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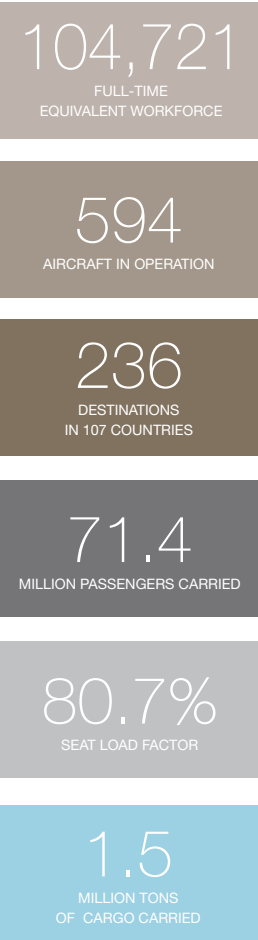
# AIRFRANCE KLM



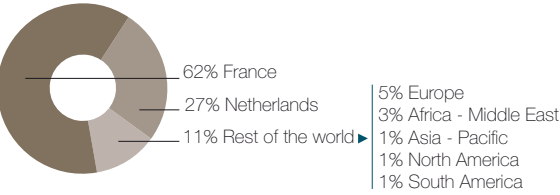
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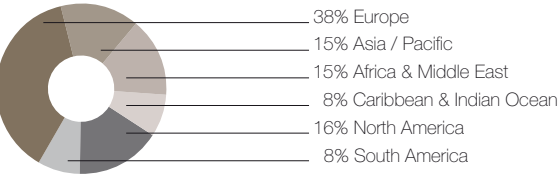


BREAKDOWN OF THE GROUP'S WORKFORCE  
(IN FULL TIME EQUIVALENT, 31 MARCH 2010)



The information in this report relates to the 2009-10 financial year, started on 1 April, 2009 and ended on 31 March, 2010. Where information relates to a different time frame, this is explicitly stated.

BREAKDOWN OF PASSENGER REVENUE BY  
DESTINATION, 2009-10



How to read this report

• This report consists of four sections

The first section is designed to help you understand the sector and the issues and challenges facing it. It deals with the global environment of the air transport sector and describes the profile of the Air France-KLM group, how it is governed, and its public positions.

In the second section, we present our Corporate Social Responsibility (CSR) approach and organization and describe the way we work with our stakeholders (our shareholders in particular), the commitment of our suppliers, and our non-financial corporate ratings.

The third section, which is divided into

five sub-sections, describes our five key issues and the way we deal with them.

In the final part of the report, you will find our key performance indicators, details of our reporting methodology and the opinion of one of the Group's statutory auditors.

• Joint commitments, management objectives for each company

In the present report, each of the five key CSR issues begins with a presentation of the joint ambitions and action plans deployed by Air France and KLM. This is followed by an expository text fleshed out with key indicators and figures. The tables on pages 50 to 53 present the environmental and social indicators in

reference to the NRE ("New Business Regulations") Act in force in France.

• Group relations with stakeholders

In this report, each of the five key CSR issues ends with a presentation of the stakeholders concerned, the types of dialogues engaged with them and on what issues, the outcome of consultations and partnerships.

One of the stakeholders has the opportunity to express his/her appreciation of the resources deployed by the Group to deal with the issues, and the progress achieved to this end.

Foreword 04

Understanding the sector and the Group 06

Our approach to corporate social responsibility 12

Addressing key issues 18

Combating climate change 20

Mimimizing our environmental impacts 26

Building a sustainable relationship with our customers 32

Promoting a responsible human resources policy 38

Driving local development 44

Indicators and methods 50

## PURSuing OUR EFFORTS, REASSERTING OUR VALUES

In spring 2010, the eruption of Iceland's Eyjafjöll volcano led to a paralysis of Europe's skies as relentless as it was unexpected. A 'world without planes', of which some people dream, became reality.

So what happened next? Several million travelers were stranded far from their destinations. Companies, sectors and countries were seriously affected and even weakened; not to mention the airline and tourism industries, already reeling from the economic crisis, for which this new situation only made matters worse.

Paradoxically, this time where part of the world was prevented from flying underlined the crucial role of air transport in the globalized economy and in bringing people and cultures together. **We are convinced that by ensuring this in an ever more controlled and responsible way, our industry will be confirmed in this role well into the future.** That is why at Air France and KLM we stand by our CSR commitments, set out in our Group Corporate Social Responsibility Declaration and our Social and Ethical Charter, and confirmed by our membership of the UN Global Compact.

This report explains these efforts amid a particularly challenging year. **A year marked** by the tragic loss of the passengers and crew of flight AF447 between Rio de Janeiro and Paris, a disaster still unexplained at the time of writing. Amid a continuing global crisis, **a year which dented our bottom line**, with a severe drop in traffic and even larger fall in revenues. We reacted to this situation by making deep structural and economic changes, slashing costs while making the most of synergies between our companies.

Aviation is a people business. While others have focused on redundancy plans, we set ourselves the priority of doing all we can to **safeguard jobs while improving competitiveness**. To this end, we have developed a completely original structure based on the adaptability of our staff and the solidarity of our businesses.

In a very tough competitive environment, we need to be **outstanding** to retain the confidence of our customers. Our priorities include safety, high quality standards, innovative service provision based on the latest technologies, and reinforcing our network.

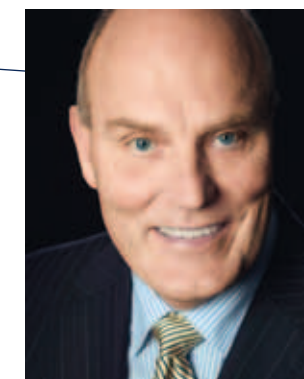
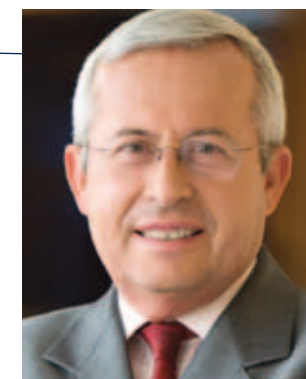
We assume **our responsibilities at the local level**, where we generate business, development and employment, not only for the regions in which we are based but also for

the countries to which we fly. We have therefore built lasting relationships with our regional partners. Beyond our contribution to aid and development programs, we lead and support numerous humanitarian operations. A recent example in January 2010 was the strong involvement of our teams and assets in response to the Haïti disaster.

In environmental terms, we are making further progress by **cutting our local impact**, notably for noise and emissions that affect air quality. We also encourage our staff by promoting their initiatives and putting in place innovative solutions.

Faced with the **challenge of climate change**, Air France-KLM is one of the most committed actors in the air transport sector. Although it is important to see what arises from the Copenhagen summit, we continue to push for collective responses to limit CO<sub>2</sub> emissions. We call on the United Nations to include international aviation in a specific global agreement under the aegis of the International Civil Aviation Organization (ICAO). Keen to move forward, we are playing our role in this joint effort by modernizing our fleet, optimizing fuel consumption and flight procedures, while taking a leading role in the development of biofuels that do not compete with the food chain.

In this way our Group is setting the industry standards for corporate social responsibility: an ambition fitting for the place we occupy in global air transport.



Pierre-Henri Gourgeon  
**Chief Executive Officer of Air France-KLM**  
Chief Executive Officer of Air France

Peter Hartman  
President and Chief Executive Officer of KLM



# UNDERSTANDING THE SECTOR AND THE GROUP

## AIR TRANSPORT SECTOR ISSUES

### AIR TRANSPORT: REFLECTING THE GLOBAL ECONOMY

Air transport drives our globalized economy, allowing tourism and trade to develop while bringing people and cultures together.

Airlines operate in a very competitive environment where margins are small. Air transport is always one of the first sectors hit by global events: from wars and epidemics to hurricanes and volcanoes.

### AIR TRANSPORT ON THE FRONTLINE OF THE GLOBAL ECONOMIC CRISIS

The economic crisis led to a sharp decline in air traffic demand, cancelling two years of growth combined with an even steeper drop in unit earnings, notably for business travel and cargo traffic.

In 2009, airlines lost US\$ 9.9 billion, according to estimations by the International Air Transport Association (IATA) in June

2010, with losses for the decade running at over US\$ 50 billion. A mild recovery is forecast for 2010, which should result in an estimated gain of US\$ 2.5 billion. European airlines should face losses of around US\$ 2.8 billion, as they were particularly affected by the eruption of the Icelandic volcano and the weak growth in Europe.

### AIRLINE SECTOR SUBJECT TO VERY SPECIFIC CONSTRAINTS

The extreme volatility of oil prices affects companies' forecasts as much as their results. The numbers speak for themselves: fuel represented 13% of sector costs in 2000 but had risen to 33% in 2008 and 24% in 2009, according to the International Air Transport Association (IATA).

Air transport creates about 2% of man-made CO<sub>2</sub> emissions, a value which is often overestimated by the public at large, but does not exempt the airlines to take their part in the collective effort of combating climate change. Regulations are emerging, notably in Europe, to cut the impact of air transport on climate

change thereby imposing new burdens on the sector. In 2012, airlines will join the European Union Emission Trading System (see our public positions, page 17).

Airlines face ever stricter regulations for security and consumer protection, which in turn mean more restrictions for customers and higher costs for carriers.

Finally, unlike rail transport, aviation funds all of its infrastructure costs, from ground to flight. It also pays for security, safety and soundproofing measures for communities living close to airports.

### A RESPONSIVE AIR TRANSPORT INDUSTRY

#### Tailoring capacity to demand

Unlike in previous crises airlines were quick to respond, adjusting to demand by cutting capacity from late 2008 (therefore avoiding overcapacity). However, these measures have not been enough to stem the sharp drop in unit earnings. In 2009, airlines cut their capacity by 1.6% as passenger traffic fell 1.8% on average against 2008 figures. This helped to maintain the seat-load factor (76 % for IATA airlines in 2009).

#### Financial management

Despite their financial results, airlines managed to raise US\$ 25 billion in 2009, mainly in the form of bonds. They also made considerable efforts to cut spending, while continuing to improve the quality of service.

#### Adjusting staffing levels, consolidation and mergers

In 2009, airlines cut their workforce by 0.8%, mainly via redundancy and productivity plans. The airline sector is still very fragmented. While Delta is the world's largest airline by traffic after its merger with Northwest Airlines, the company still represents only 7.1% of regular traffic. Consolidation and mergers, already a trend in the airline business, have been accelerated by the crisis.

## AIR FRANCE-KLM: ONE GROUP, TWO COMPANIES, THREE BUSINESSES

The Group is made up of 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.

Air France-KLM ranks second in the air transport sector by turnover and second in terms of traffic per passenger-kilometer. In 2009, KLM celebrated its 90th anniversary; the oldest airline in the world still operating under its original name.

### BASIC GROUP STRENGTHS

#### A strong and balanced network

Today the Group serves the largest network between Europe and the rest of the world, built around its two hubs: Roissy-Charles de Gaulle and Amsterdam-Schiphol. Their strength lies in coordinating departures and arrivals, so that smaller flows of European and regional traffic connect with intercontinental flights. These are also fed by regional subsidiaries (for Air France: Brit Air, CityJet, Regional; and KLM Cityhopper). Active in all world markets the Group has a balanced network, as no single market represents more than a third of turnover.

The Group operates a fleet of 594 aircraft – one of the youngest and most modern fleets in Europe. The fleet is known for its energy efficiency and economic sense, representing a key resource for the Group's sustainable development.

#### A strong and global alliance

Air France and KLM play a driving role in the SkyTeam alliance, the second largest alliance in the world by market share. This is made up of thirteen airlines, serving 898 destinations in 169

countries. Cooperation is key to ensure a strong network with excellent customer service, based on shared loyalty programs and other services.

#### A unique partnership for the North Atlantic

In April 2009, Air France-KLM and Delta formalized a joint venture for the North Atlantic. This alliance of the two largest groups on either side of the Atlantic shows a particularly high level of integration. Business activities are closely coordinated, with shared costs and earnings creating a turnover of some €8 billion. This brings Air France-KLM an estimated profit of €145 million per year.

#### A strategic link to Alitalia

In January 2009, the purchase of an equity stake in Alitalia was sealed by a close operational and commercial partnership. The restructured airline gave the Group privileged access to the fourth largest market in Europe. Cost synergies are valued at €370 million a year, of which €90 million for Air France-KLM.

#### A modern fleet: Operational aircraft as of 31 March 2010 (average age: 9.8 years)

	AIR FRANCE			KLM		
	Average Age (years)	Type of Aircraft	Number of Aircraft (396 in total)	Average Age (years)	Type of Aircraft	Number of Aircraft (198 in total)
Short and medium-haul	9.8	A318, A319, A320, A321	144	10.1	737-300/-400, /-700 /-800/-900	48
Long-haul	8.1	A380, A330-200, A340-300, 747-400, 777-200/-300	99	10.5	A330-200, 777-200/-300, MD11, 747-400	61
Cargo	4.6	747-400 777F	6	5.8	747-400	4
Regional fleet AF: Brit Air, Régional, CityJet KLM: Cityhopper	11.0	Fokker, Embraer, Bombardier	140	10.4	F70, F100, EMB 190	44
Other fleet AF: transavia.com France KLM: transavia.com Netherlands, Martinair	5.1	737-800	7	10.2	737-700/-800, 767-300, 747-200/-400, MD11	41

## THE 2009-10 FINANCIAL YEAR

### Negative financial results

The 2009-10 financial year was marked by major operational losses of €1.55 billion reflecting the difficult year that the airline has lived as a direct result of falling of passenger traffic (-3.2%) and cargo (-13.7%), accompanied by a further reduction in unit revenues, specially in business class. For Air France-KLM, this was combined with the very negative impact of past fuel hedges, which had allowed the Group to make considerable gains before summer 2008 and to enter the global downturn in excellent financial health. Despite these losses the Group shows stable finances and satisfactory liquidity, as of 31<sup>st</sup> March 2010.

In the 2009-10 financial year, Air France-KLM's turnover stood at €21 billion (-15%), based on 77.5% for passenger traffic (-13.6%), 11.6% for cargo operations (-27.8%), 4.6% for aircraft maintenance (-4%) and 6.3% for other activities (catering, charters, etc.).

### Air France-KLM responses

The deep restructuring launched by Air France-KLM in 2009 is starting to bear fruit in passenger transport as well as cargo. Structural operational and workforce changes enabled a rise in unit earnings and a drop in non-fuel costs.

By adjusting capacity to demand, the Group has maintained its seat-load factor at the very high level of more than 80%.

### • Adapting and restructuring

Air France-KLM is rolling out pioneering structural and economic responses to both the crisis and changes in customer expectations. In its long-haul operations, the Group has cut capacity in response to falling demand while boosting services with new products like 'Premium Voyageur'

and 'Economy Comfort'. These are accompanied by a major restructuring of medium-haul services and cargo operations.

Air France and KLM are adjusting to lower demand by cutting flight frequencies rather than discontinuing routes. This preserves the balance and performance of the network and its two hubs, while still connecting regional economies around the world.

Cargo has also been rationalized by cutting the number of freighters in service from 24 to 14 over two years. This was made possible by carrying freight in the holds of passenger aircraft and Combi freighters, thereby improving load factors (+2.2 points, with notably +8.9 points in the 4<sup>th</sup> quarter).

### • Cutting costs and safeguarding jobs

To maintain its financial strength, Air France-KLM launched a major, early drive to cut costs. The investment plan was revised down by €4.5 billion over the financial years 2009-11, while the goal of yearly cost reductions was raised to €700 million over the year 2009-10. This objective was exceeded.

The present economic climate is threatening jobs. There are large numbers of redundancy plans underway in the airline sector, however Air France and KLM have taken a supportive, responsible approach, seeking by all means possible to keep existing jobs. This means improving staff mobility and flexibility, imposing a freeze on new hiring, cutting outsourced labor, and offering a voluntary redundancy plan for around 1,684 positions in Air France applying to over 1,800 employees (see page 39). In the space of two years the Group workforce, including temporary staff, has been cut by almost 11%.

All these various measures in the short and longer term are preparing the Group for the landscape after the crisis. One of its main priorities remains investing in sustainability.

## OUTLOOK FOR 2011-12

The financial year 2010-11 will benefit from a large number of measures which are fully expected to bear fruit. The Group expects to break-even in operational terms by 2011-12, excluding previous fuel-hedging costs.



Biofuels powered Boeing 747



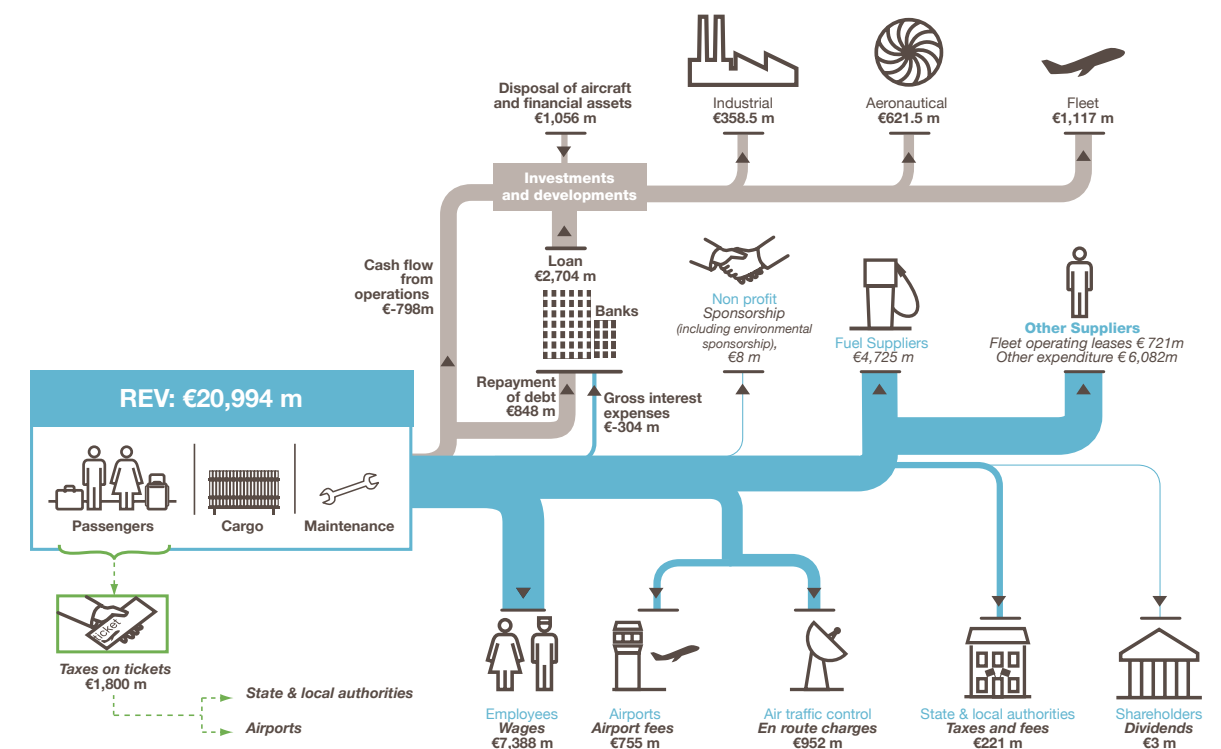
A380

## INCOME DISTRIBUTION BY STAKEHOLDER GROUPS

Beyond our shareholders there are many interested parties that depend on the Group's results, including employees, suppliers, public authorities and local communities. The table below gives a summary of the flow of Group earnings to various stakeholders in euro million. On top of the price of tickets, customers pay numerous taxes which airlines collect on behalf of governments, supervisory bodies and airports.

In 2009-10, taxes stood at €1.8 billion for Air France-KLM. These are used to fund government duties, including running civil aviation, security expenses and the development of airports, firefighting and salvage, preventing bird strikes, environmental checks, as well as specific taxes, including money collected in France for the 'Solidarity Fund for Development'.

Distribution of income by stakeholder groups (in euro million)





# CORPORATE GOVERNANCE

## APPLYING CORPORATE GOVERNANCE PRINCIPLES TO ENSURE IMPROVED GOVERNANCE

Comprising 15 members, four of whom are of Dutch nationality, the Board of Directors determines the orientations of the company's activities and ensures their implementation. The Board relies on the recommendations of its specialized committees to ensure the smooth operation of the Group in conjunction with the management. The Board operates according to accepted French corporate governance principles as set out in the AFEP-MEDEF Corporate Governance Code updated in 2008, notably as regards the remuneration of the executive Directors.

