents on maintenance, operations and hospitality
Involvement: internships and practice pathways at KLM maintenance and operations.

BOUSSOLE
Business travel plan to contribute to the reduction of emissions caused by Air France employees commuting in Ile-de-France.
Involvement: Participation in an Inter-Business Travel Plan (PDIE) at Paris-CDG airport and at Paris-Orly.
Green Deal
Dutch government support for sustainability initiatives led by companies and government agencies.
Involvement: Signature of two KLM Green Deals concerning Biofuels and a Waste to Energy project.

Landschap Noord-Holland
A nature conservation organisation close to Schiphol.
Involvement: 3.5-year partnership, including finance for projects to protect a vulnerable nature reserve. In 2012, development of a program to restore biodiversity on KLM Engineering & Maintenance site.

CCE and CCAR
Environmental Advisory Committees and assistance for local communities (soundproofing housing).
Involvement: Air France sits on committees at France's 10 major airports. Since 2012, 100% of the cost of soundproofing homes has been covered (⊕ see page 34).

Alders Table
Advisory platform for discussion between government, local representatives and residents on the development of Schiphol.
Involvement: KLM involvement in discussion and dialogue with local stakeholders.

Schiphol Regional Consultative Committee (CROS)
Forum for consultation with communities living close to the airport.
Involvement: KLM participation in various working groups (noise reduction measures).

Missing Chapter Foundation
Dialogue between schools and businesses on CSR.
Involvement: KLM Board of Directors participated in a dialogue session with school children on sustainability topics.

Destinations

Supporting economic development
The Group contributes to international and regional economic and social development by opening new connections in Africa, Asia and the Americas and offering passengers an ever-wider network. For example, in 2012, Air France-KLM expanded its network in Africa with the inauguration of 7 new destinations. The Air France-KLM Group has 42 destinations and 3,500 employees (including Servair) in Africa. The Group shares capacity with local airlines, and is also forming partnerships with local airlines contributing to local economic development such as job creation. Air France-KLM is supporting the development of national, publically-owned airlines, for example KLM's joint-venture with Kenya Airways, or Air France's involvement in setting up Air Côte d'Ivoire. In 2012, Air France supported the re-launch of Air Côte d'Ivoire by becoming a shareholder in the new airline. The two other major shareholders are the government of Côte d'Ivoire and the Aga Khan Foundation for Economic Development. Air France is providing the airline with its know-how and staff capacity. Air France Consulting has provided an economic and operational feasibility study.

Air France-KLM contributes to the local economy by offering employment, sourcing local products in onboard catering and through investment. In 2012, Air France's subsidiary Servair strengthened its presence in Africa with new facilities in Brazzaville and a 3,270 m² air catering center employing 50 people at its new Servair Benin operation. The GoodPlanet and the WWF forest conservation project in Madagascar, which is supported by Air France, contributes to the development of local communities, whilst at the same time protecting the island's unique biodiversity. The project has already reached 34,000 households, 5,000 of which have adopted alternative methods (beekeeping, aviculture, fish farming, cash crops), which increase agricultural yields and crop diversification. The program has helped to train 500 nursery growers. Social tourism also has a significant impact on the living standards of local communities. This is why KLM supports the Sustainable Tourism Chair at Wageningen University. In Brazil, KLM supports a forest project of WWF-NL rewarding financially those who instead of cutting down trees, opt for their conservation. Until now the program has engaged more than 1,000 families who have been trained, supported with technical skills and tools and received help by selling local products that all contribute to sustaining the environment and habitat of the Amazon.

Contributing to skill transfer
The Group participates in the transfer of skills in the countries it serves, through Air France Consulting, a subsidiary of Air France: training for civil aviation authorities and airlines on the EU's restricted lists, on-site support, coaching and other training. KLM has entered a partnership with social enterprise ShareBusiness by posting three of its employees temporarily in Africa and India where they shared their experience with local entrepreneurs and at the same time developed their own knowledge and skills. Following the success of this pilot project, KLM plans to send between 5 and 10 employees on similar projects annually. ●

Kenya Airways
KLM offers extensive connections between Amsterdam and Nairobi and other African destinations beyond, through a joint-venture partnership with Kenya Airways. This partnership was strengthened in June 2012 by a US\$47 million investment. This capital injection will enable Kenya Airways to invest in its fleet, by purchasing Boeing 787s and Embraers, thus being able to expand its network and serve new destinations.

“ For almost 10 years, Air France-KLM has been a fantastic partner. Close the Gap benefits from KLM Cargo transport to sub-Saharan-Africa, as well as other destinations around the world. It is thanks to this collaboration that Close the Gap is able to deliver computers to the most remote areas e.g. in land-locked countries. Air France-KLM makes the difference by gaining access to education, healthcare and entrepreneurship with the use of new technologies. ”

OLIVIER VANDEN EYNDE, Founder and Managing Director Close the Gap

Community projects

The Group has always played an active role in international development assistance, particularly through its support of NGOs and projects led by its own employees. In 2012, the Group's total contributions amounted to the equivalent of €12 million. Air France-KLM provides assistance to development projects in various ways: some examples are presented in the opposite map.

The Group's programs and long-term humanitarian partnerships

Air France works to help disadvantaged children through its Corporate Foundation, which was involved in 102 projects in 2012. The airline has had a partnership with the NGO Acting for Life for over 30 years. The NGO promotes child protection, economic development and sustainable tourism. In 2012, the organization supported 51 projects worldwide through 130 local NGOs. Air France supported humanitarian air transport missions carried out by Aviation Without Borders for many years.

Air France passes on information to passengers about the damage caused by child sex tourism by financing ECPAT International's prevention campaign and by distributing literature onboard during flights to "at risk" destinations. KLM's AirCares program supports 7 partners in the areas of education, health and sanitation. Close the Gap, Medical Knowledge Institute, Aflatoun, Doctor2Doctor, Aviation Without Borders, Wings of Support and Get it Done. KLM analyzes the impact on beneficiaries of programs at the beginning and at the end of each project. KLM organized a workshop for the 7 partners to identify new opportunities and to increase the involvement of KLM divisions in the various projects.

Logistical support

In 2012, 626 Air France tickets and free transport of additional baggage were donated to 35 NGOs, principally involved in providing medical assistance. 25 other organizations approved by Air France benefit from discounted rates for transporting personnel and equipment. In 2012, KLM donated 540 tickets, transported 1,400kg of cargo and 500kg of additional baggage for its social partners. KLM's logistical expertise is included in the KLM AirCares program.

Involving employees and customers

Air France and KLM employees throughout the world take part in social, humanitarian and nature conservation projects. The Friends of Air France Foundation gets more than 2,200 employees involved in various types of volunteer work in France, such as collecting 6,500 toys for the "Beating Autism" charity. More than 3,000 KLM and Martinair employees are actively involved with Wings of Support, which ran more than 100 projects in 2012 in 16 countries benefiting more than 10,000 children worldwide. KLM organizes fundraising events to finance the construction of schools, wages for teachers and the running costs of schools. Customers who are members of Flying Blue are invited to donate their frequent flyer miles to NGOs selected by Air France and KLM: in 2012, 64 million miles were donated.

€12 million

Group contribution to development projects.