In application of these principles the Board of Directors regularly discusses and updates its mode of governance:

### • Reduction in the duration of Board Directors' terms of office and staggered renewal

In order to comply with the governance principles as presented in the AFEP-MEDEF Corporate Governance Code and adopt the conclusions of the evaluation of the functioning of the Board of Directors, the General Shareholders' Meeting of July 10, 2008, decided to reduce the duration of Board Directors' terms of office from six to four years and to include the option of a staggered renewal process for mandates in the bylaws. A proposal will thus be submitted to the General Shareholders' Meeting on July 8, 2010 to set the duration of new or reappointed Board Directors' terms of office at two, three or four years to ensure the smooth renewal of the Board of Directors.

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

During the 2009-10 financial year, the Board of Directors commissioned an independent firm to evaluate its functioning, based on interviews with the Board Directors, which were handled under the seal of anonymity and were the subject of a presentation and discussion during a Board meeting.

The evaluation highlighted some very positive developments in the functioning of the Board since the last formal evaluation carried out in 2007. Its functioning is now that of a Board of Directors of an international listed company and the separation of the functions of Chairman and Chief Executive Officer has been effectively implemented.

### • Independence of Directors

After having examined the situation of each Board director, the Board of Directors meeting of March 31, 2010 reiterated its position that seven Directors were independent in view of its ownership structure (notably the French State and employees) and the specific rules governing the appointment of a number of its Board Directors.

The Board considered that all the Board Directors had competences and professional experience that are useful to the company, whether or not they are considered to be independent in the light of the AFEP-MEDEF criteria.

### • Internal regulations of the Board of Directors

On June 17, 2004, the Board of Directors adopted its internal regulations notably specifying the terms for the organization and functioning of the Board and also determining the powers of each of the specialized committees established within the Board.

The internal regulations are regularly updated; they were, in particular, modified by the Board of Directors meeting of March 26, 2009 in order, notably, to specify the roles and powers of the Chairman and the Chief Executive Officer following the separation of the functions of Chairman and Chief Executive Officer, effective January 1, 2009.

*The internal regulations are available on <http://www.airfranceklm-finance.com> (Corporate Governance section).*

BOARD OF DIRECTORS AND SPECIALIZED COMMITTEES		2009-10 STATUS		
Composition of the Board of Directors	10 directors appointed by the General Shareholders' Meeting (of which seven non-executive Directors) 2 representatives of the employee shareholders appointed by the Shareholders' Meeting 3 representatives of the French State appointed by ministerial order Separation of the functions of Chairman and Chief Executive Officer since January 1, 2009			
Directors' term of office	Four years (exceptionally two or three years to ensure the smooth renewal of the Board of Directors)			
Number of meetings and average attendance rate	9 meetings of Board of Directors; attendance rate: 89.6%			
Training for Board of Directors members	At the time of their appointment or at any time during their term of office, each director may benefit from the training necessary to fulfil their mandate. Such training is organized by the Group			
Board of Directors Committees	Audit Committee	Remuneration Committee	Appointments Committee	
Number of members	7 (o/w three independent)	3 (all independent)	3 (all independent)	
Number of meetings	4	1	1	
Average attendance rate at meetings	75%	100%	100%	
Annual evaluation of the functioning of the Board of Directors and Committees	In 2010, a formal evaluation was carried out by an independent firm based on interviews with directors with the findings reported anonymously. These were then presented to the Board and discussed by it at one of its meetings			
Compensation of the company officers	- Publication of compensation modalities and amount paid to executive directors in the Reference 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. - Publication of Board directors' fee modalities and their amount in the Reference Document and in the management report			

## COMPLIANCE AND BUSINESS ETHICS

The Board of Directors has adopted a Compliance Charter and a Financial Code of Ethics. The Compliance Charter prohibits company officers, senior executives and some employees of the company in sensitive posts from trading in the company's shares during the month preceding annual

results announcements and for a period of twenty-one days preceding the quarterly and half-year results. The Financial Code of Ethics defines the principles with which the principal executives of the company responsible for the disclosure of financial information must comply.

## PREVENTING ANTI-COMPETITIVE BEHAVIOR

To effectively comply in the most effective manner with the many requirements set up by competition law, Air France-KLM started to build its own specific compliance policy related to competition law in September 2007 with the publication of its Competition Law Compliance Manual. The Manual has been made available for employees of the Air France-KLM Group in three languages (English, Dutch and French), both in paper and electronic versions. It sets out details of the major principles enacted in the field of competition law as well as the commitments of the two airlines' to strictly comply with it. The guide addresses topics such as corporate responsibility, information sharing, means of cooperation

and the consequences of non-compliance. Further to this publication, new means of prevention have been developed in the framework of the competition rules compliance program. In addition to the ad hoc training sessions made by the in-house legal experts on the subject, the online training module used by over 8,000 staff in 2008 is to be fleshed out mid-2010 with the launch of a complementary e-learning module. Other means of raising staff awareness have also been rolled out, notably a hotline dedicated to competition law issues, and an in-house poster campaign addressing the topic.

*[To find out more about ongoing legal action concerning competition law, see Air France-KLM Reference Document, pages 229 and 230.]*

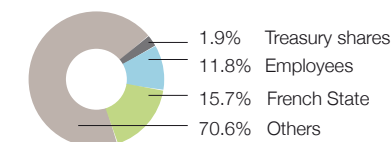
## SUSTAINING QUALITY SHAREHOLDER RELATIONS

### Shareholder structure

Pursuant to the obligation for air transport companies to monitor and control their shareholders, Air France-KLM has implemented a procedure for their identification.

As of March 31, 2010, Air France-KLM was 63.4% owned by French interests (compared to 65% in March 31, 2009) and more than 75% by European institutions, as of March 31, 2009.

### Breakdown of share capital at March 31, 2010



GENERAL SHAREHOLDERS' MEETING OF JULY 9, 2009	
One share equals one vote	Yes
Number of shareholders present, represented, granting power of attorney to the Chairman, or voting by mail	15,359 shareholders representing 146,412,318 shares
Attendance rate	49.76%

### Pursuing regular dialogue with our shareholders

To ensure that its shareholders and investors are well-informed, Air France-KLM uses a range of media and events tailored to different profiles: briefings and press conferences, meetings with investors and rating agencies in Europe and the United States, a quarterly newsletter for shareholders (Correspondances) sent out to all 7,000 members of the

Shareholders' Club, and a dedicated website which features all financial information published by the Group. In partnership with the business press, the Group also regularly takes part in briefings for individual shareholders all over France.

An additional advisory forum for individual shareholders was also created in 2000, the Consultative Committee for Individual Shareholders (CCRAI), which meets four times a year to canvass and pass on the expectations of small shareholders.

### Involving the Group's personnel

Air France-KLM has one of the highest proportions of employee share ownership of the companies in the SBF 120 stock index, with close to 12% of Group equity owned by over half of current or former employees, collectively representing the Group's second-largest shareholder.

Two representatives of the employee shareholders have seats on the Group's Board of Directors. They are also involved in the discussions of the Audit Committee. Their current term of office expires at the end of the General Shareholders' Meeting of July 8, 2010. Employee and former employee shareholders were all invited to choose a candidate in one of the two electoral colleges (flight deck crew and other staff). The election was run entirely online, including all campaign posters, and close to 30% of employee shareholders, representing half of the shares and hence of the votes, were able to express their preference. The successful candidates, who will be presented to the General Shareholders' Meeting of July 8, 2010, were both elected with an absolute majority of the votes cast in the first round of voting.

### Changes in employee share ownership

MARCH 2007	MARCH 2008	MARCH 2009	MARCH 2010
11.3%	11.2%	12.0%	11.8%

# OUR APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

As world leader in our sector, we strive for profitable growth while working tirelessly to protect the environment and ensure social progress. We are building our future business by rolling out innovative products and tailored services to best meet the expectations of our customers. Corporate Social Responsibility is part of our strategy and is increasingly becoming a part of our culture. We do this by limiting the negative impact of our activities and by making economic and social contributions to the regions we serve. To this end, we proactively engage our stakeholders in our CSR approach which is based on five key issues (see page 19).

## SETTING THE STANDARDS IN CSR

Despite a very difficult financial situation, the Group has maintained its commitments, requiring a large dose of flexibility and creativity from company and employees.

Our approach to CSR is underlined by the signing of public commitments, including the United Nations Global Compact, and a pledge to work in line with the fundamental rights and principles of the UN Declaration of Human Rights, the EU Charter of Fundamental Rights, and the protocols of the International Labor Organization (ILO).

At domestic level, Air France also endorsed the Diversity Charter, the Charter for Corporate Commitment to equal opportunities in the State educational system, and the Good Parenting Charter.

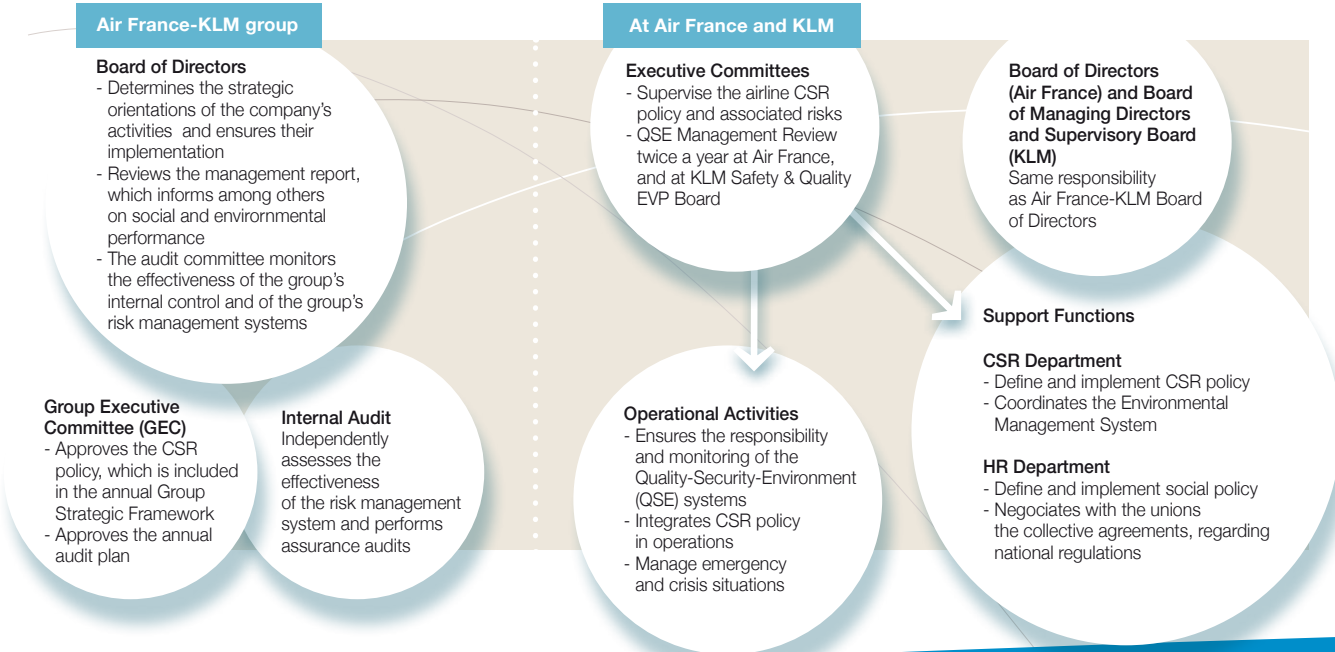
The Group's vision on CSR is laid out in the July 2006 Corporate Social Responsibility Statement, sealed by the Group's Social and Ethical Charter of 2008 (see page 38). This commitment was strengthened by the Group-level adoption of the Climate Change Plan in 2007 (see page 20) and by the Air France-KLM Sustainable Development Charter for Group suppliers (see page 15). Several in-house charters supplement these commitments, including the KLM Code of Conduct, the Anti-harassment Charter and Block Release Training Charter at Air France.

## BUILDING OUR COMMITMENTS AT EVERY LEVEL

The Group's CSR policy is applied at all levels, from senior management priorities to implementation via unit action plans. CSR departments are responsible for policy and deployment in each organization. CSR is guaranteed at the highest level within both airlines: for Air France, at Executive Vice President, member of Executive Committee, level, and for KLM at Board level.

Every year, the sector's CSR risks and issues are added to the Group's strategic plan, which sets out the strategy for the following three years. The Group's internal auditors have carried out several CSR audits in areas such as occupational safety, training, the CO<sub>2</sub> offset program, and conflict of interest risks in procurement.

### CSR Governance within the Air France-KLM group



## TRACKING CSR PERFORMANCE

In 2006, the Group set up a shared reporting system which is audited every year by one of its two statutory auditors. They check social and environmental indicators, in line with the 'International Standard on Assurance Engagements' ISAE 3000.

In 2009-10, KLM set various CSR performance indicators, as well as their goals regarding five key issues. These indicators will be used to monitor progress at senior management level and to help each division to set appropriate action plans.

Air France and KLM have also built CSR indicators into senior management targets: occupational safety performance for operations managers at Air France, and retaining sector leadership in the Dow Jones Sustainability Index for all senior executives at KLM.

Both airlines have rolled out management objectives and action plans for continuous improvement over the last 10 years. As a result, the 2004 version of ISO 14001 was applied to all relevant activities in France and The Netherlands.

## LISTENING TO STAKEHOLDER FEEDBACK

To review and identify CSR issues, the Group works closely with internal and external stakeholders by applying the materiality test, as defined in the 'Global Reporting Initiative' guidelines.

### Internal

- Issues defined in the airline projects: 'Vision 2010' at Air France and 'Three year plan' at KLM;
- Staff views and recommendations drawn from surveys or meetings;
- Risk management related to CSR issues.



Client satisfaction survey

### External

- The various ways we interact with our external stakeholders are summarized in charts at the end of each key issue (see pp. 25, 31, 37, 43 and 49). These include:
- customer surveys, Instant Feedback Kiosks, web 2.0 community;
  - comments and contributions from shareholders;
  - opinions, expectations and recommendations drawn from stakeholders while drafting annual CSR reports;
  - discussions with airline associations (IATA and AEA) or in CSR working groups held by specialist associations;
  - benchmarking competitors and corporate best practice in other sectors;
  - analyzing regulatory trends and rating agency questionnaires.

The Group's CSR policy has been shaped by dialogue with various stakeholders and by applying the materiality test. A clear example can be given on how stakeholder dialogue has influenced the content of this year's report: more in-depth information is given on how our CO<sub>2</sub> emission is divided between Cargo and Passenger, as a result of stakeholder dialogue with our cargo customers.

## A RECORD OF CSR ACHIEVEMENTS

- In 2009-10, Air France-KLM achieved the following awards for its CSR efforts:
- For the fifth time in a row, the Group came top of the airline sector in the Dow Jones Sustainability Index;
  - Air France-KLM won the Airline Business Strategy Award, in the environment category, from Airline Business magazine in July 2009 (the first award given in this category);
  - Air France was the first French company to win the 2009 Marianne d'Or award for CSR (December 2009)
  - KLM was named Partner of the Year 2009 by WWF Netherlands in October 2009
  - KLM won the Seafood Champion Award by Seafood Choices Alliance (March 2010)

The Group also features in the indices of rating agencies: Aspi Eurozone, the Ethibel Sustainability Index (ESI) EXCELLENCE Global, and FTSE4Good Index Series. Air France-KLM has also featured in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers (see [www.ethibel.org](http://www.ethibel.org)), and been monitored for its CSR performance, since 30 July 2007.

Finally, Air France is part of the 2009 Carbon Disclosure Leadership Index, which awards the top 20 French corporations in the SBF120 index for transparency of communications on their climate impacts.



## PROMOTING CSR IN OUR SPHERE OF INFLUENCE

Air France-KLM believes that its influence on CSR is not only felt within the Group. It also supports major innovation projects while

encouraging subsidiaries, suppliers, and partners – including the SkyTeam alliance – to launch their own CSR programs.

### PUSHING THE INNOVATION AGENDA

Finding CSR solutions is often a collective effort. The Group is therefore integrating innovation at all levels of its CSR efforts, rolling out the most pioneering technological programs with its employees and partners.

Air France offers participative innovation programs to all staff. The oldest was launched by the aviation maintenance team in 1995 (Programme Innovation Qualité, PIQ), and has been a model for similar schemes launched more recently by other departments of Air France.

In their procurement policy, Air France and KLM apply CSR criteria to maximize the environmental impact of a product throughout its lifecycle, while taking into account relevant social and economic aspects (see page 15). To this end, Air France has launched a cross-cutting eco-design training

scheme which involves all businesses and departments: from Research and Development to Procurement and Inflight Services. In 2009-10, over 50 managers were trained in this field, ensuring this aspect is respected from the design phase for all new products and services.

In 2009, KLM co-founded the Mainport Innovation Fund, which invests in technological projects launched by Dutch companies for more sustainable aviation. Supported by the Dutch government, this fund combines two leading industry players (KLM and Schiphol Airport), the Technology University of Delft and a major financial institution (Rabobank).

KLM is also co-founder of the SkyNRG consortium for the development of sustainable biofuels and promoting their availability. Air France is a partner in a project that produces second generation biofuel (see page 23).



Servair, catering company

### WORKING WITH ITS SUBSIDIARIES

The Group brings subsidiaries on board its CSR policy with joint schemes, including tailored meetings and programs.

The CSR policy of Servair, the Roissy-based catering company, is for example based on four commitments:

- Guarantee customers a healthy and safe product
- Encourage diversity and equal opportunities throughout the company
- Reduce environmental impacts
- Follow an ethical approach that safeguards local development

Servair has also launched related schemes for disabled staff. In 2009, 5.2% of its workforce was made up of handicapped employees.

### GALVANIZING THE SKYTEAM ALLIANCE

As partners in the SkyTeam global network, Air France and KLM share with other members a strong commitment to CSR. In 2008, SkyTeam was the first alliance to sign a CSR charter, committing all partners not only to protect the environment but also to respect their social responsibilities while supporting the economic development of areas in which they operate.

Air France was invited by the alliance to chair the SkyTeam working group in this field. In late 2009, KLM held a two-day workshop in Amsterdam focusing on CSR within SkyTeam, allowing partner companies to exchange good practices and plan new joint projects.

## WORKING WITH SUPPLIERS

### COMMITTING TO RESPONSIBLE PROCUREMENT

This year focus has been on creating an integral procurement approach to contribute to a sustainable supply chain. Air France-KLM seeks to align sustainability, innovation and cost reductions into a global perspective to enable savings while optimizing processes. Reference points have been set including CSR criteria, to support purchasers to select suppliers.

Taking into account the (direct and indirect) environmental impact of products and services, Air France-KLM considers the best purchase to be one whose total cost of ownership is lowest over the entire lifecycle. For example, lighter seats and on-board equipment, while meeting other comfort and reliability criteria, help to lower fuel consumption and simultaneously reduce CO<sub>2</sub> emissions.

### RAISING AWARENESS AMONG BUYERS

The Group actively promotes social responsibility and environmental performance among buyers and internal referrers. Procurement employees and business stakeholders involved in the procurement processes are invited to sign a code of conduct addressing ethical behaviour within supplier's

relationships. Procurement employees are also informed about CSR practices through a dedicated procurement intranet portal, while some have attended basic eco-design or CSR training courses.

### INSPIRING RESPONSIBLE PRACTICES AMONG OUR SUPPLIERS

As a signatory to the United Nations Global Compact, the Air France-KLM Group asks its suppliers to sign up to a Sustainability Charter whenever they respond to a call for tender.

Several products and suppliers have already been selected for their socially or ecologically responsible qualities, including those supplying aircraft de-icing fluid (an organic product), and the suppliers of AirPod compressed air powered vehicles.

### SUPPLIER MANAGEMENT AND REGISTRATION ONLINE

The Group uses a supplier management system to ensure transparency and consistency in its approach and dealings with suppliers. Suppliers are chosen based on a registration questionnaire, which lists sustainability risks including environmental licenses, location of production sites,

compliance with the Air France-KLM supplier charter and a restricted material list which includes the materials that are either banned or to be avoided, in line with EU REACH regulations on chemicals in particular.

### MEETING OUR REGIONAL AND SOCIAL RESPONSIBILITIES

As a result of the great number of suppliers, Air France-KLM also creates many indirect jobs around the hubs and at its destinations, with over two-thirds of these in Europe. Outsourcing more work to companies that employ handicapped workers is

a major concern for all departments. Today over €10 million are generated by companies in the sheltered sector through activities as diverse as the distribution of uniforms, the cleaning of onboard blankets, and logistics for engine spare parts.

### RESPECTING SUPPLIERS WHILE ENSURING COMPLIANCE

For Air France-KLM, as suppliers are vital to our success, we aim to build strong supplier relations which involves signing contracts that serve the interests of all parties while complying with agreed payment lead times (on average 50 days across the Group).