102 Projects sustained by the Air France Foundation.

7 NGOs Partners for KLM.

FOCUS

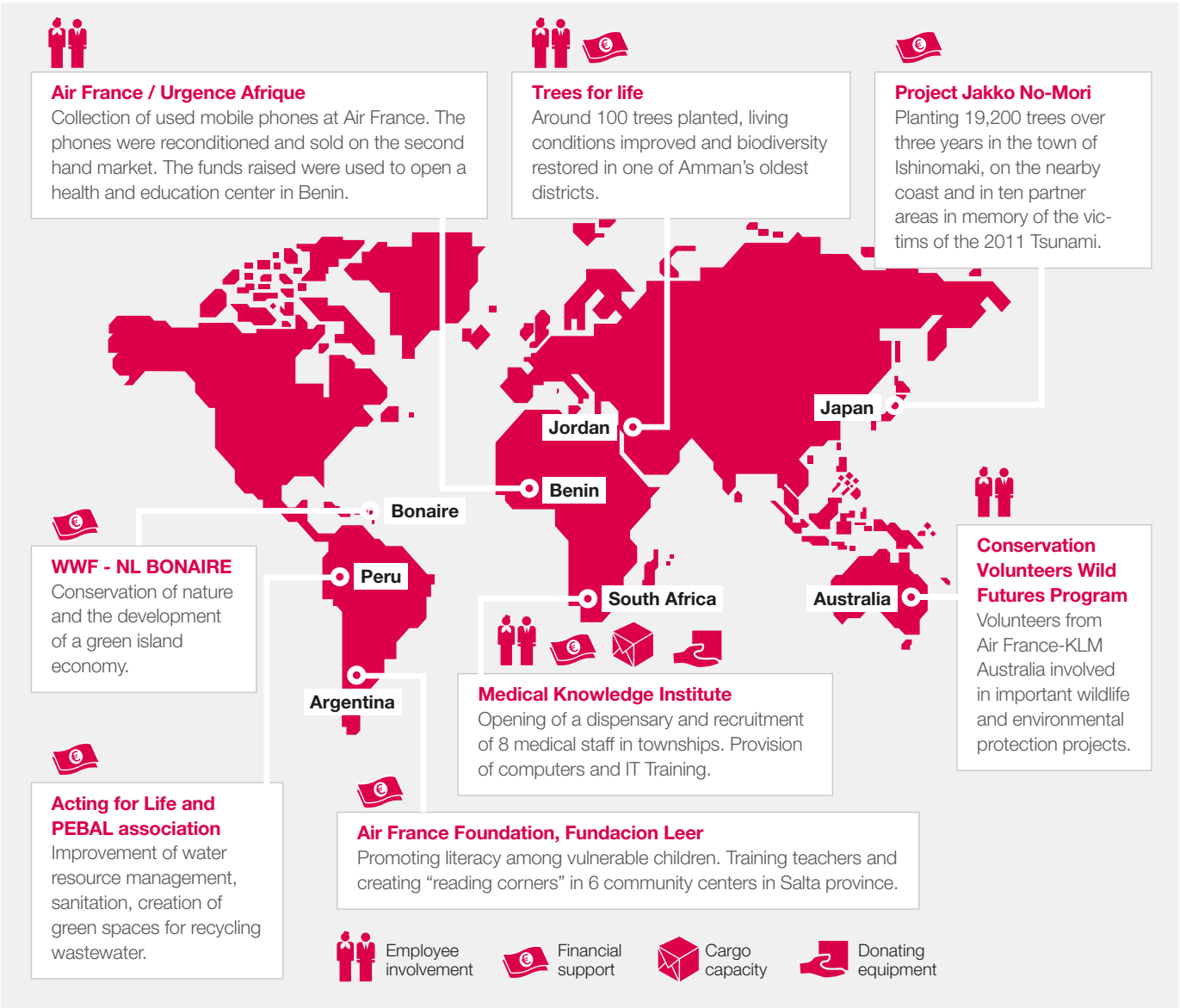
Close the Gap

Close the Gap is a non-profit organization that actively works to reduce the digital divide. KLM has supported Close the Gap since 2004, by donating a total of 14,270 computers, reaching over 200,000 students. In 2012, 2,800 computers were provided to 23 projects in 10 countries. Local partners, the majority of whom are African NGOs handle installation and maintenance of the computers and provide training on-site.

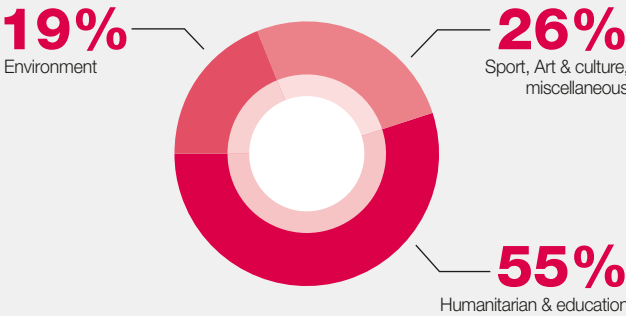
FOCUS

The Air France Foundation celebrates its 20th anniversary

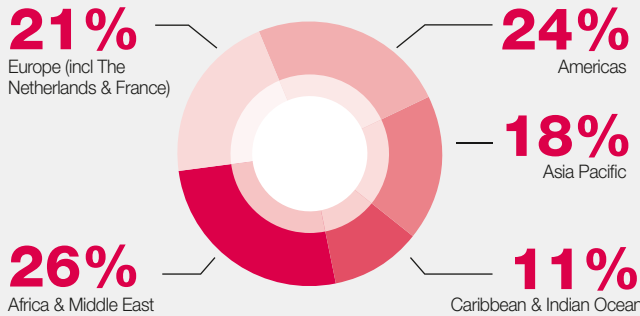
The Air France Foundation was created in 1992 and was a pioneer in the field of corporate foundations. The Foundation supports projects for children. It studies, selects and finances projects for sick, disabled and vulnerable children in the countries where Air France is present. Over twenty years, the Air France Foundation has contributed to 856 projects in 80 countries, the majority of which were supported by the airline's employees.



DISTRIBUTION OF GROUP'S CONTRIBUTIONS BY PROJECT CATEGORY



GEOGRAPHICAL DISTRIBUTION OF PROJECTS



Dialogue with our stakeholders

GROUP'S STAKEHOLDERS	MAIN ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES 2012
<ul style="list-style-type: none">➔ Shareholders➔ Investors➔ Financial partners➔ Rating agencies	<ul style="list-style-type: none">➔ Financial information➔ CSR performance	<ul style="list-style-type: none">➔ Quarterly presentations to analysts➔ Dedicated financial website➔ Shareholder Club➔ Advisory Committee for individual shareholders➔ Yearly General Shareholders' Meeting: presentation of financial and CSR performance➔ Annual publications	<ul style="list-style-type: none">➔ Reporting improvement as a result of questionnaires of non financial rating agencies (such as Vigeo, SAM, EIRIS, CDP): more attention to role of human rights, customers are positioned more integral part in the supply chain➔ Other outcomes: see chapter "Governance"
<ul style="list-style-type: none">➔ Passengers and distributors (BtoB, BtoC, BtoT)➔ Maintenance customers➔ Cargo customers	<ul style="list-style-type: none">➔ Customer satisfaction and service quality➔ Health and safety➔ Assistance in case of unforeseen events➔ Accessibility➔ Innovation, new technologies➔ Sustainable development➔ Reduce of CO₂ emissions	<ul style="list-style-type: none">➔ Customer satisfaction studies, surveys, information from crew and ground staff➔ Information on Air France-KLM websites, social media, video and information on board, anti-stress training➔ Air France-KLM Connect real time information service all along the journey by SMS, emails➔ Dialogue with associations of people with disabilities➔ Social media, e-services➔ Meetings, events with customers➔ Informing about sustainability initiatives via various communication channels	<ul style="list-style-type: none">➔ 500,000 answered in-flight questionnaires, Customer insight surveys, crew reports, customer feedback analysis committee➔ Certification (SGS, ISO 22000), reporting, sustainable catering policy➔ Recovery assistance service, customer assistance desk in the Operations Control Centers of each company➔ Dialogue and follow up of regulations➔ A dedicated team for social media dialogue and assistance, new applications, events➔ KLM takes Care, CSR survey among Flying Blue members, Focus group, meetings (example: SkyTeam CSR cargo meeting)➔ CO₂ calculator for individual customers, carbon reporting for corporate customers, KLM BioFuel Program
<ul style="list-style-type: none">➔ Employees➔ Trade unions➔ Professional associations and bodies	<ul style="list-style-type: none">➔ Working conditions➔ Training and mobility➔ Health and occupational safety➔ Non-discrimination➔ Diversity➔ Social dialogue➔ Negotiation and collective labour agreement➔ CSR awareness-raising	<ul style="list-style-type: none">➔ Staff surveys➔ Materiality test➔ Intranet and internal newsletters and papers➔ Dialogue with social partners➔ Regular meetings with governments on HR topics, e.g discrimination, occupation safety➔ Partnerships with universities➔ Work council Committees focused on working conditions, CSR and HR policies➔ Innovation programs for Air France staff at Maintenance (PIQ), ground operations, cabin crew➔ Inter-company working groups (ORSE, ANVIE, IMS etc) at Air France with disability groups and the French National Federation of Marchant Aviation (Air France)	<ul style="list-style-type: none">➔ Collective labour agreement for cockpit, cabin and ground staff (KLM)➔ Workplace HR and Skills agreement for ground staff and productivity agreement for pilots (Air France)➔ IPSOS survey and IPM tool (Internal Perception Monitoring) to measure levels of employee satisfaction➔ Introduction safety e-learning for all KLM employees➔ Air France and KLM CSR week for employees to raise awareness and engagement➔ Launch of LGBT network website➔ Other outcomes: see chapter "Ensuring a responsible human resources policy"
<ul style="list-style-type: none">➔ International, European and national authorities➔ Certification authorities	<ul style="list-style-type: none">➔ Climate change and CO₂ reduction➔ Environmental management➔ Passengers rights➔ Better knowledge of air transport issues	<ul style="list-style-type: none">➔ Dialogue and joint actions with national air transport authorities➔ Working group on New European Regulations on passengers rights➔ Draft proposals at AEA and IATA in particular for a global sectorial approach to climate change➔ Regular working visits of government officials	<ul style="list-style-type: none">➔ More knowledge to environmental and transport ministries on ETS guidelines, and climate policies Air France-KLM in France and The Netherlands➔ Social and environmental reporting according to article 225 of the application decree of the French Grenelle II legislation of July 12, 2010➔ Other outcomes: see chapters "Our CSR approach - Public Positions" and "Minimizing our environmental footprint"
<ul style="list-style-type: none">➔ Suppliers	<ul style="list-style-type: none">➔ Environmental and social performance➔ CSR integration in the supply chain➔ Eco-design➔ Local economic and social development	<ul style="list-style-type: none">➔ Applying the Sustainability Charter and environmental clauses for tenders➔ Including suppliers in REACH (Registration Evaluation and Authorization for Chemicals) monitoring➔ Dialogue with suppliers➔ Mainport Innovation Fund to invest in innovative sustainable business ideas for aviation	<ul style="list-style-type: none">➔ Audit policy established➔ Dialogue with suppliers resulted in light weight Cargo pallets and a dual-fuel truck at Schiphol for Air France-KLM Cargo➔ Airborne Wind Energy i.c.w. TU Delft, Schiphol and Rabobank to stimulate new technology to generate renewable energy.➔ Other outcomes: see chapters "Minimizing our environmental footprint" and "Integrating sustainability into the customer experience"

GROUP'S STAKEHOLDERS	MAIN ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES 2012
<ul style="list-style-type: none">➔ Air transport and industry bodies➔ Airports➔ Air Navigation Service Provider	<ul style="list-style-type: none">➔ Safety and security➔ Airport accessibility➔ Ground handling services➔ New aircraft➔ Sustainable biofuels for aviation➔ Climate change➔ Single European Sky➔ CSR involvement	<ul style="list-style-type: none">➔ SkyTeam CSR working group➔ Involvement Air France-KLM in SESAR JU➔ Working groups with FNAM and GIFAS on environmental impacts➔ Air France partner of FCA (Future alternative fuels) lead by the DGAC➔ Involvement of Air France in CORAC (Committee for civil aviation research)➔ Involvement of Air France-KLM in Sustainable Aviation Fuel Users Group (SAFUG) and support to the Roundtable on Sustainable Biofuels (membership through SAFUG)➔ Air France and KLM members of the Biofuel Flightpath's Core Team of the European Commission➔ Sustainability Board of SkyNRG➔ Dialogue with manufacturers and motorists to improve air quality and noise mitigation in line with ACARE	<ul style="list-style-type: none">➔ CSR best practices of SkyTeam partners collected and shared online➔ Dialogue on sustainable aviation Rio+20 including contribution to ICAO's Biofuel flight➔ 3 workshops Biofuel Flightpath in 2012➔ Other outcomes: see chapters "Governance" and "Minimizing our Environmental footprint"
<ul style="list-style-type: none">➔ Local authorities➔ Local residents associations➔ Local economic players	<ul style="list-style-type: none">➔ Noise➔ Air quality➔ Local dialogue➔ Social and economic development➔ Better knowledge of air transport issues	<ul style="list-style-type: none">➔ Training and skills-sharing with local associations➔ Roissy area development: 2 Air France staff dedicated to Pays de Roissy-CDG➔ International promotion of Roissy Area associations (Aerotropolis, Hubstart, CAREX, ASTech) (Air France)➔ Member of the CCE and CCAR of the 10 biggest French airports➔ KLM involvement in Alders Table and CROS (Schiphol Regional Consultative Committee)➔ Working visits and tours at Air France and KLM facilities➔ Cooperation ("Samenwerkingsagenda") KLM, Amsterdam, Schiphol on sustainability➔ Stakeholder engagement events in airport areas	<ul style="list-style-type: none">➔ Climate Event Amstelveen resulted in increased knowledge on CSR among SME➔ Children's event in Schiphol area to raise children's awareness on the environment➔ 2 issues of the publication « Courrier Air France »➔ Meeting between the Chairman of Air France and the "Association des Collectivités du Grand Roissy"➔ Participation in the Grand Roissy Area Conference➔ International promotion Roissy Area associations (Aerotropolis, Hubstart); international Hubstart seminar in Atlanta➔ Competition « The Plane of the Future », organized by the association "Pays de Roissy-CDG" with elementary schools of the territory➔ Other outcomes: see chapter "Minimizing our environmental footprint" and "Contributing to local development"
<ul style="list-style-type: none">➔ Scientific community➔ Universities➔ Research experts	<ul style="list-style-type: none">➔ Climate change➔ Operational procedures➔ Technological performance	<ul style="list-style-type: none">➔ IAGOS Program (Air France)➔ Research Technical University Delft (KLM)➔ Membership in IDUT and supporting the chair Sustainable Tourism of Wageningen University➔ Air France reforestation project in partnership with GoodPlanet and WWF in Madagascar, to improve knowledge of forest carbon	<ul style="list-style-type: none">➔ See chapter "Minimizing our environmental footprint"
<ul style="list-style-type: none">➔ Environmental NGOs	<ul style="list-style-type: none">➔ Climate change➔ Fight against deforestation➔ Preservation of biodiversity➔ Partnerships to challenge CSR improvements	<ul style="list-style-type: none">➔ KLM Partnership with WWF-NL➔ Air France funds program to combat deforestation run by GoodPlanet and WWF in Madagascar➔ KLM participation in IUCN (International Union for Conservation of Nature) and Leaders for Nature, inspirational program on ecosystem services➔ Partnership with 'Landschap Noord Holland' to support conservation work in the Schiphol region➔ Engagement with various NGO's on sustainable resources and climate regulations	<ul style="list-style-type: none">➔ New steps taken in BioFuel program i.c.w. WWF-NL➔ Financial support for specific Nature Conservation projects of WWF (a.o the Coral Triangle in Indonesia)➔ Other outcomes: see chapter "Minimizing our environmental footprint"
<ul style="list-style-type: none">➔ Humanitarian and development NGOs	<ul style="list-style-type: none">➔ Humanitarian and development programs	<ul style="list-style-type: none">➔ Dialogue and cooperation through humanitarian projects: Air France Foundation, Acting for Life, KLM AirCares➔ Donation of tickets and free transportation of cargo and additional baggage➔ Employees engagement: Friends of the Air France Foundation, Wings of Support, Aviation without borders (France and NL)➔ Dialogue sessions in cooperation with the Missing chapter foundation between the KLM Board of Directors and the board of children➔ Stakeholder session with NGO's for feedback on social policy	<ul style="list-style-type: none">➔ More visibility on KLM CSR initiatives through KLM Takes Care www.klmtakescare.com➔ The Group provided €12 million in funding for social and environmental projects➔ The Air France Foundation celebrates its 20th anniversary: 856 projects sustained since its creation. New website.➔ Air France Foundation: involvement in 102 projects➔ Dialogue with NGO's resulted in revising KLM strategy with social partners➔ Other outcomes: see chapter "Contributing to local development"