The Group also aims to minimize risks in all business activities, especially in times of crisis. Basic oversight measures include foreseeing changes in activity trends, tracking economic and

social indices, regularly exchanging information with suppliers, and evaluating performance.

Next to this, auditing suppliers and processes for safety and quality are already part of daily requirements for Air France-KLM. This year the goal is to enlarge the scope of auditing processes to include social and environmental aspects in order to monitor and manage non-compliance.



# DIALOGUE WITH ALL STAKEHOLDERS

Stakeholder feedback helps to shape the Group's CSR strategy. This means listening long-term to the expectations of customers, employees, people living close to airports, experts, associations, local authorities, civil society representatives such as NGOs.

Engaging with various stakeholder groups helps to track societal developments and expectations, dilemmas for Air France-KLM and possible CSR innovations.

There are several avenues for dialogue, from company initiatives such as the open day for stakeholders in Group maintenance (with Air France Industries-KLM Engineering & Maintenance) at the Bourget fair in 2009, to working under competent authorities, such as Environmental Consultative Committees held in the 10 main French airports (see page 27).

Air France has joined consultations with the Dergagne Commission for the controlled development of Roissy-CDG (see page 27), as well as the Grenelle Commitments Convention with quantifiable targets for reducing noise and CO<sub>2</sub> emissions in France (see page 21 and 26). Air France also plays a role in various associations around Roissy-CDG, including 'Pays de Roissy'. This was founded to promote a regional movement for social and economic development in a 15 km radius around the airport (see page 45).

For more than a decade KLM has been involved in the Schiphol Regional Review Board (CROS) on noise abatement (see page 27). Since 2008, KLM has taken part in the Business and Human Rights Initiative, an initiative taken by UN Global Compact in The Netherlands. This draws on the results of the 'Ruggie Report' focusing on CSR for upholding human rights. This year, KLM carried out an impact analysis on procurement and security, to deepen its knowledge on the subject.

The Group also enables stakeholders to comment on CSR policy and its development in their own publications. Meanwhile a newsletter named 'Le Courrier, Air France partenaire de l'Île de France' offers a regular forum for interested parties.

Other applications are used in Group commitments with stakeholders, from online media to newsletters to organizing meetings, visits, conferences, roundtables and so on. Concrete examples are mentioned at the end of each of the five key CSR issues defined by Air France-KLM. These examples are complemented by an interview with a relevant stakeholder. The stakeholders we interviewed last year expressed also this year their view in order that Air France and KLM can test the relevance of the key issues.



Amsterdam-Schiphol Airport

# EXERCISING ITS RESPONSIBILITY BY TAKING PUBLIC POSITIONS

The ambition of the Air France-KLM group is to:

- provide lawmakers and politicians with information necessary to form an understanding of the issues currently facing the airline industry so that they can draft laws and regulations on subjects which are increasingly complex,
- drive the changes we feel are necessary, sometimes by means of purposeful initiatives,
- advocate the effective implementation and application of national, European and international regulations to avoid all competitive distortion.

To achieve this end, the Group belongs to international bodies (IATA - International Air Transport Association), European bodies (AEA - Association of European Airlines), regional bodies (ERA - European Regions Airlines Association) and national bodies (FNAM - Fédération Nationale de l'Aviation Marchande in France and BARIN - Board of Airline Representatives in the Netherlands), whose role is to represent the air transport sector and advocate its public positions.

Three Group representatives are based in Brussels to put the Group's arguments and, as lobbyists, have signed the EU's lobbyists' charter.

AIR FRANCE-KLM PUBLIC POSITIONS	
Climate change	Air France-KLM considers that it will only be possible to curb the emissions of the airline industry (which is by its very nature global) through a sector-specific, global approach. This must be applied in the framework of the Chicago Convention based on equal treatment for airlines operating on the same markets. The Group considers that this principle can be reconciled with that of the Common But Differentiated Responsibility (CBDR) principle enshrined in the Rio Convention and has actively contributed to developing proposals designed to reconcile the two principles within the AEA, the AGD (Aviation Global Deal) and IATA.
Integration of airlines into the European Union Emissions Trading Scheme (EU ETS)	Air France-KLM has always supported the "cap and trade" mechanism, considering it is more effective than a straight tax, which generates no direct environmental benefits. The Group will continue striving to ensure that the ETS does not distort competition or divert traffic to non-EU hubs (carbon leakage). It also considers that revenues generated by government as a result of auctioning emissions rights should be allocated to combating climate change e.g. by modernizing air traffic management, or developing alternative fuels.
Single European Sky	The Group is delighted with the adoption in 2009 of laws paving the way for implementation of the Single European Sky. An efficient air traffic control system is essential for guaranteeing flight safety, cutting costs and fuel consumption and hence CO <sub>2</sub> emissions.
Alternative fuels	Air France-KLM considers that sustainable biofuels constitute a promising avenue to minimize the airline industry's carbon footprint. The Group supports research and production of sustainable biofuels that is acceptable both in environmental and social as well as economic terms.
Redefining European transport policy (in the framework of the future EU White Book and the roll-out of the EU 2020 strategy)	Air transport will remain an essential driver of economic and human development for industrialized and emerging countries alike. The European Commission's White Book will address the decarbonization of the airline sector, and the adaptation of the infrastructure required to meet the mobility needs of EU citizens. Air France-KLM is contributing to the Commission's work on reducing transport-generated hindrances. The Group stresses that it is necessary to guarantee a level playing field for the different modes of transport between operators using the same transport modes, and to take the international dimension of air transport into account.
Air/Rail co-modality	Air and rail are potentially complementary transport modes. The Group accordingly supports the use of trains as a means of extending the catchment area around airports. Access to the rail market should be guaranteed to all new entrants to promote high-quality co-modality.
Consumer rights	Customer care is central to the business of the Group. The Group already offers more extensive care than that provided for in the applicable legislation. Air France-KLM contributes to the European Commission's work on Consumer Rights and carefully monitors the harmonious application of the rules to all airlines operating in the European Union.

# ADDRESSING KEY ISSUES

## OUR FIVE SUSTAINABILITY KEY ISSUES

The materiality test carried out in 2009 by Air France-KLM confirmed the Group's identification of the sustainability key issues and helped complete the mapping process. The diagram on this double page illustrates the different issues. The initiatives implemented by the group to minimize its impacts, together with the results and performance achieved, are set out in detail in the following pages.

### COMBATING CLIMATE CHANGE (pages 20 to 25)

Air France-KLM's contribution to climate change is due mainly to CO<sub>2</sub> emissions generated by its aircraft engines. The group has implemented its 'Climate Action Plan', whose major axis is the renewal of its fleet. It is mobilizing all its departments in its efforts to minimize its carbon footprint by pursuing flight optimization, reducing the impact of ground operation, and

strongly supporting research notably on sustainable aviation fuels. Air France and KLM have publicly committed to cut CO<sub>2</sub> emissions. Biodiversity loss is a global issue. While the Group recognizes that its direct impact on biodiversity may be limited; the indirect impact, through climate change, needs attention.

### MINIMIZING OUR ENVIRONMENTAL IMPACTS (pages 26 to 31)

The main direct environmental impact of our activities comes from the emissions and noise generated by our aircraft and to a lesser extent waste and consumption of water and electricity generated by ground operations. Noise nuisance for local population is reduced thanks to modern aircraft and

the development of the Continuous Descent Approach. The Group furthermore encourages its staff and suppliers to take their part in the reduction efforts. The optimization of aircraft at their end-of-life cycle, so that aircraft dismantling is also a core concern for the group.

### BUILDING A SUSTAINABLE RELATIONSHIP WITH OUR CUSTOMERS (pages 32 to 37)

Flight safety and security constitute the absolute priorities for the group and are continuously improved. Furthermore, in the current context of crisis, the Group is challenged to make the difference and retain customer loyalty. Thanks to customer dialogue and engagement, the Group seeks to further tailor its offer to the diversity of its customers, working on several factors on board and on the ground, including a wide network, reliable punctuality and baggage delivery, latest technologies for e-service, service quality assessment, innovations that save time and make travel easier, and proactive complaints handling when difficulties arise. Finally, the Group is mobilized to offer a responsible service and involve its customers in its CSR program.

### PROMOTING A RESPONSIBLE HUMAN RESOURCES POLICY (pages 38 to 43)

In the currently difficult economic context, the main labor relations concern for the Group is to safeguard employment by further developing employability and staff mobility, primarily through training and proactive social dialogue. Ongoing important issues for the Group involve safeguarding health and safety in the workplace and promoting non-discrimination, diversity and equal opportunities.

### DRIVING LOCAL DEVELOPMENT (pages 44 to 49)

Air transport has social implications at airport, regional and global level. Around airports and at regional level, the Group has a direct economic impact resulting from the jobs it generates and the activity of its sub-contractors and suppliers. Both airlines stimulate economic activity in the regions surrounding airports and, in particular, around their hubs, especially by recruiting and training staff locally, supporting local businesses, and participating in a variety of partnerships and initiatives involving local youth. The territorial ties between the two airlines call for constructive dialogue with residents and local authorities. At global level, the Group supports the activities of NGOs and humanitarian programs financially or by giving them publicity and providing them with the benefits of its transport capacity and international presence.





# COMBATING CLIMATE CHANGE

Climate change knows no borders, so global action is needed to limit greenhouse gas emissions. Air transport accounts for around 2% of man-made CO<sub>2</sub> emissions, but the sector's continued growth requires it to pursue and increase its efforts to limit its impact.

Determined to play its part, Air France-KLM seeks a global commitment for the air transport sector, which it sees as crucial. We call on the United Nations to include international aviation in a separate post-2012 global agreement under the aegis of the International Civil Aviation Organization (ICAO). Keen to move forward, we are playing our role in this joint effort by driving down our CO<sub>2</sub> emissions, notably by bringing forward the deployment of sustainable biofuels. These are key to reducing our carbon footprint and our dependence on fossil fuels.

## OUR JOINT COMMITMENTS

Air France-KLM set up a 'Climate Action Plan' to combat climate change. As part of this, the Group:

- supports the Kyoto Protocol and efforts to achieve a new agreement post 2012. It has joined schemes to ensure a fair contribution of the aviation sector in collective efforts;
- continues to modernize its fleet, contributes to aviation research, and encourages the entire supply chain to cut CO<sub>2</sub> emissions;

- asks all its staff to work towards ambitious environmental action plans, from fuel saving in the sky to cutting emissions on the ground;
- promotes research programs for renewable energy sources such as sustainable aviation biofuels;
- supports environmental protection programs led by NGOs;
- provides its customers with transparent and reliable information on their travel-related CO<sub>2</sub> emissions, via a calculator based on real operating data, and opportunities to compensate them.

## OUR MANAGEMENT OBJECTIVES

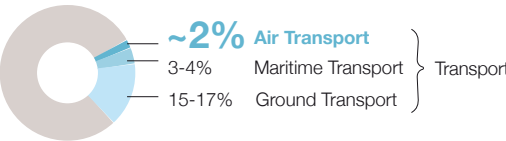
OBJECTIVES	SCHEDULE	ACHIEVEMENTS 2009-10	STATUS
AIR FRANCE			
-20% CO <sub>2</sub> emissions for flights to overseas territories based on 2005 level -5% CO <sub>2</sub> emissions for domestic flights based on 2005 level	2012	Targets exceeded thanks to the replacement of B747s with B777-300s back in 2008. Reductions extended by capacity cuts in response to the economic crisis.	●
3.7 liters/passenger/100km	2012	3.8 liters/passenger/100km in 2009	⊙
-300,000 metric tons of CO <sub>2</sub> per year by 2012 -500,000 metric tons of CO <sub>2</sub> per year by 2020	2009-20	189,000 metric tons of CO <sub>2</sub> saved in 2009-10 (Fuel plan)	⊙
60% of ramp equipment fleet to be electrically powered by 2020	2020	41% of ramp equipment fleet electrified in 2009-10	⊙
KLM			
Green electricity in the offices	2010	More than 85% of electricity used by KLM buildings in the NL is generated from renewable energy	⊙
Partnership with WWF-NL: CO <sub>2</sub> neutral growth (2007-11)	2011	No CO <sub>2</sub> growth in current year KLM partnership with WWF (NL) complemented by endorsement and support the road to sustainable aviation fuels: heading Sustainability Board SkyNRG	●
20% CO <sub>2</sub> reduction per ton/kilometer in 2020 (based on 2009 levels)	2020	~ 60,000 metric tons of CO <sub>2</sub> saved in 2009 vs. 2008 (Weight & Fuel program)	⊙
Support innovative research programs	Permanent	Technical University Delft; CleanEra project and Technical University Delft Design Challenge; co-creation of design for aircraft of the future Development of alternative fuels	⊙

○ Target partly achieved    ⊙ On target    ● Target achieved or exceeded

## BACKGROUND: AIR TRANSPORT'S CARBON FOOTPRINT

The air transport sector contributes around 2% of global CO<sub>2</sub> emissions and 1.6% of total greenhouse gas emissions.

Share of air transport industry in global man-made CO<sub>2</sub> emissions



Source : IPCC<sup>1</sup>, Stern Review

Air transport

~2%

of global man-made CO<sub>2</sub> emissions

## POLITICAL AND REGULATORY CONTEXT

### From Copenhagen to Cancún

Reaching a global agreement to fight climate change effectively is a massive challenge. It calls for other meetings beyond COP15 (the 15th Conference of the Parties), held in Copenhagen at the end of 2009. The main achievement of COP15 was to gather 192 United Nations member countries to discuss climate change issues for which the main goal was to agree on a global agreement for the reduction of greenhouse gas emissions. Achieving this goal will require similar summits, such as the next one, COP16, to be held in Cancún, Mexico, in December 2010.

As the airline business is by nature global, its emissions can only be effectively cut as part of a global sector approach. Air France-KLM plays a leading role in developing concrete proposals for its sector, within IATA (International Air Transport Association), AEA (the Association of European Airlines) and the specially established Aviation Global Deal Group (AGD).

### Air France and KLM CEOs involvement

The CEOs of Air France and KLM personally supported the UN-led 'Seal the deal' campaign<sup>2</sup>. They also both signed the 'Copenhagen Communiqué'<sup>3</sup>, a declaration promoting an ambitious global agreement to curb climate change, together with 700 other companies in more than 60 countries.

### Air France-KLM prepares to join the European Emission Trading System

The European Union system for trading greenhouse gas quotas, set up in 2005, was revised in 2008 to include the aviation sector. The modified directive will apply to the airline industry from 2012.

In 2009, the Group started gearing up for the directive's application. For Air France-KLM, this meant filing monitoring plans for emissions and activities. The Group has played a key role in the first phase of the EU system and remains attentive it does not create unfair competition.

### Consistent national commitments

#### • In France: two years on from the Grenelle Environment Summit

Air France signed in January 2008 the Commitments Agreement for the aviation sector at the Grenelle Environment Summit. After two years of monitoring, the French civil aviation authority (DGAC), confirmed that all partners had worked hard to achieve their commitments. Airlines continue to address their environmental impact, despite the crisis that has hit them particularly hard. The monitoring of commitments made by Air France shows it is well on track to meet its goals.

#### • The Dutch Knowledge & Innovation Agenda

The Knowledge & Innovation Agenda was submitted to Minister Eurlings, the Dutch Minister of Transport, Public Works and Water Management, on 7 September 2009. The document serves as an integral action plan with involved parties to make the aviation more sustainable.

### \* UNDERSTANDING...

#### THE COMMITMENT OF AIR FRANCE-KLM AND THE ENTIRE AVIATION SECTOR

At the Copenhagen Conference, IATA pledged on behalf of all its member airlines to play its part in combating climate change. Air France-KLM has worked for many years to cut its impact on the environment and is also playing a significant role within IATA.

In an unprecedented move, manufacturers, airlines, airports and air traffic control bodies have jointly and globally committed to specific goals to cut aviation-related emissions:

- by 2020, to improve energy efficiency by 1.5% a year;
- from 2020, to ensure the stabilization and neutral growth of CO<sub>2</sub> emissions;
- by 2050, 50% reduction of CO<sub>2</sub> emissions compared to 2005 levels.

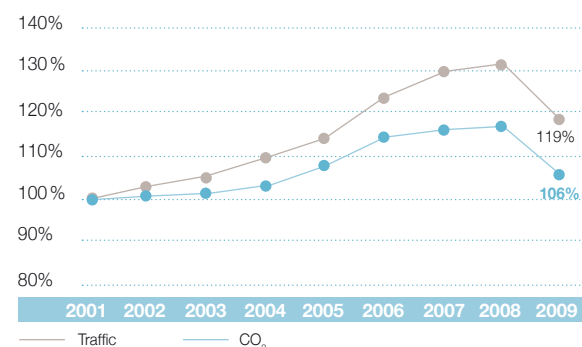
<sup>1</sup> Intergovernmental Panel on Climate Change

<sup>2</sup> [www.sealthedeal2009.org/the-climate-petition](http://www.sealthedeal2009.org/the-climate-petition)

<sup>3</sup> [www.copenhagencommunique.com](http://www.copenhagencommunique.com)

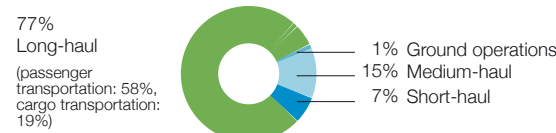
## THE GROUP'S CARBON FOOTPRINT

### CO<sub>2</sub> emissions and Air France-KLM traffic (passenger and cargo)



Since 2000, CO<sub>2</sub> emissions growth was successfully decoupled from traffic growth. In 2009, the Group's traffic dramatically decreased due to the unfavourable economic context. Nevertheless, thanks to an accurate adaptation of its capacity, Air France-KLM succeeded in preserving a good fuel efficiency of its fleet.

### Breakdown of Air France-KLM CO<sub>2</sub> emissions



## AIR FRANCE-KLM: CUTTING CO<sub>2</sub> EMISSIONS FROM THE CORE OF ITS BUSINESS

### Fleet modernization

In 2009, Air France-KLM continued to modernize its fleet despite the economic crisis.

Air France rolled out ten new medium-haul and six new long-haul aircraft, including two A380s. This aircraft delivers a 15% cut in CO<sub>2</sub> emissions per seat compared with the Boeing 747-400, which it replaces.

Sixteen aircraft were added to the KLM fleet, as fifteen older generation planes were retired. The ten new Embraer 190s are 9% more fuel efficient than the F100, which they replace. Thanks to its continued efforts, the specific fuel consumption of the group decreased by 13% since 2000.

### Fuel efficiency measures

Air France is working hard to save 300,000 metric tons of CO<sub>2</sub> per year by 2012 and 500,000 tons per year by 2020, as set out in its Fuel Plan of 2008. In 2009-10, around 60,000 metric tons of fuel were saved, almost 1% of total Air France consumption. The Quality Innovation Program (based on the maintenance staff contributions), generated 27 ideas that saved 1,551 metric tons of fuel.

KLM has chosen an integrated approach to cut fuel costs and CO<sub>2</sub> emissions: the 'Weight and Fuel plan'. This aims to reinforce the constant fuel awareness and generated over 500 weight saving ideas. In 2009, it helped save more than 200,000 metric tons of fuel compared to the previous year.

### • Optimizing air space

Air France and KLM are involved in two major programs: Collaborative Decision Making (CDM) to improve local handling at their hubs and Single European Sky Air Traffic Management Research (SESAR).

Air France is also involved in the Atlantic Initiative to Reduce Emissions (AIRE), which studies the roll out of 'green' routes to and from the USA (see Focus on...). Meanwhile, reducing taxiing and waiting times at Roissy-CDG should cut CO<sub>2</sub> emissions by 19,000 metric tons by 2012.

### • Optimizing flight procedures

Pilots systematically apply procedures to help them cut CO<sub>2</sub> emissions, without compromising flight safety. In practice, these are based on ongoing research into flight level and optimum speeds, negotiating direct paths with air traffic control, the adoption of continuous descent approach (CDA) procedures, or taxiing with one engine switched off.

### Cutting weight, improving performance

The lighter the aircraft, the less fuel it burns and less CO<sub>2</sub> it emits. Trimming just 1 kg from each plane in the Air France fleet saves over 80 metric tons of CO<sub>2</sub> per year. The new short-haul seat, for instance, will save 1,700 tons of fuel per year from 2010: the equivalent of 650 flights from Paris-Marseille.