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

Passenger transport

Maintenance

Cargo (logistic or freight transport)

Ground services

Catering

Aircraft cleaning

Call center

Medical services

Assistance to passengers having limited mobility

Training

Social, corporate citizenship and environmental information

Pursuant to article 225 of the application decree of the French Grenelle II legislation of July 12, 2010, the social, corporate citizenship and environmental reporting is shown in the Air France-KLM Registration document 2012 (see pages 97 to 138) and the CSR Report 2012 (see pages 71 to 77). Virtually all the reported indicators are subject to verification by one of the Group’s Statutory Auditors.

Social information	Registration document: see pages 99-115 CSR report: see pages 52-59, 71-73
Corporate citizenship information	
Territorial, economic and social impact ➔ Employment and regional development ➔ Local populations	Registration document: see pages 117-119 CSR report: see pages 60-67
Relations with stakeholders ➔ Conditions of the dialogue with stakeholders ➔ Actions of partnership and sponsorship	Registration document: see pages 116, 119 CSR report: see pages 16-17 and 68-69
Subcontractors and suppliers ➔ Integration of social and environmental issues into the Group’s procurement policy ➔ Importance of subcontracting and consideration in the relationship with subcontractors and suppliers of their social and environmental responsibility	Registration document: see pages 120-121 CSR report: see pages 42-51
Fair business practices ➔ Action implemented against corruption ➔ Measures implemented to promote consumers health and safety	Registration document: see pages 116-117 CSR report: see pages 20-21, 51
Actions implemented to promote human rights	Registration document: see page 116 CSR report: see page 22
Environmental information	Registration document: see pages 122-135 CSR report: see pages 26-39 and 74-76

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 √ in the tables on pages 72 and 73. They are the subject of verification with a limited level of assurance¹⁾.
The completeness of the environmental, social and societal information disclosed in the 2012 registration document with regards to the requirements of the article R225-105-1 of the Code of commerce have been reviewed by one of the Statutory Auditors, KPMG Audit. The statement attesting to disclosure of the environmental, social and societal information issued by KPMG Audit is available page 136 of the Group’s 2012 registration document.

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 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 social reporting scope.
Note that the number of employees for Air France and KLM comprises their entire workforce including staff employed internationally.

- ➔ For the 2012 financial year, the Air France consolidated subsidiaries are: Aero Maintenance Group, Bluelink, BritAir, 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 75% of the employees of the subsidiaries in the Air France Group
- ➔ For the 2012 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 92% of the employees in the subsidiaries of the KLM Group.

In 2012, the reporting scope of the Air France subsidiaries and KLM subsidiaries remains unchanged.
The reference number of employees for calculating the coverage rate of the social reporting is the average number of employees in full time equivalent during 2012 supplied by the BFC tool of the Management Control Division.
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 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 72 and 73.

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.

Recruitment on permanent contracts

Note 2: 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.

Departures

Note 3: The reasons for departure are detailed in page 72.
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 employees) and departures due to retirement, resignation, decease and termination of contracts during the trial period.
Only redundancies of employees under permanent contract are taken into account in the number of redundancies (including Economic).

Percentage of women - Organization of working time

Note 4: These indicators enable the percentage of women to be evaluated relative to the 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 5: In 2011 the few KLM employees in the Caribbean and Indian Ocean geographical zone have been included in the number of employees in the North and South American zone.
In 2012, the Air France Group employees in the French Overseas Territories and Dominions, i.e. 754 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.
The absenteeism rate is not communicated for the Air France and KLM subsidiaries in 2012, the follow-up measures being in verification process at the level of these entities.

Absenteeism - Health and safety in the workplace

A significant portion of the work-related accidents reported by Air France is 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: 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 the definition’s criteria for work-related accidents between France and the Netherlands (see paragraph on absenteeism).

Air France and Air France subsidiaries

Note 2: Air France’s Group 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.

Air France

Note 2: For 2011 the number of fatal accidents has been corrected because of the refusal of the qualification “occupational accident” by the French health insuring administration (assurance maladie), after the date of stop of figures for the reference document 2011. The corrected value is in accordance with that published in the social audit 2011.

KLM and KLM subsidiaries

Note 2: KLM’s Group definition of work-related accidents only takes into account accidents with 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.

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.

For KLM subsidiaries

For the KLM subsidiaries the increase of the frequency and severity rate in 2012 is due to more accidents with absence of more than 24 hours reported for this year, for instance by Cobalt Ground Solutions. Some of those accidents cause several weeks of absence, which explains the increase in severity rate.

Training

Air France and Air France subsidiaries

Note 4: The Number of training hours by employee is 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 of the Air France Group are calculated without the data related to 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. Note that the disclosure of the total number of training hours 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 2012 was not yet known on the date the figures for the reporting of the 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 data related to the subsidiary Martinair.

1. 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 **			
	2010	2011	2012	12/11	2011	2012	2011	2012	2011	2012	2011	2012
HEADCOUNT AT 31/12 (PERMANENT CONTRACTS AND FIXED-TERM CONTRACTS) ¹												
Scope of reporting <input checked="" type="checkbox"/>	96%	96%	96%	0.0%	95%	95%	100%	100%	98%	98%	100%	100%
Total staff <input checked="" type="checkbox"/>	105,928	106,618	104,130	-2.3%	71,028	69,513	58,065	56,893	35,590	34,617	29,424	28,698
Ground staff	70,747	71,277	69,516	-2.5%	49,472	48,337	38,957	38,066	21,805	21,179	17,501	17,043
Cabin crew	26,144	26,380	25,863	-2.0%	16,187	15,941	14,988	14,762	10,193	9,922	9,175	8,973
Flight deck crew	9,037	8,961	8,751	-2.3%	5,369	5,235	4,120	4,065	3,592	3,516	2,748	2,682
Staff under permanent contract	102,045	101,603	100,273	-1.3%	68,307	67,201	56,586	55,728	33,296	33,072	28,119	27,819
Recruitment under permanent contract at 31/12 <input checked="" type="checkbox"/>	1,383	2,481	848	-65.8%	1,409	707	773	309	1,072	141	1,007	103
Recruitment under fixed-term contract at 31/12 <input checked="" type="checkbox"/>	3,084	6,621	4,313	-35%	5,452	3,962	3,053	1,863	1,169	351	589	134
Departures at 31/12 ⁵	8,816	11,612	8,571	-26%	8,998	7,168	6,194	4,315	2,614	1,403	859	935
of which redundancies (incl. Economic) <input checked="" type="checkbox"/>	662	995	640	-36%	338	542	149	247	657	98	54	71
Percentage of women at 31/12 <input checked="" type="checkbox"/>	42.5%	42.8%	42.8%	0%	42.9%	43.1%	44.6%	44.5%	42.4%	42.1%	43.6%	43.3%
Percentage of part time employees at 31/12 <input checked="" type="checkbox"/>	24.4%	24.5%	25.5%	4.2%	18.4%	19.0%	20.5%	21.1%	36.7%	38.6%	38.3%	39.9%
BREAKDOWN OF STAFF BY AGE AT 31/12												
29 year and less <input checked="" type="checkbox"/>	NA	10,052	8,222	-18.2%	6,353	5,254	4,696	3,807	3,699	2,968	2,445	1,994
Between 30 and 39 year included <input checked="" type="checkbox"/>	NA	33,065	30,305	-8.3%	23,456	21,422	19,478	17,802	9,609	8,883	7,827	7,206
Between 40 and 49 year included <input checked="" type="checkbox"/>	NA	37,101	37,255	0.4%	23,834	24,266	19,507	19,857	13,267	12,989	11,263	10,999
50 year and more <input checked="" type="checkbox"/>	NA	26,400	28,348	7.4%	17,385	18,571	14,384	15,427	9,015	9,777	7,889	8,549
BREAKDOWN OF STAFF BY GEOGRAPHICAL AREA AT 31/12												
Europe (except France and The Netherlands) <input checked="" type="checkbox"/>	NA	5,072	4,607	-9.2%	2,661	2,346	1,913	1,652	2,411	2,261	988	931
North & South America <input checked="" type="checkbox"/>	NA	2,255	2,013	-10.7%	1,862	1,655	1,549	1,369	393	358	392	357
Caribbean/Indian Ocean (including French overseas territories) ⁵ <input checked="" type="checkbox"/>	NA	1,118	1,109	-0.8%	1,118	1,047	878	839	0	62	0	62
Asia/Pacific <input checked="" type="checkbox"/>	NA	1,710	1,678	-1.9%	776	744	771	739	934	934	934	933
Africa/the Middle East <input checked="" type="checkbox"/>	NA	1,594	1,607	0.8%	1,118	1,048	1,101	1,025	476	559	476	559
The Netherlands <input checked="" type="checkbox"/>	NA	31,533	30,562	-3.1%	178	161	26	24	31,355	30,401	26,613	25,814
Continental France <input checked="" type="checkbox"/>	NA	63,336	62,554	-1.2%	63,315	62,512	51,827	51,245	21	42	21	42

☒ Indicators verified by KPMG for 2012 (moderate level of assurance). **NA**: Not available.

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

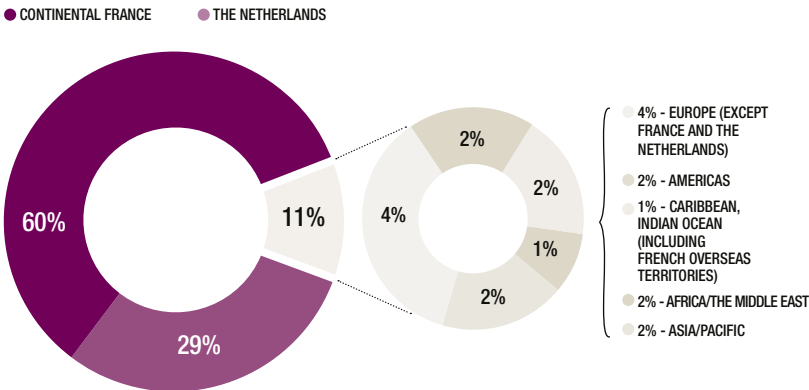
Air France subsidiaries: Aero Maintenance Group, Blue Link, Brit Air, City Jet, VLM, CRMA, Regional, Sodexi, Transavia France and Servair Group : ACNA, Bruno Pegorier, Jet Chef, OAT, Servair SA, CPA, Passerelle, Base Handling.

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

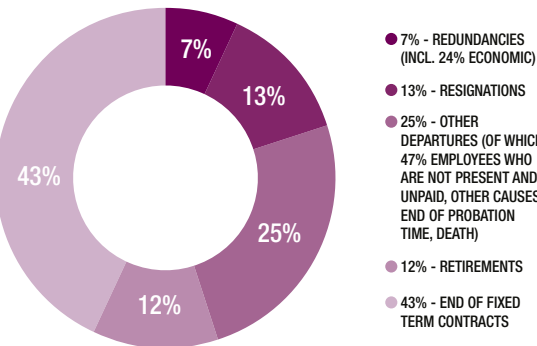
** **KLM Group**: KLM and KLM subsidiaries.

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

Breakdown of staff by geographical area



Breakdown of departures by cause



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

AIR FRANCE (100% OF THE STAFF HEADCOUNT, REGISTERED AND PAYED AT THE END OF THE CALENDAR YEAR) *	2011	2012	12/11
ABSENTEEISM ¹			
Due to illness <input checked="" type="checkbox"/>	3.83%	3.74%	-2%
Due to work accidents <input checked="" type="checkbox"/>	0.61%	0.54%	-11%
Maternity leave <input checked="" type="checkbox"/>	1.15%	1.06%	-8%
HEALTH AND SAFETY			
Total workplace accidents <input checked="" type="checkbox"/>	2,139	2,070	-3%
Number of fatal workplace accidents ²	1	0	-100%
Frequency rate of workplace accidents <input checked="" type="checkbox"/>	26.23	26.20	-0.1%
Severity rate of workplace accidents <input checked="" type="checkbox"/>	1.07	1.05	-2%
TRAINING			
Number of training hours by employee <input checked="" type="checkbox"/>	32	31	-1%
DISABLED STAFF ⁵			
Total staff with disabilities <input checked="" type="checkbox"/>	1,634	1,691	3%
Total staff with disabilities recruited during year <input checked="" type="checkbox"/>	30	20	-33%
COLLECTIVE AGREEMENTS <input checked="" type="checkbox"/>			
	18	40	

AIR FRANCE SUBSIDIARIES	2011	2012	12/11
Scope of reporting for Air France subsidiaries	76%	75%	-1%
HEALTH AND SAFETY			
Total workplace accidents <input checked="" type="checkbox"/>	870	993	14%
TRAINING			
Number of training hours by employee <input checked="" type="checkbox"/>	21	20	-4%
DISABLED STAFF ⁵			
Total staff with disabilities <input checked="" type="checkbox"/>	481	543	13%
Total staff with disabilities recruited during year <input checked="" type="checkbox"/>	32	27	-16%
COLLECTIVE AGREEMENTS <input checked="" type="checkbox"/>			
	43	23	

☒ Indicators verified by KPMG for 2012 (moderate level of assurance).