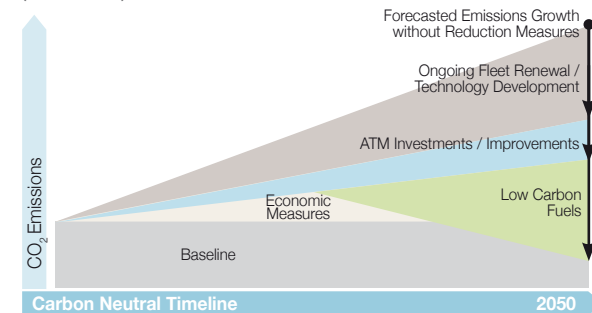
Cutting the weight of equipment on KLM aircraft (wine bottles, disposable cutlery, etc.) led to an estimated saving of almost 2,000 metric tons of CO<sub>2</sub> in 2009.

To automatically generate load plans for its wide body freighters, KLM has introduced LoadCode software, based on an algorithm that allows to position loads for an optimal center of gravity. This results in improved fuel efficiency and thus less emission.

## SUSTAINABLE ALTERNATIVE FUELS

Sustainable biofuels are the most promising route to achieve the CO<sub>2</sub> reduction goals of Air France-KLM while providing security of supply and staying exempt from Emission Trading Scheme costs. Therefore the search for an alternative to fossil fuel is a strategic priority for Air France and KLM.

### Key factors for CO<sub>2</sub> emissions reduction (Source: IATA)



### Biofuels strategy

Since 2008, Air France and KLM have pushed the commercialization of sustainable fuels for aviation, in line with a set of technical, economic and sustainable development criteria.

Air France-KLM needs to mobilize the entire airline industry on this theme via bodies such as IATA and AEA, but also through a very active membership of the Sustainable Aviation Fuel Users group (SAFUG) and SWAFEA (Sustainable Way for Alternative Fuels and Energy for Aviation).

Air France and KLM are developing a clear and common approach with other airlines and aviation actors, helping us to push governments for a stimulating regulatory framework that enables the development of a commercially viable sustainable aviation fuels market.

Beyond raising commitment within the sector and with governments, Air France and KLM show their commitment by taking the lead in the following three initiatives.

### • The biofuel-powered flight by KLM

KLM operated the first ever observer flight powered by sustainable biofuels on 23 November 2009. One of the engines was filled with 50% fossil kerosene and 50% camelina kerosene. The aim was to demonstrate that it is technically feasible and safe, as well as to raise internal and external awareness on the importance of developing sustainable biofuels.



Biofuels powered aircraft

Group specific fuel consumption and emissions

**3.8** liters/passenger/100km  
**95** gCO<sub>2</sub>/passenger/km

### • SkyNRG consortium

In 2009, KLM sealed a partnership with North Sea Group and Spring Associates to create SkyNRG, with the mission to supply aviation with truly sustainable and affordable jetfuel. SkyNRG will be advised by a Sustainability Board including KLM's partner WWF-Netherlands among several NGOs.

### • Forestry waste biofuel powers Air France aircraft

France's CEA (Atomic Energy Commission) and its partners, including Air France, launched Phase One of a sustainable Biomass to Liquid (BtL) demonstration project at the Bure-Saudron facility in December 2009. This seeks to demonstrate the technical feasibility of a full BtL production chain in France. Air France is set to receive 2000 metric tons of BtL per year from 2014, and may be part of the future Company in charge of BtL industrialization.



Artist impression of the plant

### Technical certification: an obstacle cleared

A key phase was passed in 2009: ASTM<sup>1</sup>, an international certification body kerosene, approved the use of Synthetic Paraffinic Kerosene (SPK) when mixed with 50% of traditional JetA1. This approval applies to fuel derived by the Fischer-Tropsch process, regardless of the resource used as input. Meanwhile, fuels based on hydrotreated oils are set to be certified by the end of 2010, at first in a 50/50 combination with fossil kerosene.

### Setting sustainable development criteria for biofuels

Air France and KLM, through their membership of the Roundtable on Sustainable Biofuels (RSB), are striving for a sustainability standard to be internationally recognized. The aim is to prevent the rise of a patchwork of separate standards and criteria.

### FOCUS ON...

#### AIR FRANCE OPERATES FIRST 'GREEN' GATE TO GATE FLIGHT FROM EUROPE TO THE USA

The first gate-to-gate 'green' transatlantic flight took off on 6 April 2010. Heading from Roissy-CDG to Miami in a Boeing 747-400ER, Air France used optimized procedures at every stage of the flight, coordinated by numerous experts<sup>1</sup>, to save 6 metric tons of CO<sub>2</sub>. The flight was part of AIRE (Atlantic Initiative to Reduce Emissions), a program run by the European Commission and Federal Aviation Authority, and managed by SESAR-JU on the European side. Once these procedures are ready for all Air France long-haul flights to North and South America, CO<sub>2</sub> emissions will be cut by 135,000 metric tons per year.

<sup>1</sup> Paris Airport (ADP), French Civil Aviation Authority (DGAC), NATS, NAV Portugal, American Federal Aviation Administration (FAA), SESAR Joint Undertaking and Air France

<sup>1</sup> ASTM International is American Society for Testing and Materials



## CLIMATE AND TECHNOLOGICAL RESEARCH

### Air France supports research on aviation's climate impact

Air France supports further research into aviation's effects on the climate. The airline is part of the Environmental Network of CORAC (the French Strategic Advisory Board for Civil Aviation Research) and has joined projects including MOZAIC-IAGOS. For the latter, since 1994, it has carried equipment on its planes to measure H<sub>2</sub>O, CO, O<sub>3</sub>, droplets and cloud-borne ice crystals.

#### FOCUS ON...

##### WWF-NL: TWO YEARS OF PARTNERSHIP

KLM and the World Wide Fund for Nature – The Netherlands have worked together since 2007 on combating climate change and nature protection. Part of the agreement on CO<sub>2</sub>-reduction is the endorsement and support of WWF-NL for KLM's strategy in the field of sustainable biofuels, marked by the creation of SkyNRG. Johan van de Gronden, Director of WWF-NL says: "The establishment of SkyNRG is a groundbreaking initiative. KLM's demonstration flight serves as a concrete step towards achieving a more sustainable future. We still have a long way to go in relation to biofuels for aviation but by investing in this manner, KLM is once again taking the lead."

### The impact of contrails and cirrus on the radiation balance

Aviation not only generates CO<sub>2</sub>, but also water vapor and NO<sub>x</sub>, whose high-altitude effects have a complex impact on our climate. Recent results from the European QUANTIFY and ATTICA programs reflect major uncertainties. The life spans of these impacts range from a few hours for contrails to 100 years for CO<sub>2</sub>, rendering complex any comparison. There is clearly a lack of knowledge of these effects, admitted by the scientific community. It therefore does not recommend using CO<sub>2</sub> emissions as reference values for these other effects.

### KLM and Technical University discuss next generation aircraft

KLM held a 'Design Challenge' in partnership with the Technical University of Delft. The competition was based on web 2.0 interactivity; a project with two teams of 10 students working on designs for the sustainable aircraft of the future. The students were guided interactively by experts from KLM and tutors at TU Delft, i.e. by a collaborative working platform, a blog where students update their design progress, and a forum that enabled all KLM staff to share and refine ideas.

## INITIATIVES TO COMBAT DEFORESTATIONS AND PROTECT GLOBAL BIODIVERSITY

Deforestation severely affects biodiversity and the carbon storage. Deforestation is responsible for around 20% of global CO<sub>2</sub> emissions, more than all forms of transport combined.

### Madagascar

Air France funds a massive, €5 million program to reverse deforestation in Madagascar. This program is led by the GoodPlanet Foundation and locally operated by the WWF-Madagascar. Madagascar is an island with prodigious biodiversity and half its forest cover has disappeared over the past 50 years as a result of slash-and-burn agriculture, the creation of pasture land, and fuel-wood gathering.

Working with the country's authorities, 66 local people oversee the project to reforest, restore and protect over 500,000 hectares, while helping local communities to efficiently and sustainably manage their forests, in respect to their food need.

### Destination Nature and Biodiversity Taskforce

2010 is the International Year of Biodiversity. KLM has set up a program, Destination Nature, which contributes to the sustainable development of nature and biodiversity at its destinations.

At Board level, KLM participates in the national Taskforce on Biodiversity and Natural Resources. The Taskforce is drafting policy recommendations for biodiversity conservation and restoration. The integration of economy and ecology (along the lines of the TEEB-concept, The Economics of Ecosystems and Biodiversity) is at the core of the recommendations, to be published later in 2010.

## EMISSIONS CALCULATION AND COMPENSATION

Air France and KLM offer their passengers and cargo customers a CO<sub>2</sub> emissions calculator available on both their websites, and the option to compensate via Gold Standard projects (see page 36).

#### FOCUS ON...

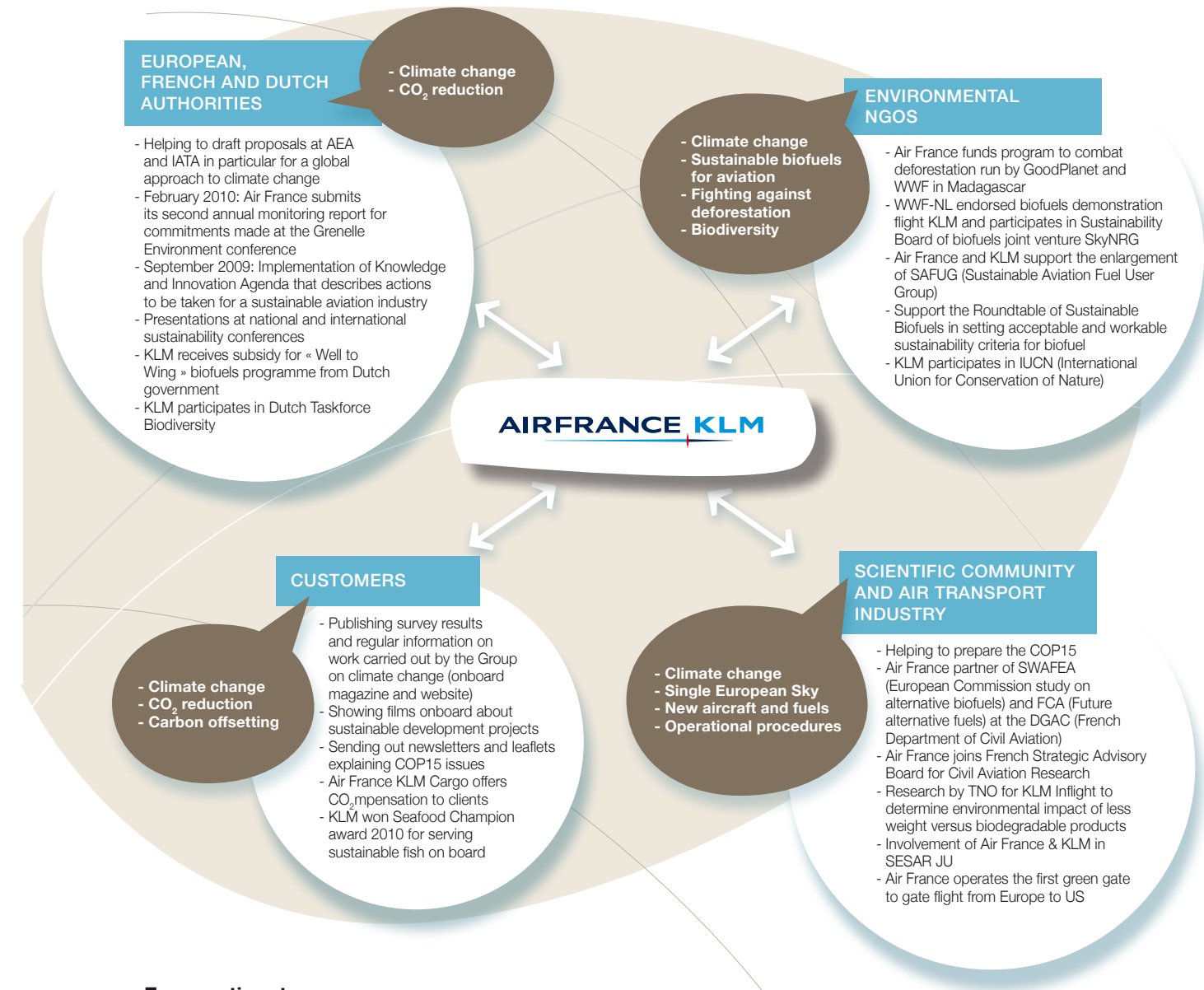
##### SCIENTIFIC BENEFITS OF THE MADAGASCAR PROGRAM

The Madagascar program involves 60-70 million metric tons of captured carbon dioxide. It also improves scientific knowledge on measuring the carbon dioxide stored in forests. Working with European and US research bodies, GoodPlanet is responsible for this aspect, which supplements WWF's fieldwork. This pilot project was showcased to the scientific community at the Copenhagen Conference in December 2009.



Primary forest in Madagascar

## DIALOGUE WITH OUR STAKEHOLDERS



### Two questions to



**Deron Lovaas**  
Federal Transportation  
Policy Director, NRDC<sup>1</sup>



**Debbie Hammel**  
Senior Resource  
Specialist, NRDC<sup>1</sup>

<sup>1</sup> NRDC: Natural Resources Defense Council

#### How do you assess the performance of Air France-KLM on combating climate change?

The low carbon fuel goals are aggressive and, if achieved, would be a revolutionary change for aviation. Destination Nature and the program to combat deforestation in Madagascar are key contributors to combating climate change, and mitigate concerns about where alternative fuels might be coming from.

#### What do you expect from Air France-KLM?

AIRE stood out. The concept is a clever one, which can be used as a model for the industry. It shows that flying green is not a hardship and that you can dramatically cut emissions while still providing the same services.

#### How do you assess the performance of Air France-KLM on biofuels?

AFKLM's leadership within the RSB and SAFUG is commendable and critical for developing a commercially viable set of sustainability requirements for producing biofuels. They send an important signal to the marketplace given their position in the supply chain.

#### What do you expect from Air France-KLM?

I'd like to see AFKLM continue to participate actively in the RSB. It would also be fruitful to form direct relationships with providers of biofuel and biomass feed projects. It's about sending a strong signal to the market: that they can form partnerships and demonstrate that the feedstocks can be grown, processed and used within their supply chain. Keep up the good work!



# MINIMIZING OUR ENVIRONMENTAL IMPACTS

Beyond their CO<sub>2</sub> emissions, the main environmental impacts of airlines are noise, energy and water consumption, local emissions and waste production. Thanks to pioneering solutions, Air France and KLM are making progress in reducing their impact above and beyond regulatory compliance.

In 2009-10, despite the economic crisis, the Group continues to modernize its fleet with a view to cutting aircraft noise: its major impact on local communities close to airports. It limits its energy consumption on the ground by various means, from using electric vehicles to constructing new buildings in line with the highest environmental standards. It implements eco-design principles from the birth of projects to the optimization of planes' end of life cycle. It also encourages staff and suppliers to roll out their own pioneering environmental projects.

## OUR JOINT COMMITMENTS

Air France-KLM is rolling out new and innovative practices, setting new standards while meeting commitments from its Environmental Management System. To this end, the Group continues to:

- renew its fleet with the best available technologies, while implementing the most efficient procedures to mitigate noise and emissions from its flight operations;

- invest in eco-design by improving the environmental performance of products linked to its services, complemented by in-depth analysis of sites and processes;
- involve employees in environmentally-friendly actions, promoting plans while supporting innovations to improve processes;
- engage suppliers and service providers to launch projects to improve their environmental performance.

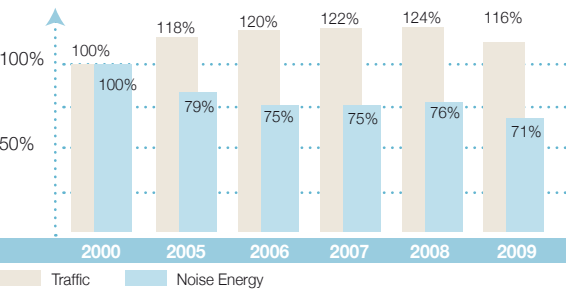
## OUR MANAGEMENT OBJECTIVES

OBJECTIVES	SCHEDULE	ACHIEVEMENTS 2009-10	STATUS
AIR FRANCE			
Design a new application to monitor regulatory compliance	2008-10	Call for tenders issued. Submissions are currently being examined.	○
Design a new reporting application for aircraft greenhouse gas emissions based on operating data	2008-10	Application development finalized. Usage of the application to calculate 2009 emissions.	⊙
Contribute to the reduction of polluting emissions caused by commuting in the Paris region with a 10% shift in transport methods	2012	Since the launch of Air France's 'Boussole' corporate travel plan, private car use has fallen 7 points.	⊙
Increase while keeping noise emissions activity below 2005 levels (10 main French airports)	2012	21.9% reduction in noise energy compared to 2005	●
KLM			
Introduction of 25 sustainable products onboard	2009-10	Some examples of sustainable catering products: <ul style="list-style-type: none"><li>- Organic wine in Europe Select class</li><li>- Fish certified by the Marine Stewardship Council (MSC) in World Business Class on departures from Amsterdam</li><li>- MSC certified lunch on Intercontinental Flights on departures from Amsterdam</li><li>- Sustainably farmed milk</li></ul>	⊙
2% annual improvement in energy efficiency	2020	- Energy Efficiency Plan as part of the (voluntary) Long-Term Agreement in energy efficiency till 2020. Safe and conditional measures yielded a 9.2% energy efficiency improvement, while aiming for a 2% annual improvement on average	●
Decrease noise hindrance at Schiphol	Ongoing	- Introduction of a Heat & Cold Storage System at KLM Headquarters	●
○ Target partly achieved    ⊙ On target    ● Target achieved or exceeded			

## CONTROLLING NOISE HINDRANCE

As part of their efforts to minimize noise pollution, Air France and KLM follow the Balanced Approach of the International Civil Aviation Organization (ICAO). This recommends cutting noise at source, abatement procedures, regulating land-use and, where necessary, restricting operations.

Air France-KLM total noise energy indicator



### Reducing noise at source

In its Corporate Social Responsibility Statement, July 2006, the Group pledged "to introduce the best available technologies in fleet renewal... to reduce noise and limit emissions". Despite the severe economic downturn, Air France met this commitment in 2009 by purchasing ten new medium-haul (A320s) and six new long-haul planes including two A380s; KLM brought into service twelve new medium-haul and two new long-haul aircraft. Air France is the first European airline to operate the A380, which features state-of-the-art noise mitigation technology. The plane already complies with noise mitigation targets set by the ICAO and European Commission (under the ACARE program) for 2020. On take-off, the noise generated by an A380 is almost half that of a B747-400, which it is set to replace. The A380's seating capacity is the same as a B777's one plus an A340's one. Therefore, operating an A380 halves the amount of movements, thus noise that would be generated by those two planes.

### Developing noise abatement procedures

In 2008, Air France was the partner of the French Civil Aviation Authority (DGAC) for rolling out the Continuous Descent Approach (CDA) at Orly airport. The CDA cuts the noisiest approach phases of the flight. In 2010, Air France will again partner with the DGAC when it implements the CDA at Roissy-CDG in line with a Dergagne Report proposal (see Understanding...). After a two year trial, KLM is the first airline in the world to implement an innovative fixed radius turn on its B737's specifically to reduce noise. Increase of the use of this technique by other aircraft types and other carriers is now being investigated.

### UNDERSTANDING...

#### THE 'DERMAGNE REPORT': "FOR THE SUSTAINABLE DEVELOPMENT OF ROISSY-CDG AIRPORT"

In 2008, Jacques Dergagne, President of France's Economic, Social and Environmental Council, was asked by the French President to provide some recommendations on "the sustainable development of Roissy-CDG airport". The declared aim is to "combine the harmonious development of the airport and the protection of local residents". This fundamental approach for Roissy-CDG's future led to 35 proposals which cover:

- all environmental aspects, from noise abatement to soundproofing assistance to developing natural areas;
- social themes, from safeguarding local residents to access to jobs and housing;
- regional aspects, from developing public transport networks to promoting regional governance and planning bodies.

In 2009, a commission chaired by the Prefect of the Greater Paris region was asked to organize the implementation of the Dergagne proposals. Air France strongly implied itself by working for the eight established commissions.



Air France & KLM planes at Roissy-CDG, terminal 2F

### Local communities relations and the environment

Inhabitants and professionals of the airline sector are also represented in the 'Alders Table', the Dutch government's advisory body on the development of Schiphol Airport, which reported among others the following progress:

- KLM has been investing in dialogue and cooperation with residents of the Schiphol airport area for many years, mainly through the Schiphol Regional Review Board (CROS).
- November 2010 a pilot for full day CDA approaches is scheduled, KLM playing a major role.
- In the past years six route-optimizations have been implemented, cutting noise pollution for 18,000 people.

Air France-KLM actively contributes to local dialogues, shaping a noise pollution policy along with all parties to the ICAO's Balanced Approach. Air France has joined Environmental Advisory Committees (CCE) at all major French airports, as well as project groups for sustainable development of Roissy-CDG and Orly.

In 2009, Air France and KLM contributed more than €40 million to soundproofing houses of local residents.



# AIR FRANCE-KLM ACTIONS TO MINIMIZE ENVIRONMENTAL IMPACTS

## Local emissions

- Scrap Program (see Focus on... page 30)
- A reduction of 22.6% in Volatile Organic Compounds (VOC) emissions at Air France Industries, after replacing the paint thinner and installing semi-automatic washing equipment
- As part of scheduled replacement of KLM's ground support equipment, 40 new Ground Power Units (GPUs) and 6 new transporters have been equipped with soot filters; reducing 90% of soot emissions per vehicle.
- Being a major user of the renewed B-pier at Schipol, KLM uses fixed electrical power and electrical air-conditioning units during ground-handling. This measure led to less APU use, resulting in a decrease of 900 tons of fuel consumption and emissions.



Painting operation

## Waste

- Processing 28 400 tons of Servair (Air France's subsidiary) waste per year (20% recycled, 80% converted into energy).
- Implementation of the 'Optiprint' project at Air France: reduction of its printers by 70% in France, cutting paper consumption by 30% since 2007.
- Feasibility study concluded for producing energy from waste on site at KLM Catering Services. An implementation pilot is scheduled for 2010.



A380 catering operation

## Energy consumption

- **Upgrading existing buildings**
  - A new air conditioning system with heat and cold storage has saved 90% of gas and 30% of electricity at KLM headquarters.
  - Adjusting the voltage of KLM hangars from 230 to 207 volts has led to energy savings.



A380 hangar at Roissy-CDG

## • Certifying new buildings

- The headquarters of KLM's subsidiaries, Martinair and transavia.com will be the first Dutch office building to receive the Leadership in Energy and Environmental Design (LEED) platinum certificate. Among other things solar panels on the roof will provide 30% of the energy needed for heating.
- Pursuing High Environmental Quality (HQE) standards at Air France, specifically at
  - the Equinoxe building, the first certified logistics building in Europe
  - the loadable cargo equipment building in Europe
  - the custom-made A380 hangar

## Sustainable vehicles and equipment

- Continuation of testing phase of AirPod vehicles, powered by compressed air, at Roissy and Amsterdam airports.
- Using 41% of electric ramp equipment at Roissy-CDG (target 60% by 2020)
- Air France has joined a scheme, piloted by 'La Poste', to define the specifications of a licensed electric vehicle, in partnership with other French companies.



Compressed air vehicle

## Water consumption

- Further installations of water meters and monitoring of consumption.
- Greater use of the Ecoshine process at Air France Industries (cleaning aircraft with a product diluted with very little water).
- Air France Industries and KLM Engineering & Maintenance are researching the possibilities of dry cleaning their aircraft; eliminating water usage and reducing maintenance time on the ground.
- Innovation at Air France's Cargo building where enough rainwater is collected to clean 90% of the cargo palletes.



Aircraft cleaning

## Water and Ground Pollution

Almost doubling the number of new de-icing vehicles, KLM succeeded in cutting over 35% of de-icing fluid used.



New de-icing vehicles

## OPTIMIZING THE LIFE CYCLES OF AIRCRAFT

As planes are in service for several decades, it is important to consider their entire life cycle and to maintain a permanent dialogue with suppliers. Broadly speaking, regular discussions with manufacturers of planes and engines allow Air France and KLM to reduce the environmental impact of their equipment, from the design stage of new aircraft to ensuring improvements to equipment in service.

In 2009, Air France launched a dismantling end-of-life program for its aircraft. As part of this, five A320-100s have now been dismantled. Air France has complied with all commitments

under the new industrial process: no run-off, separation of waste streams, and appropriate channeling: destruction, recycling and re-processing. In addition, 80% of the weight of the dismantled aircraft has been recovered.

For KLM, dismantling of the Fokker 100 has enabled parts to be re-used as spares. Also, environmentally friendly materials are used for packaging aircraft parts. The rest of the aircraft was shredded into small pieces, with the metal parts melted and reused.

### FOCUS ON...

#### GIVING A SECOND LIFE TO ENGINE PARTS

Air France Industries has launched Turbine Support International (TSI), a subsidiary set up in a joint venture with Aviation Repair Technologies Services. TSI is located in Arkansas and specializes in the dismantling (or 'tear-down') of CFM56-5 and CF6-50 and CF6-80 aircraft engines. The parts recovered are inspected and certified for return to service, thus guaranteeing the highest safety levels.

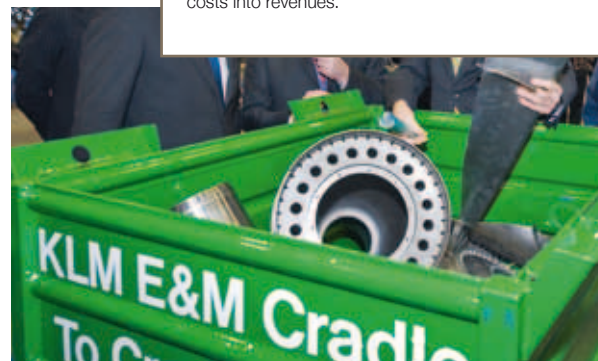


Dismantling aircraft engines

### FOCUS ON...

#### SCRAP MATERIAL RECLAMATION PROGRAM

In early 2009, KLM Engineering & Maintenance, GE Aviation (GE) and SOS Metals Inc., began a joint Scrap program. This aims to recover used material, thus reducing the need for new raw materials when manufacturing aircraft engine components. This year KLM managed to recover, melt down and re-use 100 metric tons of selected alloys used in aircraft components, such as engines. This became a Group program when Air France joined in 2010. The SkyTeam alliance of international airlines, of which the Group is a member, has also shown interest in the scheme. This Group program aims, next to the above mentioned environmental benefit, to convert costs into revenues.



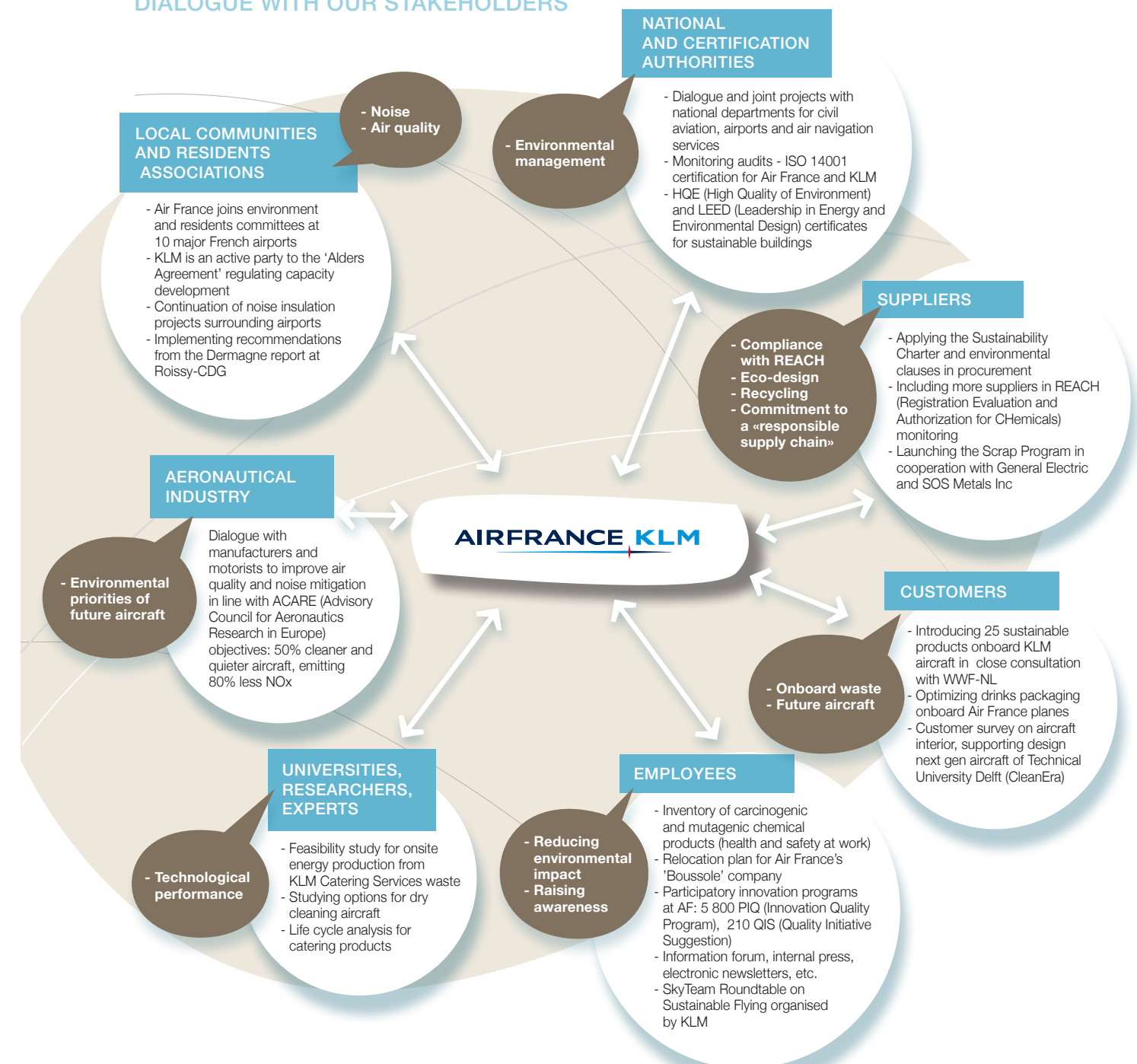
Metal scrap

## SUSTAINABLE INFLIGHT PRODUCT MANAGEMENT: WASH OR THROW AWAY?

Air France-KLM's environmental decisions are based on impact studies called Life-Cycle Analysis (LCA<sup>1</sup>). LCAs take into account that a decrease in weight of inflight products results in less fuel burned and so less CO<sub>2</sub> emissions. This extra element shows that choices made on the ground, are not always fitting those at 30,000 feet.

The result of the LCA is irrefutable: CO<sub>2</sub> emissions are far lower for transporting an item in lightweight plastic than for a washable, re-usable one, which is heavier. This holds true even if the plastic ends up being incinerated (due to the draconian health regulations that state that any object that has come into contact with animal-related non-EU food products must be incinerated). Also, as plastic cutlery is lighter than stainless steel and plastic (PET) wine bottles are lighter than glass, Air France-KLM has therefore started to change these products.

## DIALOGUE WITH OUR STAKEHOLDERS



### Two questions to



**Patricia Lemoyne de Forges**  
President of ACNUSA  
(French Authority for Airport Noise Control)

### How do you assess the performance of Air France- KLM in cutting its environmental impacts?

As a noise control authority, we are especially concerned with noise reduction goals. This is a field in which Air France-KLM has made a lot of progress: the acoustic signature of its operations has consistently dropped since 2001 despite a strong rise in traffic. This is thanks to a major fleet renewal. For example: replacing last generation B747s with B777s is a very positive move, as the latter produce around four or five times less noise. Unfortunately these efforts are barely noticeable in the noise index at Roissy because it applies to all airlines. That is why dialogue with local communities, enabled by the authority, is key to ensure mutual understanding. We encourage Air France-KLM to further develop its relations with local communities.

### What do you expect from the Group?

To ensure tranquility for the local communities around Roissy, one of the main goals is to gradually do away with the noisiest aircraft at night; and Air France-KLM has pledged to respect the authority's recommendation. But of its dozen long-haul flights scheduled between 11pm and midnight, around a quarter land late, eating into the nocturnal time slot between midnight and 5am. Although some of the causes may be out of the airline's hands, we encourage it to lead in-depth studies to find ways to improve.

<sup>1</sup> An LCA is the investigation and evaluation of the environmental impacts of a given product or service caused by its entire existence from production to disposal.



# BUILDING A SUSTAINABLE RELATIONSHIP WITH OUR CUSTOMERS

To maintain and enhance the loyalty of its customers in an ever more competitive environment, Air France-KLM needs to show outstanding responsibility in its customer relations. Its priorities include: guaranteeing safe journeys for the 71.4 million passengers carried on the Group's extensive network, while providing the expected service levels at all stages of the journey. Air France-KLM has made a public commitment to offer all its customers a high quality service.

By offering a wide range of personalized solutions, from the simplest to the most exclusive, it provides passengers with a tailored service, regardless their budget, taste, culture or language. Providing sustainable services, while involving its customers, demonstrates the responsible conduct of Air France-KLM in carrying out its business.

## OUR JOINT COMMITMENTS

- Air France and KLM are committed to pursue actively a solid and lasting relationship with customers, suppliers and partners, as part of their corporate social responsibility. This means:

  - ensuring safe and secure mode of transportation
  - providing reliable, relevant and transparent information
- respecting customers' privacy
  - listening to our customers
  - offering innovative services, in line with our commitments as a responsible company

## OUR MANAGEMENT OBJECTIVES

OBJECTIVES	SCHEDULE	ACHIEVEMENTS 2009-10	STATUS
Improve service quality	Ongoing	<ul style="list-style-type: none"><li>- Provide transparent information about our operational performance</li><li>- Offer a proactive service for handling incidents</li><li>- Assure regular service quality according to 7 standards; nearly 5,000 employees trained in 2009 in the Customer Preference Program</li><li>- Punctuality: Air France 3rd European company in departure punctuality, KLM number one in arrival punctuality among comparable airlines</li></ul>	<div>○</div> <div>○</div> <div>○</div> <div>○</div>
Innovate while integrating CSR in our product range	Ongoing	<ul style="list-style-type: none"><li>- Extended range of sustainable catering products by 14 (KLM)</li><li>- Integrating eco-design principles within our range of products and services, with all new suppliers</li><li>- Launching the CO<sub>2</sub>MPENSATION service for Air France Cargo-KLM Cargo</li><li>- Safeguarding the privacy of our customers</li><li>- Providing tailored service for certain destinations taking into account the diversity of our customers</li><li>- Lower the environmental impact of industrial activities with "green maintenance"</li></ul>	<div>○</div> <div>○</div> <div>○</div> <div>○</div> <div>○</div> <div>○</div>
Engage our customers in Air France-KLM CSR policy	Ongoing	<ul style="list-style-type: none"><li>- KLM European Tour of Inspiration to the Air France and KLM main markets including CSR proposition</li><li>- Annual CSR questionnaire among 3,800 Flying Blue members</li><li>- Raising CSR awareness with onboard magazines, online and documentaries</li><li>- Offering miles donations for NGOs</li></ul>	<div>○</div> <div>○</div> <div>●</div> <div>○</div>

○

 Target partly achieved

○

 On target

●

 Target achieved or exceeded

## SAFETY AND SECURITY: PRIORITIES FOR BOTH COMPANIES

We cannot speak of flight safety without mentioning the tragic loss of flight AF447 Rio de Janeiro-Paris on 1 June 2009, which caused the death of 228 people and sent their families into mourning. It is vital to establish the circumstances that led to this tragedy, and to identify and put in place the measures required to ensure such a tragedy never happens again.

### Airline safety in all three Group businesses

Flight safety depends not only on equipment and procedures, but above all on the professionalism, commitment and attention of all staff. Both airlines go beyond current European regulations, and both have obtained IOSA certification (operational safety audits from the International Air Transport Association). Both companies guarantee ongoing monitoring and analysis of safety risks from senior management to ground staff to flight crews (pilots and cabin crews).

### Building security into all operations

With potential threats against aviation from terrorist or criminal acts, the Group has strengthened its security procedures to protect its customers, staff and assets. Noting recent developments linked to the threat of terrorism, Air France-KLM is actively involved in trials of new equipment, including including advanced imaging technology to improve the effectiveness of security checks.

Through its security department, KLM is a major contributor for finding solutions for an optimal balance between doing commercial business, a secure operation and the privacy of

### FOCUS ON...

#### FLIGHT SAFETY: A TASK ENTRUSTED TO INDEPENDENT EXPERTS

In the immediate aftermath of the tragic disappearance of flight AF447 on 1 June 2009, Air France geared up to fulfill its immediate and future obligations, which were to provide full support for the families stricken by the disaster, fully cooperate with the Authorities leading the investigation, and take protective measures to bolster operational safety levels.

To take things even further, Air France decided to launch an in-house initiative dubbed 'Trajectoire', and, at the same time, to ask an international team of independent experts to carry out an in-depth review of all processes and activities involved in flight safety. The panel will submit the recommendations it deems valid for ensuring optimum safety levels in late 2010. By opening up to independent experts from outside the Company, Air France is pinning its hopes on transparency and intends to demonstrate its desire to make continuous progress in this crucial area.

passengers. Well respected by international governmental bodies, KLM security department often receives requests to share knowledge and practices. This must lead to a well considered decision making process in the field of airline security.

A notable example KLM security department is involved in, is the Program Innovation Border Management (PVGIM), to create a seamless passenger flow by 2015.

## MEASURING THE QUALITY OF OPERATIONAL PERFORMANCE

Operational performance, including service standards, is assessed every month. These are included in annual performance appraisals, and are subject to corrective measures. For punctuality in 2009-10, Air France and KLM achieved their objective of being on the podium among major AEA airlines (operating out of international hubs): Air France is the third airline for departure punctuality and KLM is the first airline for arrival punctuality.

### Committed to the 7 Service Standards

Much more than a simple internal charter, the 7 Service Standards now form the core of the commitments charter made public by Air France and KLM. Displayed at ticket offices and sales counters, it highlights the pledges made by both companies to continuously improve their quality of service. These requirements depend on everyone's contribution, and to meet them, the 'Customer First' training course helps staff to build on Air France-KLM's excellent service quality. Moreover, all services, without exception, are subject to annual performance appraisals.

### Transparency about operational performance

Air France is the only European company to publish the results of its punctuality each month. Specific performance targets have been launched, reflecting the main aspects of the transport contract:

- ensuring planes leave and arrive on time;
- ensuring smooth connections;
- delivering luggage at the destination.

### Monitoring customer satisfaction

More than 500,000 onboard surveys were carried out in 2009 on all routes to monitor customer satisfaction, with topics ranging from initial reservation to final destination. The results are checked and shared each month by all group senior managers. As a result of the audit, each department sets out its own action plans to improve customer satisfaction.

## PROVIDING A SERVICE THAT MEETS CUSTOMERS' EXPECTATIONS

Air France-KLM has set up a systematic process for customer information and feedback to best develop a set of products and services that meets their needs and expectations.



1

### DIALOGUE

Air France and KLM hold regular customer panels and questionnaires, such as In Touch (online) and SCORE (onboard). The Flying Blue survey on CSR is held annually among a representative target group of 3,800 frequent flyers.

KLM proactively reaches out to its customers via social media, including Twitter and Facebook. The Group's social networking site Bluenity boasts 100,000 members and 1,600,000 visits since its launch in 2008.

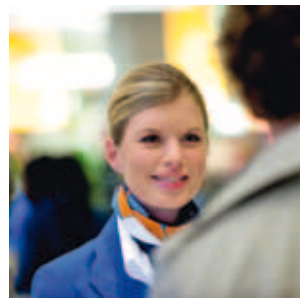
2

### SIMPLIFY

Since 28 March 2010, Air France offers two very different products: 'Premium' and 'Voyageur', as well as innovative options, such as the premium offer on airfrance.com.

The new medium-haul services from Air France were shaped by feedback from customers. They wanted the main service features of Air France at more competitive rates, to build on our strengths to better meet customers' needs, and to clearly differentiate the various classes of travel.

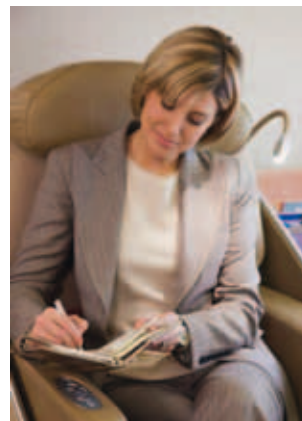
In response to the same demands, KLM's new 'Economy Comfort' was developed.



3

### CLARIFY

Air France-KLM provide their customers with transparency about fares and conditions at various stages in the booking process. Further service improvements have been made by adding more information about fare choices. Moreover, the best fare available is automatically shown at the top of search results on the Air France and KLM websites. Both companies websites offer simplified search and KLM website shows the top frequently asked questions of its customers.



4

### PERSONALIZE

Thanks to inter-cultural training, staff is better able to serve passengers from different cultural backgrounds. Both Air France and KLM have tailored services to meet the needs of among others American, Brazilian, Chinese, Indian and Italian passengers.