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

Women in the Group (in %)

		2012
Board of Directors		20.0%
Executive Committees	GROUP (GEC)	0%
	AIR FRANCE	13.3%
	KLM	8.6%
Senior managers/executives	AIR FRANCE	26.7%
	KLM	21.3%
Ground staff managerial	AIR FRANCE	31.2%
	KLM	24.5%
Flight crew managerial	AIR FRANCE	CABIN CREW 51.9%
		COCKPIT CREW 3.2%
	KLM	CABIN CREW 71.3%
		COCKPIT CREW 3.2%
Ground staff non managerial	AIR FRANCE	40.4%
	KLM	30.6%
Flight crew	AIR FRANCE	CABIN CREW 65.5%
		COCKPIT CREW 7.2%
	KLM	CABIN CREW 85.9%
		COCKPIT CREW 5.0%

Other data for KLM Group (according to local legislation)

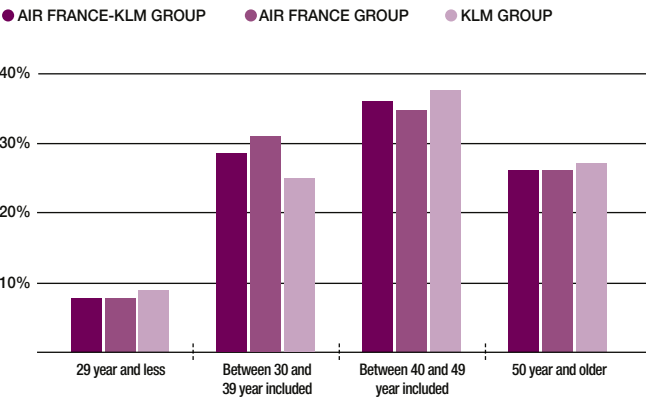
KLM (100% OF THE STAFF HEADCOUNT, REGISTERED AND PAYED AT THE END OF THE CALENDAR YEAR) *	2011	2012	12/11
ABSENTEEISM ¹			
Due to illness <input checked="" type="checkbox"/>	6.11%	5.24%	-14%
Maternity leave <input checked="" type="checkbox"/>	0.63%	0.55%	-13%
HEALTH AND SAFETY			
Total workplace accidents <input checked="" type="checkbox"/>	217	219	1%
Number of fatal workplace accidents	0	0	0%
Frequency rate of workplace accidents <input checked="" type="checkbox"/>	4.54	4.73	4%
Severity rate of workplace accidents <input checked="" type="checkbox"/>	0.16	0.16	0%
TRAINING ⁴			
Total training costs in K€ <input checked="" type="checkbox"/>	69,422	60,777	-12%
Total training costs in € per full time equivalent	2,891	2,539	-12%
DISABLED STAFF			
Total staff with disabilities <input checked="" type="checkbox"/>	656	696	6%
COLLECTIVE AGREEMENTS <input checked="" type="checkbox"/>			
	0	3	

KLM SUBSIDIARIES	2011	2012	12/11
Scope of reporting for KLM subsidiaries	93%	92%	-1%
HEALTH AND SAFETY			
Total workplace accidents <input checked="" type="checkbox"/>	70	92	31%
Number of fatal workplace accidents	0	0	0%
Frequency rate of workplace accidents <input checked="" type="checkbox"/>	5.88	8.46	44%
Severity rate of workplace accidents <input checked="" type="checkbox"/>	0.08	0.15	88%
TRAINING ⁴			
Total training costs in K€ <input checked="" type="checkbox"/>	21,206	19,736	-7%
Total training costs in € per full time equivalent	2,961	2,939	-1%
DISABLED STAFF			
Total staff with disabilities <input checked="" type="checkbox"/>	81	88	9%
COLLECTIVE AGREEMENTS <input checked="" type="checkbox"/>			
	4	7	

☒ Indicators verified by KPMG for 2012 (moderate level of assurance).

* KLM: Data concerns KLM without international staff.

Breakdown of staff by age (in %)



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 ✓ and ✓/✓) verified by one of the Statutory Auditors, KPMG Audit, with the highest level of assurance, reasonable assurance (✓), for fuel consumption and the related CO₂ emissions for air operations (✓/✓) and a limited level of assurance (✓) for the other verified indicators (✓/).

Scope covered and scope N-1

For the flight operations, the environmental consolidation scope covers:

- ➔ All the Air France commercial flights operated under the AF code by Air France and its subsidiaries Brit Air, Régional and CityJet. The flights operated by Transavia France have also been included since 2011.
- ➔ All the KLM commercial flights operated under the KLM code 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 SO₂.

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, BlueLink and Servair and its subsidiaries (only for the activities in France). 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 87% 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).

Since 2011, the reporting period for the Group's environmental data has been changed to a rolling twelve months from October 1 N-1 until September 3 N. 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: Osyris (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 Environment 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 modalities for the assembly of the data, calculation methodologies and operational consolidation are defined in procedures which are specific to Air France and KLM, and which are harmonized whenever possible.

Within the framework of an approach based on continuous improvement, the methodologies used for some performance indicators are constantly being improved and, notably, the precision of their definitions. 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 2012, this estimation method was not used..

Flight operations

CO₂ emissions

The Air France-KLM Group's CO₂ emissions remained stable between 2011 and 2012, activity having seen little variation from one year to the other. Note that there are differences between the scope of the CO₂ emissions reported and those of the European Emissions Trading Scheme for greenhouse gas emission quotas (EU-ETS), which do not enable a comparison.

SO₂ emissions

The calculation of the SO₂ 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 fall in SO₂ emissions from the Group's flight operations between 2011 and 2012 is mainly due to the 11% reduction in the average sulphur content in the fuel.

For the KLM Group, the increase is due to the rise in the average sulphur content of the fuel used.

NOx and HC low altitude emissions (LTO)

The methodology used for the calculation of low altitude emissions, which is to say below 3,000 feet, is common to Air France and KLM. It is based on the LTO (Landing-Takeoff) cycle and on engine data communicated by the ICAO⁽²⁾. The taxiing time taken into account is the actual taxiing time, which is more precise than standard values recommended by the ICAO methodology. Note, however, that the actual taxiing time not being available for Transavia France, the standard ICAO values have been used for this subsidiary.

Note: Following a review of the materiality of the reported indicators in the light of the Grenelle II legislation, it was decided to no longer report total NOx and HC emissions but to concentrate on low altitude emissions impacting mostly air pollution around airports.

As a result, starting from 2012, Air France-KLM has reported only NOx and HC low altitude emissions.

In-flight fuel jettison

An exceptional operation (less than one flight in 10,000 in 2012) 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⁽³⁾. It applies to all flights with the AF or KLM Commercial Code operated, franchised and chartered, code share excepted.

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.

Consumption of other energies

The indicator includes 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.
- ➔ Off-road diesel fuel for a portion of the Air France runway equipment.
- ➔ Petrol and diesel fuel for Air France and Servair vehicles and Air France and KLM ground support equipment.

The decline seen between 2011 and 2012 for the Air France Group is partly explained by the energy efficiency measures in place. Emissions from ground operations (CO₂, SO₂ and NOx) CO₂, SO₂ and NOx emissions and their trends are linked to the energy consumption listed above.

For Air France, the sharp reduction in SO₂ emissions is due to the change in fuel for runway equipment. The domestic fuel oil which was used until 2011 has been replaced by off-road diesel fuel whose maximum sulphur content is 100 times lower.

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 the Air France Group, the increase between 2011 and 2012 is mainly due to more aircraft being painted in 2012 (22 aircraft in 2012 versus 9 in 2011).

HC Emissions

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

Hazardous industrial waste

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

The reprocessing channels taken into account are those in the European regulation.

The significant increase in the quantity of hazardous waste since 2011 is due to the evacuation, as hazardous waste, of water infiltrating into a KLM Cityhopper building.

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 2012, 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, 1/50 for Phosphorus compounds and 14/742 for metals.
- ➔ For KLM, 0/52 for Nitrogen compounds, 0/52 for Phosphorus compounds and 0/280 for metals.