Air France-KLM offers tailored services for **passengers with reduced mobility**: 'Saphir' at Air France and 'KLM Cares' provide personalized solutions at every step of the journey, from the point of reservation to the option of taking your own wheelchair aboard.

Since 1 February 2010, the two companies harmonized their services for **obese customers** traveling in economy class, with the option to buy a second seat at a 25% reduction. The second seat is fully refundable, often possible when the cabin is not full.

In 2009, KLM Health Services launched a new and complete **healthcare service** for passengers and expats from other companies, designed in three stages: healthy travel, healthy at the destination and healthy home again.

All crew members are qualified in first aid, while every plane is equipped with a first aid kit and an automatic defibrillator.

Air France A380s also have a medical space with a real bed, to care for suffering passengers.

5

### RESPECT

For many years, Air France-KLM has ensured the protection of data supplied by its customers and has ensured the exclusive use of customer data only by and for Air France-KLM and its partners.

Air France also checks the advertising burden, perceived by its customers. The vast majority of customers feel that advertising pressure is acceptable. Air France-KLM has also launched in-house applications to better coordinate messages sent to customers.

6

### ECODESIGN

Air France-KLM consider the environmental and social impact of their products and services, through the entire product life-cycle. To work effectively, eco-design uses decision-making tools, including Life-Cycle Analysis, to optimize environmental performance and service provision (See page 30).

The company has also asked European design students to create the meal trays of tomorrow based on eco-design principles. The international competition has been a major success, providing inspiration for the Group and suppliers.

KLM, Amsterdam Airport Schiphol and the Dutch social-networking site Hyves challenged young people to present their visions of the future of the airline industry in a contest named Creative Challenge. The aim was to come up with the best idea for making flying, more enjoyable, more efficient and more sustainable. A jury selected the best entries.



### FOCUS ON...

#### ADDED VALUE

Air France has applied eco-design principles to maximize the environmental performances of its products and services. Going further, as a responsible company it tries to create social value through service provision, by promoting the hiring of handicapped employees in its network of suppliers.

Another example: by replacing the dry cleaning of Voyageur blankets with normal washing, the company has cut its environmental impact as well as allergy risks among passengers. Meanwhile, it creates social value by the choice of a company from a suitable industry.

7

### RESPONSIBLE PRODUCTS

To set the standard in the airline catering industry, KLM is working closely with suppliers and a number of NGOs, including WWF Netherlands, to improve the sustainability of its catering products. Calls for tender give preference to sustainable alternatives for palm oil, soya and GMOs. After the introduction of Rainforest Alliance coffee and MSC certified fish, which won a coveted award from the Seafood Choices Alliance, 14 new sustainable and fair trade catering products have been added.

All products and equipment on board are scrutinized in order to cut their environmental impact without reducing quality, while also trying to improve them wherever possible. The new short-haul seat is a perfect example of this: developed in partnership with ergonomists, it offers more comfort, legroom and a better recline, and is 4.9kg lighter than the seat it replaces. Less weight means less fuel consumption leading to a reduction of 5,200 metric tons of annual CO<sub>2</sub> emissions.



New Air France short-haul seats

8

### ADAPTING

With the Recovery program, Air France offers a proactive service in case of major flight delays or problems. Around 201,000 passengers used the service in 2009, bypassing the need for customer service.

Where a flight is cancelled or delayed, Air France's ROC service offers customers the best replacement options: thanks to state-of-the-art tools, ROC processes passengers based on their entire journey, even in case of multiple connections, and informs them as soon as possible (even before their arrival at the airport).

KLM also pro-actively informs its customers on the status of their flight and if applicable with rerouting information, as such effectively using the cell phone numbers and e-mails addresses provided by the passengers for this service.

Together with Air France, KLM has the ambition to also pro-actively inform its passengers in case of baggage incidents.

During the closure of airspace after the eruption of Iceland's Eyjafjall volcano, from 16 to 20 April, the Group worked tirelessly to inform, assist and transport its customers.



## INVOLVING CUSTOMERS IN SUSTAINABLE DEVELOPMENT

### Calculating carbon emissions and proposing offsetting services

Air France-KLM customers may offset their journeys thanks to CO<sub>2</sub> compensation services:

- via Air France's partnership with the GoodPlanet Foundation,
- or at KLM via its CO<sub>2</sub>ZERO program, investing in Gold Standard renewable energy projects.

### Informing customers and raising awareness

The Group continues to reach out on sustainability issues via its wide communications network and using all available marketing and communications tools. These include websites, onboard magazines and special documentaries.

### Measuring customers satisfaction perception on CSR

In February 2010 Air France-KLM for the 3rd consecutive year have submitted a CSR questionnaire amongst 3,800 Flying Blue members. Over all the knowledge on the Air France-KLM CSR activities and priorities has increased considerably and these are also in line with what the passengers expect from us what our contribution should be. Still the passenger's perception on the CO<sub>2</sub> impact of flying is high, 18 %, whereas the actual impact is around 2 %.

## PROVIDING RESPONSIBLE CARGO AND MAINTENANCE SERVICES

Air France-KLM has opted for innovation for a sustainable development policy covering all cargo logistics and maintenance procedures. It does so in partnership with suppliers, shippers and carriers and governmental bodies.

### FOCUS ON...

#### THE AIR FRANCE CARGO-KLM CARGO CHECKPOINT AT SCHIPHOL

In September 2009, the Dutch State Secretary of Finance officially opened the Cargo Checkpoint at Schiphol. A unique and pioneering partnership between Amsterdam Airport Schiphol (AAS), the Netherlands Customs Authorities and KLM Cargo, it has all the qualities to make Schiphol the premier cargo airport in Europe.

The key concept is that government inspections are carried out within the handlers' logistics process, therefore minimizing potential interruptions to the logistics chain. The methods of various bodies are brought into line, creating a single drive-through moment. This concentration of inspections and inspecting bodies is unique in the world.

Currently in its test phase, the Cargo Checkpoint represents the first concrete step toward achieving seamless cargo flows.

### Innovate to simplify

In 2009, Air France Cargo-KLM Cargo developed together with customers and customs, a new cargo logistics chain, particularly for quality perishables. While ensuring safety, health, environmental and economics criteria, customs authorities only have to check 3-4% of the total shipment instead of the usual 60%. This innovative 'Green Lane' logistics process, originating Ghana, allows a much faster handling time. A second Green Lane, originating Peru, is under construction.

### New CO<sub>2</sub>MPENSATION for Cargo customers

Air France Cargo-KLM Cargo is the first major air carrier to offer the option of CO<sub>2</sub> neutral air freight transport to customers. This new service was launched in April 2009, allowing both freight forwarders and shippers to gain detailed insights into the CO<sub>2</sub> emission of their shipments and the option to compensate via Gold Standard projects.

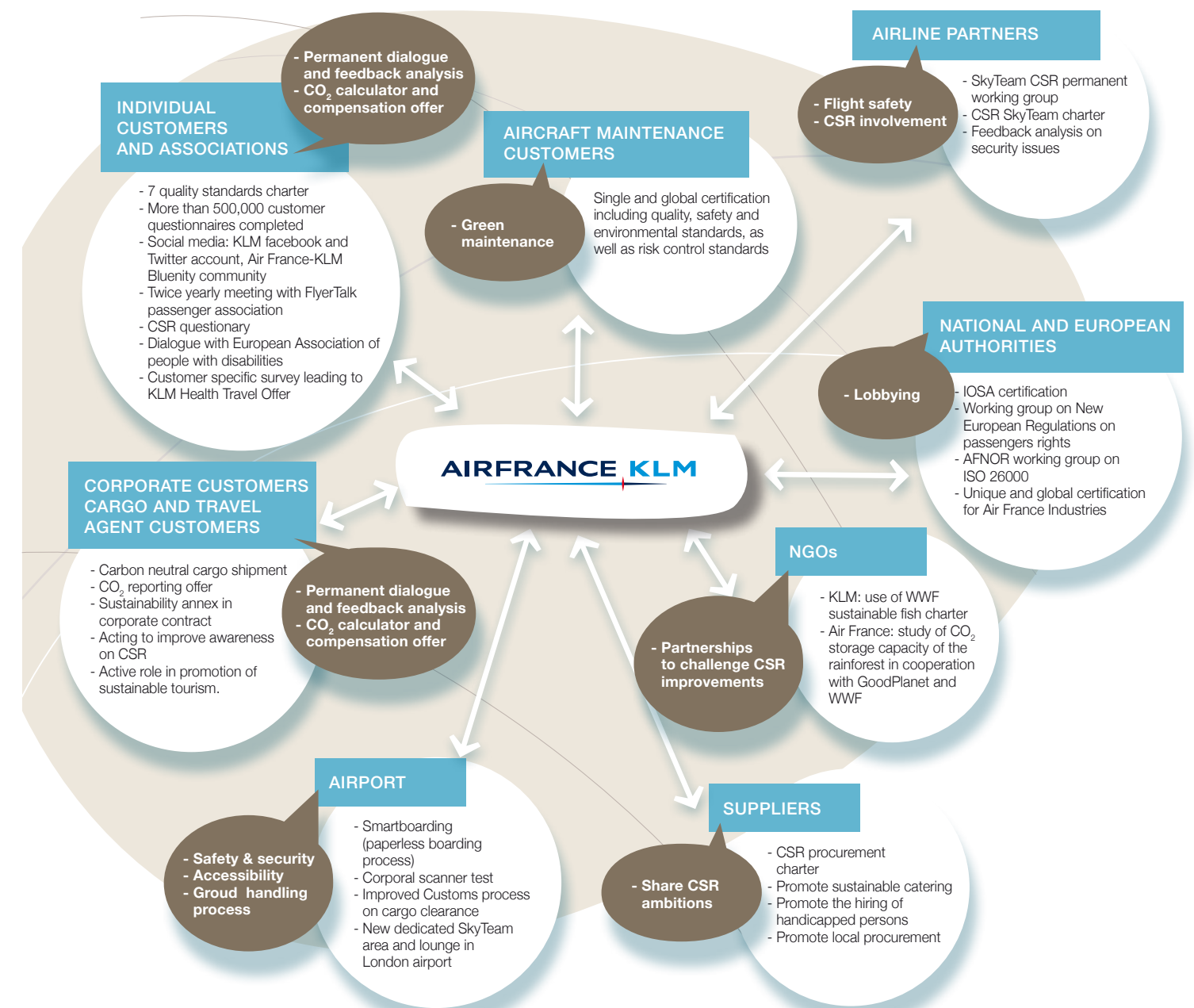
## OFFERING A HARMONIZED MAINTENANCE SERVICE

Air France Industries KLM Engineering & Maintenance (AFI-KLM E&M) is always attentive to the needs of its engineering customers: i.e. airlines around the world on Maintenance, Repair, Overhaul market. As part of the Integrated Management System (IMS), Customer Support Managers formally and regularly survey customers to monitor expectations and measure satisfaction. Therefore AFI-KLM E&M can improve its responsiveness and quality of service. This, for example, is why AFI-KLM E&M launched an ambitious project at Roissy-Charles de Gaulle Airport to restructure engine maintenance yards,

improving relations by updating the customer throughout the maintenance schedule (fluid information, clarifying reciprocal commitments, etc.).

The project has cut lead-times for engine repairs by an average of 5 %, therefore better meeting the needs of customers. In addition to this, Air France Industries' Single Global Certification (including the eight international reference standards), is a distinctive asset that builds confidence among maintenance customers and other stakeholders.

## DIALOGUE WITH OUR STAKEHOLDERS



### How do you assess the performance of Air France-KLM on building a sustainable relationship with customers?

#### Two questions to



**Ruud Nijs**  
Director Corporate Social Responsibility,  
Rabobank NL

*I think Air France-KLM is doing a great job in its relationship with its clients. The customer panels and questionnaires, improved transparency about integration of eco-design principles, sustainable catering, and CO<sub>2</sub> offset service: Air France-KLM is really the frontrunner in its sector. Rabobank and Air France-KLM have a good relationship because we share the same long-term sustainability values. We both understand that we have to be careful with our planet, and that if we fail then generations after us will have a problem.*

#### What do you expect from Air France-KLM?

*My recommendation is to clarify the planet dimension in your joint commitment statement for building a sustainable customer relationship. I can see an opportunity for bringing that message to your passengers, cargo and maintenance customers. If you share your long-term view of sustainability with your clients, in concrete ways, that would be a real step forward. You could take the whole process of booking, entering the airport and flying and position yourself as the 'sustainable airline' – and then put this in your onboard magazine. I would be proud to know as a frequent flyer that Air France-KLM is top of its sector. It would be a great step forward because airlines are perceived as the biggest polluters. Air France-KLM has all the ingredients because it is doing so much good work: I think you can do it.*

# PROMOTING A RESPONSIBLE HUMAN RESOURCES POLICY

Based in over 100 countries, Air France-KLM is home to 104,721 staff (in full time equivalent), the vast majority of which live in France and The Netherlands. In spite of the tough global economic climate, the Group has chosen to do all it can to safeguard employment and strengthen competitiveness.

To this end, the human resources policies of both companies promote the broad-based employability and mobility of its staff. Based on common values and commitments, these policies push the Group toward greater diversity and equal opportunities. They also ensure that training and safety in the workplace remain key priorities.

## OUR JOINT COMMITMENTS

The Air France-KLM Social Rights and Ethics Charter, signed in 2008, defines the fundamental rights and values that are the pillars of The Group's identity and cohesion. The charter gives direction to The Group's main goals, to:

- support the fundamental principles of the United Nations' Universal Declaration of Human Rights and the European Union's Charter of Fundamental Rights;
- promote social rights in line with conventions of the International Labor Organization and Social Charters adopted by the European Union and Council of Europe;
- encourage responsible social dialogue and trust at all levels;
- foster staff employability and mobility;
- actively pursue and reinforce all measures promoting health, safety and dignity in the workplace;
- respect equal opportunities and forbid any kind of discrimination

## OUR MANAGEMENT OBJECTIVES

OBJECTIVES	SCHEDULE	ACHIEVEMENTS 2009-10	STATUS
AIR FRANCE			
Develop staff skills and support professional mobility, to boost employability and safeguard jobs, as part of the new 3-year employment agreement	Ongoing	In 2009, 275 staff in France joined geographic mobility schemes; there were 1,337 job changes (of which 177 moved into the cabin crew sector)  2009-2012 employment agreement signed  Implemented plan for 1,684 voluntary redundancies applying to over 1,800 people.	Target achieved or exceeded
Increase the employment ratio of disabled workers by 0.5% per year	2011	A 0.43% increase in the employment ratio of disabled workers compared with 2008 The number of workers with disabilities has remained constant, despite the overall reduction in the workforce	Target partly achieved
Renew the 3 <sup>rd</sup> Gender Equality Agreement	2010	Equal pay measures for 251 female non-managerial ground staff.	Target partly achieved
Reduce the frequency of workplace accidents by 30%	2009-12	In 2009, there was a 5% cut in the frequency of workplace accidents in France, part of a total reduction of 27% since 2005	Target partly achieved
KLM			
Stimulate mobility inside and outside the company	Ongoing	Pilot study for employees with limited formal education: offering a program to acquire an official diploma	Target partly achieved
Increase employees' awareness of their own health and wellbeing Increase mobility for physically strenuous jobs	Ongoing	Providing tailored career advice to all employees, supported by a dedicated website	Target achieved or exceeded
Create an equal opportunity mindset to promote diversity	Ongoing	Dialogue initiated between senior managers on how to raise the percentage of high ranking women	Target partly achieved
Build more flexibility into the workforce and contracts	Ongoing	Over 1,000 employees assist ground operations on a voluntary and temporary basis	Target partly achieved
LOCAL STAFF			
Finalize negotiations to harmonize working conditions at joint Air France-KLM outstations Define additional social benefits	2010-11	Working conditions harmonized in 31 countries  Audit on retirement policies and health insurance carried out	Target partly achieved
Annual survey on perception and satisfaction for all employees	Ongoing	Action plans per regions are set up and implemented, based on the 'Inter'Face' survey	Target achieved or exceeded

Target partly achieved    On target    Target achieved or exceeded

## LIMITING THE IMPACT OF THE ECONOMIC CRISIS ON JOBS BY IMPROVING COMPETITIVENESS

Air France-KLM aims to overcome the economic crisis by safeguarding competitiveness while preserving employment. Guided by a socially responsible employment policy, the Group encourages commitment and responsiveness. It is stepping up job mobility and support schemes, making staff more resilient and able to adjust to future changes.

### Responsibly rationalizing the number of jobs

Limiting hiring is a key way to protect jobs in the economic crisis; it is therefore a path chosen by Air France-KLM in 2009 and renewed in 2010. Other measures in turn supplement the curbs on hiring: introducing more part-time employment, temporary measures to cope with peaks in activity, and promoting greater mobility and teleworking.

Measures implemented by Air France since autumn 2008, were successful and continue to apply, but Air France needs to become more competitive and put structures in place to swiftly mobilize the necessary gains in productivity. Natural attrition is not enough to achieve the workforce reduction target, so a plan for 1 684 voluntary redundancies in 2010 has been rolled out for ground staff and will apply to over 1,800 people including some part-time employees. This entailed lengthy talks with social partners ahead of the human resources planning agreement, signed in July 2009, which defines the procedure to follow for such a plan.

For KLM, this strategy has led to a staff reduction of 10% full time equivalent, along with the expiry of temporary contracts.

### Adapting to protect employment

To protect employment several adjustments were made or increased in 2009, showing the will and flexibility of staff in the face of vital changes.

Following the total freeze on fixed term contracts and temporary work, internal resources have been relied on to meet temporary system overloads, notably on the operational front. This deepened solidarity between the companies and in 2009, 160 Air France employees from various departments helped to reinforce operations, for periods lasting between several weeks and several months. In parallel and with the same goal, administrative staff spent over 600 working days helping customers check-in during peak times at airports.

At KLM, office staff were asked to assist operational ground staff during peaks times, thus avoiding the need for temporary workers. In 2009, almost 320 employees were voluntarily

involved. Following the same rationale, every month on average 380 captains and co-pilots voluntarily assist KLM's ground handling, as part of a program supported by unions and the working council. In addition over 100 crew members were employed with KLM's subsidiaries.

### Promoting internal mobility

Air France-KLM strongly supports internal mobility with a number of schemes, as part of a policy that helps to develop and preserve employment.

Professional or geographic mobility for Air France ground staff puts a premium on internal resources. Therefore in 2009, the Mobility Unit (Espace Mobilité) continued to provide support and guidance for these jobs transfers, receiving 1,600 visits and delivering 57 themed talks to a combined audience of nearly 600 people. It also developed new aids, with the April 2009 launch of workshops to teach staff how to draft resumes and cover letters, attend selection interviews and familiarize themselves with selection tests.

At KLM, vacancies created by limited time contracts ending, retirement or other kinds of voluntary leave were left vacant when possible and otherwise filled by internal candidates, leading to 350 successful interdivisional matches in the fiscal year. The newly established Cargo Navigation Center offers information on vacancies, help in writing resumes, applications and career counseling.





## TRAINING STAFF TO INCREASE AND DIVERSIFY THEIR SKILLS

Given the changes in the labor market, the economic crisis shows the importance of adaptability: to ensure company competitiveness and promote staff mobility. Air France and KLM continued to invest in training employees in 2009, especially for staff with limited qualifications.

Investment in training at Air France amounts to 8.7% of the total wage bill, and remains higher than the French legal minimum of 1.6%. Air France contributes to securing careers, notably for employees seeking a new diploma, by ensuring their work experience is credited via the VAE (Validation des Acquis de l'Expérience) system with a certificate of professional experience.

A program, specifically targeting those with the lowest qualification levels, helps to boost staff skills in French language and math, while improving their independence in professional or personal learning situations. Professionalization schemes continued at a sustained rate (3,000 in 2009) for retraining, change management projects, or to assist staff returning to work after long absences.

In 2009 investment in training at KLM amounts to 2,500 euros per employee. Moreover KLM focuses on employees with limited formal education to enhance their employability. They were offered a program to acquire an official diploma. A first program charts skills acquired through work experience for each employee. Points were awarded for competencies

meeting the educational requirements of the desired diploma, resulting in a reduced number of classes to be granted the diploma. A second program was offered to employees without any formal education beyond primary school. With one school day per week and four days at work, these employees receive their diploma – equivalent to a high school diploma – after two years.



Staff training

## A RESPONSIBLE MERGER OF TWO AIRLINES AND VALUES SHARED BY ALL

There are distinct human resources policies, laws and cultures in France and The Netherlands, but the Group has drawn up a set of rules and principles to enable the airlines to work together and notably to harmonize the working conditions of locally employed staff in 39 countries where operations are combined.

This harmonization process, launched in 2006, is on track with negotiations concluded in 31 countries.

The Air France-KLM Social Rights and Ethics Charter, signed in 2008, defines the fundamental rights and values which are the pillars of The Group's identity and cohesion. This charter, translated in three languages, was made available to Group staff in 2009.

Air France-KLM wants its employees – wherever they operate worldwide – to enjoy social protections (for expenses linked to sickness, maternity, accidents or death) to guarantee a decent standard of living. The status analysis carried out in 2009 on the situation of local Air France and KLM staff showed that almost all Group employees benefit from this locally. Moreover, the Group supports its staff in finding the best ways to adapt to the requirements of its policy on local conditions and to sign up to quality assurance contracts, while complementing public schemes if they do not offer the required quality. Since 2007, all Air France and KLM staff on local employment

contracts in over 100 countries are asked to fill out the InterFace employee satisfaction survey, which, once the findings have been analyzed, leads to the deployment of local action plans. In the survey launched in March 2010, 69% of the 7,376 employees polled filled out the survey. A total 77% of respondents said they were satisfied with their material working conditions, 82% with their occupational health and safety conditions, 85% with their company as an employer, and 92% of those surveyed said they were in a job they liked.

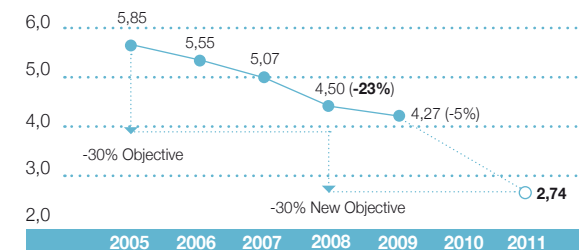


Working together...  
Air France and KLM employees in Dubai

## GUARANTEEING SAFETY AND PROMOTING A HEALTHY WORKPLACE

Ensuring the highest staff safety levels is a priority for the Group, which ranks safety in the workplace on a par with flight safety.

### Industrial injury frequency (IF\*) coefficient at Air France



\* IF (number of industrial accidents, resulting in absenteeism, per 100 employees/year)

### Organise ourselves to reduce risk

From 2006-2008, Air France set itself the ambitious goal of cutting the rate of industrial injuries by 30% over three years. There was ultimately a drop of 23%, notably in operational management. Air France continues this ambition with a new program to cut the rate of industrial injuries by 30% between 2009 and 2011. In this context, Executive VPs in France and French Overseas Départements have signed new objective agreements and quantitative objectives are included in the appraisal criteria for performance-related pay of operational manager and executives.

KLM has introduced 'safety champions', senior managers with the mission to promote a safe workplace, especially by rooting out new or undetected safety issues. To be able to roll out measures to prevent accidents from reoccurring, employees who caused or reported an accident are protected from any disciplinary action, unless there is evidence of foul play. The protocol stating this guarantee was offered to unions to be included in all three collective labor agreements.

KLM Engineering & Maintenance has introduced 'ergo coaches', who trained employees to advise colleagues on the best postures and working methods. The program is the subject of scientific research at VU University Amsterdam to assess its results.

Moreover, Air France-KLM is continuing its efforts on raising awareness and offering measures on the prevention of HIV/AIDS and malaria for staff and local communities in countries with particular health risks, including South Africa and Nigeria.

### Raising awareness, identifying and addressing risks

Following the 2008 signing of the charter on alcohol abuse, Air France has worked hard to strengthen tools for preventing psychological and social risks (i.e., stress, harassment, addiction, violence), and to this end an agreement was signed with social partners early in 2010 (see Focus on...). During 2009, new staff awareness programs were rolled out on other issues, including prevention of Musculoskeletal Troubles (TMS), and the wearing of personal protective equipment.

### FOCUS ON...

#### PREVENTING PSYCHOLOGICAL AND SOCIAL RISKS

Many initiatives have been launched by Air France over the past 15+ years to limit psycho-social risks and to improve the work-life balance. Air France negotiated an agreement in 2010, unanimously signed by staff unions, which forms part of European and national agreements on stress and harassment.

The agreement takes a preventive approach based on an audit of psychological and social risks, and is monitored by a dedicated committee. Above all, it aims to mobilize all stakeholders (company doctors, social workers, managers and HR managers), applying to both ground staff and cabin crew. It comprises:

- the distribution of practical information to prevent risks
- numerous training schemes for community management
- multi-disciplinary groups with a dedicated manager at each office.

### FOCUS ON...

#### NEW AUTOMATED BAGGAGE HANDLING AT SCHIPHOL

In 2012, a new baggage handling center will be introduced at Amsterdam Airport Schiphol (AAS), able to cope with 70 million bags a year (up from the current level of 45 million). AAS and KLM are working closely to construct the hall where luggage will be loaded and unloaded, fully automatically, from and into containers. In the new loading process, no vehicular traffic will be involved in contrary to the current loading process, therefore reducing the risk of occupational accidents. Employees will operate machinery, transferring containers to and from the aircraft with almost no physical effort.

KLM runs frequent communication campaigns for cabin crew in 2009 on how to cope with jetlag and on raising awareness on medicine alcohol and drugs.

### Promoting safety at subsidiaries and sub-contractors

Subsidiaries are also committed to ambitious plans to improve safety at work. Servair, Air France's subsidiary which prepares and supplies meals for passengers aboard, has rolled out a program to train operators and managers in various aspects, including improvement of the work environment ('ergonomics') and preventive initiatives. Servair has attained OHSAS 18001 certification, as well Air France Industries. The Group also monitors the performance of its sub-contractors, with occupational accidents being reported and investigated by Air France Industries Hygiene and Safety Committees (CHSCT). Other prevention schemes include: checking that staff wear personal protective equipment, eco-friendly driving, safety measures for staff working at heights, and literacy programs for employees (where necessary).

## PROMOTING DIVERSITY WITHIN THE GROUP

Women in the Group (%)		2009
Board of Directors		6.6%
Executive Committees	Group (GEC):	0%
	AF:	8.3%
	KL*:	0%
Senior managers / executives	AF:	25.3%
	KL*:	17.4%
Ground staff managerial	AF:	30.2%
	KL:	23.0%
Flight crew managerial	AF: Cabin crew:	51.3%
	Cockpit crew:	3.7%
	KL: Cabin crew:	73.0%
	Cockpit crew:	2.8%
Ground staff, non-managerial	AF:	40.3%
	KL:	25.8%
Flight crew	AF: Cabin crew:	64.7%
	Cockpit crew:	6.7%
	KL: Cabin crew:	82.1%
	Cockpit crew:	4.2%

\* Definition for KLM changed compared to last year

### Promoting equal opportunities and combating all types of discrimination

Air France-KLM pursues a social policy based on preventing discrimination, equal opportunities, and respect for diversity. To highlight this pledge, Air France has applied for certification with the 'label diversité'. To this end, an audit of career development has been launched to guarantee equal treatment for all employees.

The workforce of KLM Catering Services (KCS), a KLM subsidiary, is made up of around 45 nationalities. KCS focuses on what connects people rather than stressing diversity of race, religion or gender. To anchor this principle KCS offers master classes for managers and is developing a special 'solidarity training'.

### Promoting gender equality

At Air France negotiations continue for a third corporate agreement on professional equality. To ensure these commitments are respected, male-female comparative indicators have been built into the monitoring of human

resources policies and management processes (training, careers, occupational safety, remuneration, etc.). In 2009, 251 women benefited from pay equalization measures. KLM facilitates women in management roles through mentorship.

### Extending the employment of seniors

The Air France Human Resources and Skills planning agreement, signed in July 2009, features a chapter entitled 'Managing the second part of the career and facilitating the employment of seniors'. The text was completed with an amendment for ground staff, as well as two specific action plans for flight crews (pilots and cabin crew).

### Boosting numbers of disabled workers

In 2009, the regulatory employment rate for disabled workers in France was 3.57%. Against this backdrop Air France continues its integration schemes. Despite natural attrition among disabled staff through retirement, and restrictions due to the company's regulated professions (e.g., pilots, cabin crew, etc.) disabled staff numbers are stable.

Despite the hiring freeze, Air France has maintained the hiring target of 85 disabled staff over 3 years. The company's commitment also involves stepping up outsourcing to the sheltered sector, representing 480 indirect jobs for 2009.

The agreement also provides for a €9 million budget earmarked for disability in 2009-2011. In 2009, €3 million were invested, 46% of which went on maintaining staff in employment and 7% on raising awareness among employees.

In the Netherlands companies are financially responsible for a period of two years for employees who become disabled. Since 2010, KLM has extended the period to twelve years. This includes employees that are no longer employed with KLM. An employee is considered disabled when becoming ill and no longer capable to fulfill a job or carry out duties amounting to his or her former salary level. KLM will supplement the salary for a number of years and take measures in order to let the employee return to his or her job or perform other duties at the same salary level. Through adjustments of the workplace, working times and duties and offering treatment of the illness, the employee is facilitated. If measures do not have the desired effect, limitations are to be conquered through job mobility within or outside of KLM.

## INVOLVING STAFF IN THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY PROGRAM

### The strategy as seen by employees

The Air France-Ipsos employee satisfaction survey is held twice a year in-house among almost 3,000 staff. In April 2010, 82% of respondents said that 'Air France is a company that

invests in Corporate Social Responsibility'. At KLM a yearly Internal Perception Monitor is held on employee satisfaction. Since 2007 CSR forms part of this survey, to assess whether employees think the company acts responsibly in this regard. This year the outcome increased to 81.6% compared to 79.1% last year.

### Initiatives involving employees

With the Quality Innovation Program (PIQ), Air France rewards the best proposals sent in by staff to innovate and improve their day-to-day activity. At KLM, the 'CSR Drive In' aims to raise awareness of CSR and encourage personal contributions to CSR projects.

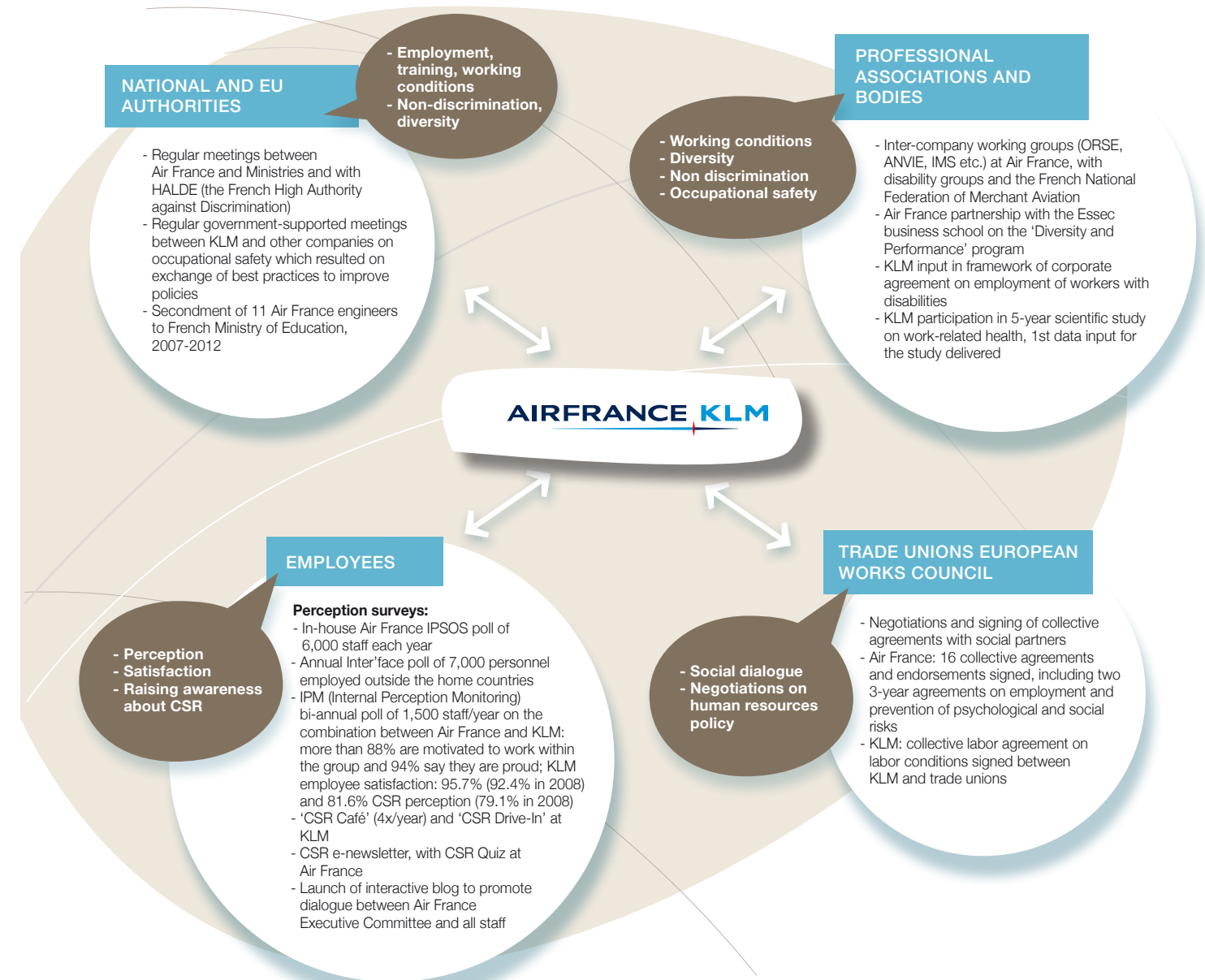
Air France and KLM have launched measures to limit the use of cars in journeys between home and the workplace. These programs promote eco-travel, car-sharing, cycling and teleworking. At Air France, the rate of car use has dropped from 79% to 72%, while the use of shared transport has grown by 4%.

### FOCUS ON...

#### AIR FRANCE AND KLM: TWO ATTRACTIVE COMPANIES

Air France ranked first in the 2009 Top 50 most attractive employers, as voted by junior executives from business schools. It also ranked eighth among those coming from IT and science engineering schools, according to the Universum Survey 2009 (carried out among junior executives with one to eight years' work experience). In 2009, KLM ranked fifth in the Intermediar Ebbinge Image survey, one of the most representative surveys among highly educated young professionals in The Netherlands.

## DIALOGUE WITH OUR STAKEHOLDERS



### Two questions to



**Andre Van Heemstra**  
Chairman, UN Global Compact NL

### How do you assess the performance of Air France-KLM on promoting a responsible human resources policy?

It's very positive and it underlines my own experience flying with Air France-KLM. It's in harmony with what I see when I'm in the plane receiving their services. Another key point is that their Social Rights and Ethics Charter is in line with the UN Global Compact for human rights. What makes it all tangible is the support of staff, especially those quoted in the Air France-KLM staff survey. Staff pride and the energy they bring to work are closely linked. Extra training for staff with low qualifications is also powerful stuff. Another strong statement is the idea of keeping the family together. Air France-KLM cares about its staff and that filters through to the cabin. For the traveler there is a strong link between the social harmony of the crew and the feeling that you're in good hands. I can see both these elements at Air France-KLM.

### What do you expect from Air France-KLM?

It's clear that the Group takes an interest in the personal growth of each of its employees. It's an important step forward to move from a model of performance appraisal to one of personal development. That's one thing in the context of maintaining full employment and not dismissing people; it's another when you say on top of that you are interested in seeing each of your employees grow. Overall this report, and the way Air France-KLM is going about its personnel policy, comes across very positively.



# DRIVING LOCAL DEVELOPMENT



By transporting passengers and goods, as well as aid, knowledge and know-how, aviation is the main vehicle of exchange between people and cultures. Thanks to its economic, technological and financial aspects, aviation supports and stimulates other industries, including tourism.

A major actor in global economic development, airlines also play a key role at local level, in the countries where they are based and also their destinations. For many years Air France and KLM have had a stake in the regions around their hubs and destinations, forging lasting relationships with local and regional partners. Aware of their responsibilities, they contribute to numerous training and development aid programs. They also lead and support humanitarian projects via permanent foundations or in support of NGOs, working together during human tragedies like the disaster arisen in Haiti in January 2010.

## OUR JOINT COMMITMENTS

Despite the difficult economic backdrop, Air France-KLM is determined to pursue or even strengthen its commitment to local socio-economic progress:

- contributing to regional development by its ability to create business and work with all local actors, including the supply chain;
- building lasting relationships based on information, dialogue and partnerships with the full range of local actors;

- investing in the future by developing skills, through education and apprenticeships;
- making use of its human, logistical and financial resources to aid and invest in humanitarian and development programs;
- supporting the local expertise of NGO partners in order to contribute to the United Nations Millennium Development Goals.

## OUR MANAGEMENT OBJECTIVES

OBJECTIVES	SCHEDULE	MAIN ACHIEVEMENTS 2009-10	STATUS
AIR FRANCE			
Contribute to local economic development around our main offices	Ongoing	Participation in working groups on sustainable development of Roissy-CDG and Orly areas Support local sheltered sector: creation of ANRH launderette Support networks of SMEs (ARD Forum for international companies, member of local SMEs' associations)	⊙
Boost communication with local communities	Ongoing	3 editions of 'Le Courier, Air France partenaire de l'Ile-de-France'	⊙
Support local development and training associations, as well as joining their projects	Ongoing	Taking active roles on the boards of local associations JEREMY, Airemploi, AFMAé and Pays de Roissy-CDG	⊙
Maintain a strong commitment to humanitarian and sponsorship projects. Raise annual funding for the Air France Foundation to €2 million by 2011	Ongoing	Funding of €5 million for humanitarian projects	⊙
KLM			
Support sustainable development for local communities around KLM bases and at destinations served with environmental and social projects	Ongoing	Corporate funding projects focused on education, environment, art and heritage (€2 million)	⊙
Continue to contribute to the UN Millennium Development Goals	Ongoing	5 staff projects on a volunteer base (a/o Tanzania, Philippines, China, South Africa, Nigeria and Surinam) Concrete contribution to 7 MDGs through a range of socio-economic activities, increasingly combined with environmental benefits (e.g Ubuntu reducing car tire waste, Close the Gap avoiding ICT-waste) Participating in various tables such as IDUT, IUCN, UNGC NL 4 new KLM AirCares projects	⊙
Contributing to shape the future of Amsterdam Airport Schiphol and enhance the livability of its surrounding region via dialogue with communities	Ongoing	Two official Alders-table meetings Further contribution to operational measures carried out by CROS (See also page 27)	⊙

○ Target partly achieved    ⊙ On target    ● Target achieved or exceeded

## CONTRIBUTING TO REGIONAL AND LOCAL DEVELOPMENT

### Developing regional business

At local level, Air France and KLM generate economic activity and direct jobs around their main bases at Roissy-CDG and Amsterdam-Schiphol. They also forge indirect jobs and spin-offs across their regional and national economies. In the Ile-de-France region around Paris, Air France employs nearly 50,000 of the 119,400 people directly employed at Roissy-CDG and Orly airports. Schiphol is responsible for 60,000 direct jobs, including over 33,000 jobs at KLM Group, while generating 60,000 indirect jobs.

The two hubs attract major corporations and small and medium enterprises, seeking to benefit from their proximity to an international airport and dynamic economic environment. The Group supports initiatives that promote and develop these regions, such as the international promotion plan of 'Grand Roissy' area launched by the Paris Region Economic Agency (ARD) and the new association Aerotropolis (see Understanding...). Air France Cargo has joined the CAREX project, which aims to develop a high speed rail cargo service between several European capitals, including Roissy-CDG and Amsterdam-Schiphol.

With logistics and transport partners in the NS Hispeed cooperative, KLM is studying a rail alternative to air transport between Amsterdam Airport Schiphol and Antwerp/Brussels, on condition that the link between the aviation hubs remains strong.

### UNDERSTANDING...

#### AEROTROPOLIS EUROPE

Air France is a member of Aerotropolis Europe, an association founded in December 2009 with the support of FedEx and which aims to promote the region around Roissy-CDG. The goal is to attract new businesses to better compete with other airport areas, such as London or Frankfurt. Aerotropolis groups private and institutional investors representing several local development projects close to Roissy-CDG (CAREX, business park, showroom, convention spaces, commercial center, etc.). The full range of projects is expected to create close to 15,000 jobs in the area. Built around the US and Asian hubs of SkyTeam and FedEx, Aerotropolis Europe will enable the Paris region to boost its central position in terms of passenger and goods traffic.

### Pursuing long-term dialogue with local stakeholders

Rooted in two business regions where most of their employees reside, both airlines pursue proactive dialogues with regional partners. They join local debates and communicate through dedicated media such as 'Le Courier', targeting interested parties in the Ile-de-France region.