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

Environmental indicators

Flight Operations			AIR FRANCE-KLM GROUP				AIR FRANCE GROUP ¹				KLM GROUP ²			
		Unit	2010	2011	2012	12/11	2010	2011	2012	12/11	2010	2011	2012	12/11
CONSUMPTION														
Consumption of raw materials: fuel √		ktons	8,534	8,950	8,956	0.1%	4,860	5,047	5,078	0.6%	3,674	3,903	3,878	-0.6%
EMISSIONS														
Greenhouse gas emissions	CO ₂ √	ktons	26,879	28,193	28,210	0.1%	15,308	15,899	15,997	0.6%	11,571	12,294	12,213	-0.7%
Emissions of substances contributing to acidification and eutrophication	NOx low altitude (< 3,000 ft) √	ktons	8.7	9.0	9.2	2.2%	6.1	6.2	6.3	1.6%	2.6	2.8	2.9	3.6%
	SO ₂	ktons	10.2	10.4	9.9	-4.8%	6.6	7.2	6.4	-11.1%	3.6	3.2	3.5	9.4%
	SO ₂ low altitude (<,3000 ft) √	ktons	0.7	0.8	0.7	-12.5%	0.5	0.6	0.5	-16.7%	0.2	0.2	0.2	0.0%
In-flight fuel jettison	Occurrences of fuel jettison √	number	39	29	41	41.4%	27	23	27	17.4%	12	6	14	133.3%
	Fuel jettisoned √	tons	1,671	1,152	1,839	59.6%	1,180	945	1,210	28.0%	491	207	629	203.9%
Other emissions	HC low altitude (< 3,000 ft) √	ktons	0.8	0.8	0.8	0.0%	0.6	0.6	0.6	0.0%	0.2	0.2	0.2	0.0%
NOISE IMPACT														
Global noise energy indicator √		10 ¹² kJ	1.65	1.65	1.69	2.4%	1.10	1.11	1.16	4.5%	0.55	0.54	0.53	-1.9%

✓ Figures verified by KPMG for 2012 (limited level of assurance). ✓/✓ Figures verified by KPMG for 2012 (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.

2. KLM Group scope: all flights operated by KLM and KLM Cityhopper. Transavia and Martinair are included for fuel consumption, CO₂ and SO₂ emissions (exception of low altitude emissions of HC, NOx and SO₂).

Air France-KLM's fleet

Operational aircraft as of December 31, 2012: 573

Average fleet age: 9.9 years

	AIR FRANCE GROUP			KLM GROUP		
	AVERAGE AGE (years)	AIRCRAFT TYPE	NUMBER OF AIRCRAFT	AVERAGE AGE (years)	AIRCRAFT TYPE	NUMBER OF AIRCRAFT
SHORT AND MEDIUM-HAUL	10.2	A318, A319 A320, A321	140	6.7	737-700 /-800 / -900	46
LONG-HAUL	9.2	A380, A330-200 A340-300 777-200/-300, 747-400	103	11.7	A330-200/-300 777-200/-300 MD11, 747-400	64
CARGO	7.4	747-400ERF 777F	5	8.6	747-400ERF	4
REGIONAL FLEET AF: BRIT AIR, RÉGIONAL, CITYJET, VLM KLM: CITYHOPPER	10.8	EMBRAER, BOMBARDIER, AVRO, F50	118	10.4	F70, EMB190	48
OTHER FLEET AF: TRANSVIA FRANCE KLM: TRANSVIA.COM, MARTINAIR	7.4	737-800	8	9.8	737-700/-800 MD11-F	37
TOTAL	10.0 YEARS		374	9.8 YEARS		199

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. International Civil Aviation Organization.
3. French Civil Aviation Authority (Direction Générale de l'Aviation Civile).

Environmental indicators

Ground Operations			AIR FRANCE-KLM GROUP				AIR FRANCE GROUP ¹				KLM GROUP ²			
			2010	2011	2012	12/11	2010	2011	2012	12/11	2010	2011	2012	12/11
CONSUMPTION														
Water consumption √		Thousands m³	951	886	812	-8.4%	749	694	624	-10.1%	202	192	188	-2.1%
Electricity consumption √		MWh	416,149	408,408	392,223	-4.0%	321,818	309,655	293,406	-5.2%	94,331	98,753	98,817	0.1%
Other energies consumption √		MWh	470,552	543,749	513,562	-5.6%	367,748	316,650	295,757	-6.6%	102,804 ³	227,099	217,805	-4.1%
EMISSIONS														
Greenhouse gas emissions	CO ₂ √	tons	92,569	89,841	85,680	-4.6%	47,850	38,975	36,841	-5.5%	44,719	50,866	48,839	-4.0%
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds VOC √	tons	167	129	146	13.2%	132	90	102	13.3%	35	39	44	12.8%
	Emissions of HC	tons	161	167	145	-13.2%	106	108	86	-20.4%	55	59	59	0%
Emissions of substances contributing to acidification and eutrophication	NOx √	tons	879	810	773	-4.6%	605	541	508	-6.1%	274	269	265	-1.5%
	SO ₂ √	tons	13.2	19.6	16.1	-17.9%	9.8	16.6	12.9	-22.3%	3.3	3.0	3.2	6.7%
WASTE														
Waste production	Quantity of non-hazardous industrial waste √	tons	58,756	58,964	57,060	-3.2%	42,309	42,155	40,236	-4.6%	16,447	16,809	16,824	0.1%
	Quantity of hazardous industrial waste √	tons	5,914	7,000	7,009	0.1%	4,569	4,748	4,474	-5.8%	1,345	2,252	2,535	12.6%
	% of hazardous industrial waste recovered √	%	47%	45%	58%	+13 PTS	36%	28%	43%	+15 PTS	84%	81%	85%	+4 PTS
EFFLUENTS														
Compliance rate of effluents with regulatory limits	Nitrogen compounds √	%	100%	100%	100%	0 PT	100%	100%	100%	0 PT	100%	100%	100%	0 PT
	Phosphorus compounds √	%	100%	100%	99%	-1 PT	100%	100%	98%	-2 PT	100%	100%	100%	0 PT
	Metals ⁴ √	%	100%	99%	98%	-1 PT	100%	99.5%	98%	-1.5 PT	100%	98.5%	100%	+1.5 PT

✓ Figures verified by KPMG for 2012 (limited level of assurance).

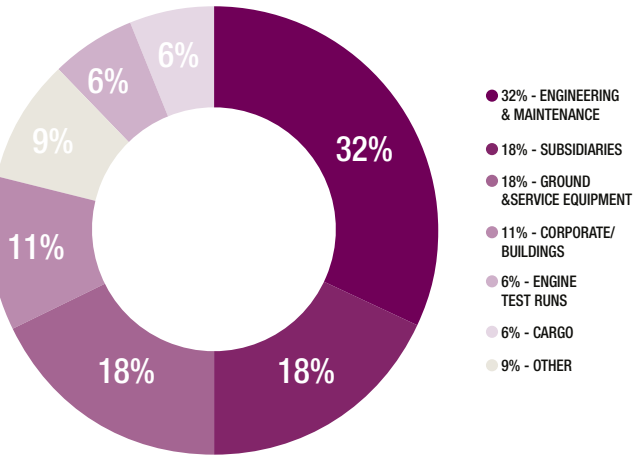
1. Air France and subsidiaries : Régional, BritAir, Servair and its subsidiaries (France only), Sodexi, CRMA and BlueLink. CityJet and Transavia France are not included.

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.

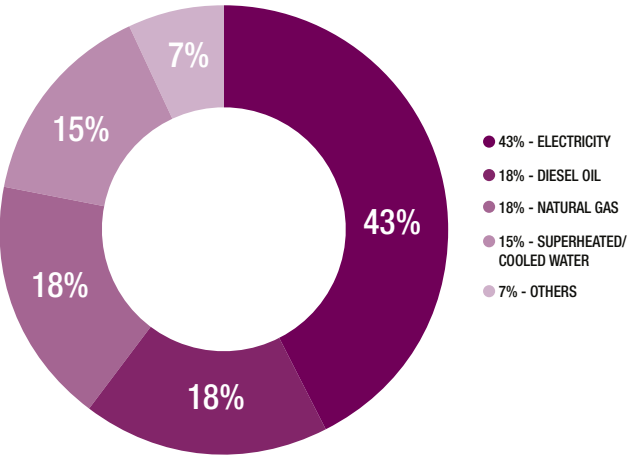
3. Diesel for vehicles and ground support equipments, and Jet A1 for testing engines were not included in 2010.

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

Breakdown of the Group's energy consumption in 2012



Type of energy consumed in 2012



Statutory Auditor’s Assurance Report on a Selection of Environmental and Social Indicators of Air France-KLM Group for the year ended December 31, 2012

As requested and in our capacity as Statutory Auditors of Air France-KLM S.A., we have performed a review in order to provide:

- ➔ a limited level of assurance on the environmental and social indicators for the year ended December 31, 2012 selected by Air France - KLM Group and identified by the symbol ✓,
- ➔ a reasonable level of assurance on the indicators ‘Fuel consumption’ and ‘CO₂ emissions’ relating to air operations for the year ended December 31, 2012, identified by the symbol ✓/.

This selection of indicators (‘the Data’) is presented in the tables ‘Environmental indicators’ and ‘Social indicators’ of the 2012 Management Report and the 2012 Corporate Social Responsibility Report of Air France-KLM Group (‘the Group’).

Management’s responsibility

The Data were prepared under the responsibility of Air France’s Environment and Sustainable Development division, in accordance with internal performance reporting procedures (hereinafter ‘the Protocol’), which may be consulted at the Group’s head office. The method used to collect the data and calculate the social and environmental indicators is explained in the notes accompanying the tables ‘Environmental indicators’ and ‘Social indicators’.

Independence and quality control

Our independence is defined by regulatory requirements, our profession’s Code of Ethics and Article L. 822-11 of the French Commercial Code. In addition, we have set up a comprehensive quality control system, including documented policies and procedures, to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Statutory auditor’s responsibility

Our responsibility is to issue conclusions on the Data, based on our work. The conclusions given below relate solely to the Data and not to Air France-KLM Group’s 2012 Management Report and 2012 Corporate Social Responsibility Report as a whole.

Nature and scope of work

We conducted our procedures in accordance with International Standards on Assurance Engagements (ISAE 3000) and in compliance with the professional guidelines applicable in France.

Limited assurance

- We conducted the following procedures in order to obtain limited assurance about whether the Data identified by the symbol ✓ are free from material misstatement. A higher level of assurance would have required more extensive work.
- ➔ We assessed the Protocol used for reporting environmental and social performance indicators with regard to its relevance, reliability, objectivity, understandability and completeness;
 - ➔ We conducted interviews with Air France’s Environment and Sustainable Development division in order to update our knowledge of the reporting process and system in place, and ascertain that the reporting Protocol had been applied correctly;
 - ➔ We performed tests on the implementation of the Protocol, based on a sample of entities (‘the Entities selected’). For the Entities selected, we verified that the Protocol had been understood and implemented correctly, and we performed arithmetic tests, on a sample basis, on the indicator calculations and reconciliations of the Data with supporting documents;
 - ➔ We performed consistency tests on the consolidated Data at Group level.

The Entities selected represent an average of 81% of the consolidated environmental Data and 75% of the consolidated social Data.

Reasonable assurance

We conducted the above-mentioned procedures with a greater number of tests in order to obtain reasonable assurance that the indicators ‘Fuel consumption’ and ‘CO₂ emissions’ relating to air operations, identified by the symbol ✓/ were free from material misstatement.

Conclusion

Limited assurance

Based on the procedures performed, we did not identify any material misstatements that call into question the fact that the Data in the

tables ‘Environmental indicators’ and ‘Social indicators’ of Air France-KLM Group’s 2012 Management Report and 2012 Corporate Social Responsibility Report, identified by the symbol ✓/, have been prepared, in all material respects, in accordance with the above-mentioned Protocol.

Reasonable assurance

In our opinion, the indicators ‘Fuel consumption’ and ‘CO₂ emissions’ relating to air operations, identified by the symbol ✓/ in the 2012 Management Report and 2012 Corporate Social Responsibility Report, have been prepared, in all material respects, in accordance with the above-mentioned Protocol.

Paris La Défense, February 28, 2013

KPMG Audit

Department of KPMG S.A.

Valérie Besson
Partner

Michel Piette
Partner

1. **Environment:** Air France Industrial Division (Roissy, Orly and Villeneuve Le Roi), Air France Operations Division (ground vehicles), Servair group and subsidiaries (Servair 1, Acna Roissy), KLM Schiphol for ground operations.
Air France and subsidiaries CityJet, BritAir, Régional and Transavia France, KLM, KLM CityHopper, Transavia and Martinair for air operations.
Social: Air France in France, KLM and Cygnific in the Netherlands.

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
Human Rights Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	14, 16, 22, 48, 57, 58	➔ Air France-KLM Social and Ethics Charter ➔ Contract clause on labour protection, and Sustainable Procurement Charter for suppliers	In-house documents, http://www.af-klm.com/procurement/en/ Air France: http://corporate.airfrance.com/en/sustainable-development KLM: www.klmtakescare.com
Labour Law Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 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 CSR websites Air France-KLM Registration Document 2012 (pages 91,97-115)
Environment Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	24-39	➔ GEP Code for Good Environmental Practices ➔ Environmental protection clause for suppliers	In-house documents, Air France and KLM CSR websites Air France-KLM Registration Document 2012 (pages 122-135)
Fight against Corruption Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	14, 18, 22, 45, 48, 57	➔ 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 CSR websites Air France-KLM 2012 Registration Document 2012 (page 19-21, 91, 116-121)

International non-financial indexes and ratings

Air France-KLM is assessed annually by the major international non-financial rating agencies, including SAM, Viego, Eiris. For the 8th year running, the Group has been ranked leader in the aviation sector by the two DJSI indexes, DJSI World and DJSI Europe. In 2012 the Group was also named Supersector Leader 'Travel & Leisure' for the fourth time. This recognition places the Group in the world's 19 most sustainable companies listed on the DJSI. Thanks to this performance the Group retained its listing on the Vigeo indexes (World 120, Europe 120, France 20), ASPI Eurozone, Ethibel Sustainability Index (ESI) Excellence Europe and FTSE4Good Index Series. Air France-KLM is included in the CDLI 2012 (Carbon Disclosure Leadership Index) which ranks the best 20 French companies on the SBF 250 (the largest 250 companies by market capitalization in France).



CARBON DISCLOSURE PROJECT

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Source: The estimate of the carbon footprint of this report is realized by FactorX according to the methodology of Bilan Carbone®. Calculations arise from a comparison between recycled paper used and virgin fibers paper according to the last available data of BRIEF European (for virgin fibers paper). The results arise from technical information and are subject to modification.

GRI correspondence table

GRI3 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 website: www.klmtakescare.com 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									
Sector context and Group's strenghts	8	X	X	X		X						X
CSR main accomplishments	10											
Our CSR approach	14	X	X	X	X	X	X	X	X	X	X	
Minimising our environmental footprint	26				X		X					X
Integrating sustainability into the customer experience	42				X						X	
Ensuring a responsible human resources policy	52				X	X		X	X			X
Contributing to local development	60				X	X				X		X
Annexes	68			X	X		X	X				X



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