To further root themselves in their local regions, while raising mutual awareness, Air France and KLM give regular tours of their facilities for officials and residents. In late 2009, elected officials from municipalities around Roissy-CDG airport were able to visit the facilities. In early 2010, thanks to volunteers staff, Air France opened its doors during a one-week visit to mid-school students from cities surrounding the airport. KLM hosted working visits for members of Parliament and delegations from the Ministry of Economic Affairs, Ministry of Agriculture, Nature and Food Quality, Ministry of Transport and Public Works and Water Management and Ministry of Finance.

Through Schiphol Regional Review Board (CROS) and Alders Tables KLM is in continuous dialogue with residents of the Schiphol Airport area.

In addition, Air France is a member of the 'Pays de Roissy-CDG' association, which it helped to set up. To support its actions, Air France provides two staff members to lead the six working groups at the association. In 2009-10, this 300-member association held an Electric Mobility Day, a forum on work-based training opportunities with stakeholders at Roissy-CDG, and joined the debate on the sustainable development of Roissy-CDG airport. With this support, Air France aims to strengthen the links with the Roissy area and to ensure that the airport's development benefits more to the surrounding region. The airline has also taken part in regional debates, contributed to the 'Grand Paris' project, and made presentations at several regional authorities.



Roissy-Charles de Gaulle Airport: engine of the regional economy

## SHARING KNOWLEDGE AND SKILLS FOR FUTURE GENERATIONS

### Developing local skills through training

Air France has co-founded three associations – Airemploi, JEREMY and AFMAé – to contribute to the development of local skills.

- Airemploi informs people about career openings and training courses in the air transport and aeronautical sectors. In 2009, it held 255 conferences in middle- and high-schools and provided information to nearly 6,700 people.
- JEREMY (JEunes en Recherche d'Emploi à Roissy et Orly), promotes the employment of unskilled school-leavers around Roissy-CDG and Orly airports. In 2009, 266 young people attended training courses for airport jobs, among them 129 did internships at Air France. 62% of the trainees were already hired. This year, a specific course has been set up in partnership with Servair for a group of disabled jobseekers.
- AFMAé (Association pour la Formation aux Métiers de l'Aérien) trains 388 young people at its 'Apprentice Training Center' (CFA) in 2009-10, among them 149 at Air France Industries despite the airline's freeze on hiring. Ultimately, 61% of the trainees from 2008-09 were employed the year after.

Several KLM departments work with young people in the external community, running professional training and CSR awareness programs. A few examples:

- Supporting the funding and organization of apprenticeships with Regional Education Centers (ROC) for ground handling procedures and aviation maintenance.
- Design Challenge for 20 aerospace students with Delft University.
- The AIESEC Ambassador program, an international platform for students to explore and develop their leadership potential in the field of CSR.
- JINC (Youngsters in Companies), a regional institution that prepares high school students for future work, avoiding early drop out.

### Working with companies in the sheltered sector

The Group actively supports companies that employ staff who are handicapped or marginalized. It works with the sheltered sector in fields as varied as the distribution of uniforms, cabin blanket dry cleaning, and engine spares logistics.

In 2009, Air France worked with 55 organizations in the sheltered sector in the regions around Roissy, Orly and Toulouse, for a total of €11 million and 485 full time jobs (see Focus on...). The airline also allocated part of its vocational education tax, some €772,000, to organizations that train handicapped people.

KLM regularly employs young people from Global Start. This organization based in Amsterdam works with young people who are socially marginalized or have no qualifications, giving professional training in Information and Communication Technologies.



Aircraft maintenance apprentices

#### FOCUS ON...

##### WORKING WITH THE SHELTERED SECTOR TO CREATE A NEW ACTIVITY

To help develop the sheltered sector, Air France asked ANRH\*, an association that helps handicapped people find work, to create an activity to wash and repackage passenger blankets from Roissy-CDG. In 2009, a launderette employing 25 disabled people was built close to the airport in Tremblay-en-France, able to handle 15,000 to 30,000 blankets per day. The initiative is expected to generate around 10 extra jobs in the near future.

Beyond the creation of jobs tailored to each handicap, the laundry equipment and procedures were designed to respect the environment by saving water and energy. Air France works also in partnership with ANRH to improve social and professional support for handicapped employees.

\*Association pour l'insertion et la réinsertion professionnelle et humaine des handicapés

#### FOCUS ON...

##### TECHNICAL EDUCATION CENTER KENYA

KLM Group and Kenya Airways are set to launch a repair center project to train aircraft maintenance and repair workers in Kenya. Funded with €40,000 raised entirely from an auction at KLM Engineering & Maintenance, the project will be linked to the KLM AirCares program to raise awareness and boost passenger miles donations; this in turn helps to cut travel expenses and reinvest freed-up money.

The center is needed because maintenance and repairs in Kenya have quality and customer service issues due to a lack of adequate processes, structures, knowledge, skills and equipment; available equipment is mostly second hand and there is no local repair expertise.

The project brings long-term opportunities for people to improve their incomes and living conditions.

## CONTRIBUTING TO THE ECONOMY OF COUNTRIES SERVED

Flying to 236 destinations and 107 countries, the Group contributes to the economic and social development of countries served, notably in the form of skills transfer. Since 2001, Air France has run a program named AïDA (Assistance, Investissement, Développement en Afrique) in Mali, Senegal and Gabon, to help professionalize African ground services companies. To this end, Air France has partnered with IAMA, the Institut Africain des Métiers de l'Aérien, based at Bamako airport in Mali, which provides regulatory and technical training in airport ground services. Nearly 1,500 staff from African companies operating in the aviation sector are trained there each year.

The project to combat deforestation in Madagascar supported by Air France and run by GoodPlanet Foundation and WWF has a social dimension. By transferring skills and giving technical, organizational and legal support, the program helps local communities to manage their forests sustainably. The project involves thousands of families who in the long-term will benefit from extra income and better living conditions.

KLM's Company to Community policy enhances various initiatives within KLM, designed to help local development at the home base as well as at its destinations. It features

## INFLUENCING AND SUPPORTING HUMANITARIAN AND DEVELOPMENT PROGRAMS

The combined power of Air France, KLM, partners and subsidiaries gives them a strong voice to take part of international authorities, such as Global Compact and International Union for Conservation of Nature, where global trends are anticipated and important decisions are made for future regulations and laws. In line with its commitment to bring people together, the Group has also long played an active role in humanitarian and development programs.

In 2009-10, its total contributions equaled €9 million in the form of cash donations, free transport of people and equipment, skills sponsorship, awareness raising campaigns and other initiatives. Near half of the contributions concern projects led on African continent.

### The Air France commitment

In 2009-10, Air France provided air transport logistics assistance to over 40 non-profit organizations, mainly for emergency medical assistance. In 2009-10, Air France offers 660 tickets to NGOs and carries around 9 metric tons of medical equipment and medication.

Air France proved its humanitarian commitment by creating the Air France Foundation, which has chosen children in need as its main field of action (see Focus on...). With ECPAT and the NGO Acting for Life, Air France contributes to the protection of child victims of human trafficking, sexual and commercial exploitation. Air France has been a founder member of Acting for Life for over 30 years and helps to support long-term development programs, notably in micro-credit for marginalized communities. In 2009, 85 projects have been supported in Africa, South Asia and Latin America, in the fields of child protection, economic development and sustainable tourism.

individual voluntary work, departmental sponsoring activities, charity programs and commercial development initiatives.

KLM is also working on concepts of sustainable tourism, sustaining the Chair of Sustainable Tourism of the Wageningen University in The Netherlands and participating actively in the Initiative Group Sustainable Outgoing Tourism (IDUT).

#### FOCUS ON...

##### HAITI

In the hours that followed the earthquake in Haiti on 12 January 2010, Air France-KLM deployed all available human and material resources to tackle the situation and assist with emergency aid and evacuation. Special rates have been provided, particularly for the Haitian community. 9 cargo flights were made to neighboring Santo Domingo to carry aid and emergency equipment for UNICEF and the World Food Program. €100,000 was raised by staff in appeal launched by the Air France Foundation and in other spontaneous initiatives, including an auction at KLM HQ.

In activity in Haiti since 1947, Air France set up an exceptional partnership with five NGOs - Doctors of the World, Doctors Without Borders, Action Against Hunger, the Red Cross, Aide Médicale Internationale - by offering 300 free tickets and cargo transport with special rates. The Group also supported the transport of young people of '100 young volunteers in Haiti' Program.

A campaign run among passengers generated over 36 million miles - the equivalent of more than 500 return tickets to Haiti, to support the country's reconstruction.

#### FOCUS ON...

##### THE AIR FRANCE FOUNDATION

Created in 1992, the Air France Foundation supports programs to help children and young people who are sick, disabled or in great difficulty, both in France and in countries where Air France operates. In 2009, it supported 63 programs run by voluntary bodies and NGOs. The Foundation has backed 550 programs since it was launched, helping thousands of children in 67 countries for a total budget of €10 million.

In November 2009 at UNESCO headquarters in Paris, the Foundation held an international conference on the plight of street children. Marking the 20th anniversary of the Convention on the Rights of the Child, the conference drew almost 1,000 delegates. For the A380's inaugural round-trip flight, Air France put 380 seats up for auction in solidarity with the Foundation. This raised €300,000, donated in full to the Foundation, which will fund five programs in South Africa, India, Brazil, Madagascar and France.

For more information, please go to:  
<http://fondation.airfrance.com>



### KLM initiatives

In line with the United Nations Millennium Development Goals, the KLM AirCares program supported seven projects past year, via a combination of a starting donation, publicity and the option of using miles donated by frequent flyers to buy tickets and save on travel expenses. A total of 40 million miles have been donated to the various projects (equivalent to over 500 return tickets from Amsterdam to Nairobi), while almost €100,000 has been raised by various staff initiatives and on board donations to support these projects.

The Ubuntu Company project in Durban, South Africa, involves the design and production of trendy flip-flops from recycled car tires, which also helps reduce waste in the area. Ubuntu supported the local economy by hiring 70 HIV/AIDS infected women, also providing them and their children medication, sanitation, education and nutrition. KLM Cargo took care of logistics and transport from the factory to the various fashion and shoe outlets in The Netherlands. The flip-flops were also for sale in the KLM staff shop, as part of KLM's Sustainable Label concept for commercial development.

A group of 70 seriously ill children of Stichting Hoogvliegers (High Flyers Foundation) was invited on board of the 777 flight celebrating KLM's 90th Anniversary. Also, 90 senior citizens were invited for their first time flight ever flying over Holland.

transavia.com supported the Peter Pan Foundation, facilitating free holiday flights of children with chronic diseases.

### Initiatives supported by Group employees

The network 'Les Amis de la Fondation Air France' features over 1,950 staff in a range of voluntary and fundraising schemes. In 2009, they supported Foundation projects by giving their time for extra school tuition, helping families with sick children, taking kids for a day at the seaside, and doing cell phone collections. Large numbers of employees, especially cabin crew, are also members of the Aviation Without Borders association, accompanying sick children en route to France and the Netherlands for treatment or transporting packets of medication.

Others are involved in spontaneous actions, including a scheme run by seven apprentices trained at Air France Industries, who organized a collection of 9,000 books, school textbooks and toys. Carried by Air France Cargo, the gifts were distributed by the trainees themselves to schools in the Thiès region of Senegal in November 2009, in a poignant mission.

Examples of initiatives carried out by KLM employees include support for cancer research (Pink Ribbon, Koningin Wilhelmina Foundation, Kika Child Cancer) and other projects.

Wings of Support helps children in developing countries, involving a voluntary commitment from flight crew and ground staff at KLM and Martinair. Together they have launched hundreds of projects from building schools and orphanages to setting up sports teams.

Both airlines also work at local level, such as in China or in The Philippines, where KLM teams have helped to collect money for among other things funding and building in 2010 around 30 homes for homeless people in the Manila region.

### FOCUS ON...

#### CYCLING BLUE FOR KENYA

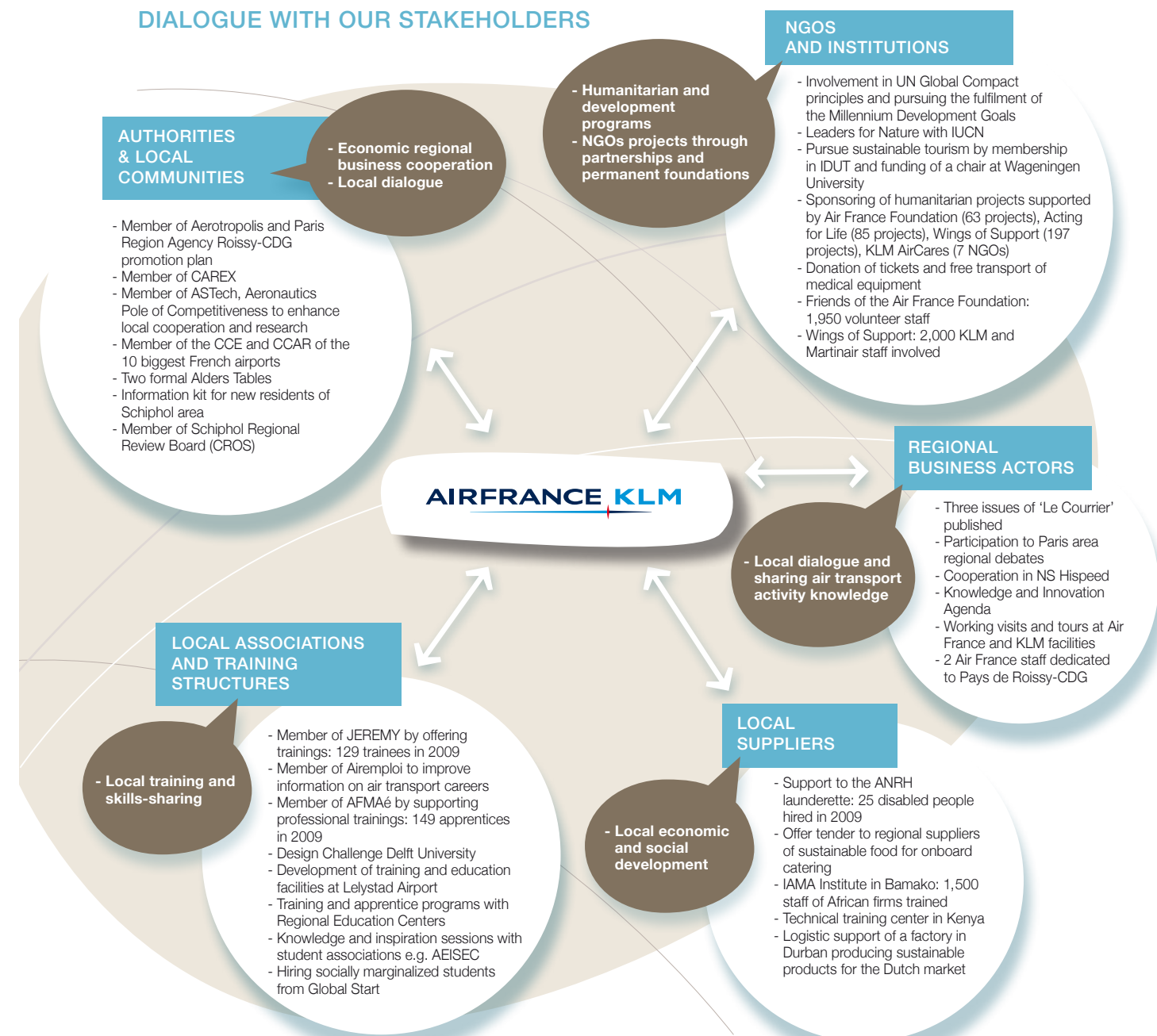
To celebrate KLM's 90<sup>th</sup> anniversary in 2009, KLM AirCares sponsored the Cycling Out of Poverty Foundation. Staff and passengers were both involved, donating money and miles and generating over €80,000.

The project involved offering micro credits to families to either start a bicycle taxi business or purchase bicycles for their children to help them get to school. In addition, KLM launched a new sustainability scheme, also financed through micro credits: bicycle repair shops. The project paid for the construction of facilities and the training of 75 people.



Bicycle repair shop

## DIALOGUE WITH OUR STAKEHOLDERS



### Two questions to



**Olaf Merk**  
Regional Development  
Policy Division, OECD<sup>1</sup>

### How do you assess the performance of Air France-KLM on driving local development?

Airline services play a key role in regional economic competitiveness, attracting hi-tech jobs and creating employment in general. Air France-KLM and their hubs are good examples because they fly direct to many destinations, creating employment in various regional labor markets. They enable face-to-face contact, which is vital for businesses with a lot of tacit knowledge, such as knowledge-intensive sectors. As confirmed by economic studies, there is a significant relationship between hi-tech jobs and the presence of good airlines services, such as Air France-KLM. In addition, headquarters are more likely to be based in cities with airport hubs. The movement of people and goods to Europe also has a positive impact on local employment on other continents, such as Africa.

### What do you expect from Air France-KLM?

Good airline services have long played a role in regional economies. To give a clearer picture, Air France-KLM could specify the benefits that spill over to the city economy and how airlines stimulate economic growth. Then there are Air France-KLM's good-will projects. It would be good to clarify why they are complementary to the role that Air France-KLM is already playing. Then it's easier to make the case that airports not only benefit highly skilled, international workers at HQs but also people with fewer opportunities in the sheltered sector around airports and at destinations in developing countries.

<sup>1</sup> OECD: Organisation for Economic Co-operation and Development



INDICATORS AND METHODS

NOTE ON THE METHODOLOGY FOR THE REPORTING OF 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 Regulations Economiques, 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<sup>1</sup>, for fuel consumption and related CO<sub>2</sub> emissions for air operations (√√) and a limited level of assurance<sup>2</sup> for the other verified indicators (√).

1/ Scope

1.1/ Scope covered and scope N-1

- **For the air operations**, the environmental reporting consolidation scope is identical to last year and covers all flights operated by Air France and its subsidiaries BritAir, Regional and CityJet and those operated by KLM and its KLM Cityhopper (KLC) subsidiary. KLM subsidiaries, Transavia and Martinair, have not been included.

- **For the ground operations**, the environmental reporting consolidation scope is identical to last year and covers more than 90% of the sites in France and in the Netherlands:

- The international outstations are not taken into account.
- For Air France, indicators of domestic outstations are not reported when fixed charges invoiced by airports do not provide detailed information. The contribution of domestic outstations affected by this issue is marginal compared to the published data.

The Air France consolidated subsidiaries are BritAir, Regional, CRMA, Sodexi, Servair and its subsidiaries. For Servair and its subsidiaries, reported environmental data only include activities in France. Transavia France is excluded from the Air France reporting scope.

The KLM consolidated subsidiaries are KLC, KES, KCS and KHS. Transavia (NL) and Martinair have been excluded from the KLM reporting scope.

- **The reporting period for the Group environmental data** is based on the calendar year to ensure consistency with national figures for greenhouse gas emissions, unlike financial reporting which is based on the IATA year (April 1 to March 31).

**2/ Reporting tools**

The environmental indicators are collated at local level via two reporting tools: Osyris (Enablon software) for Air France and CaeSaR for KLM, 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 to contributors available in both French and English. Consistency tests have also been implemented.

The consolidation of the Air France-KLM Group environmental data is carried out by the Air France sustainable development direction.

**3/ Details and methodology, commentaries on variations**

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

Within the framework of an approach based on continuous improvement, the methodologies used for certain performance indicators have been more precisely defined. When these changes have a significant impact on the data, comparison with the figures for previous years is not relevant. This is why, in such cases, the pro-forma change is indicated in the commentary.

**3.1/ Air operations**

- **CO<sub>2</sub> emissions**

The sharp decrease for CO<sub>2</sub> emissions for the Group between 2008 and 2009 is related to the decrease of Jet Fuel consumption consequently to the unfavourable context and less activity.

- **SO<sub>2</sub> emissions**

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

The decrease of SO<sub>2</sub> emissions from the air operations for Air France between 2008 et 2009 is due to less Jet Fuel consumption and a low average sulphur content in the fuel supplied in 2009 on the Paris platform.

The increase in SO<sub>2</sub> emissions from the air operations of KLM between 2008 and 2009 is explained by the higher average sulphur content of fuel supplied on the Amsterdam platform.

- **Total noise energy**

This indicator was implemented 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. It applies to all flights with Air France or KLM code operated, franchised and chartered, code share excepted.

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

- **NO<sub>x</sub> and HC emissions**

Air France: For Air France, a specific tool has been developed in 2009 to calculate more precisely the total emissions of NO<sub>x</sub> and HC. The methodology is based on the 'fuel flow 2' methodology by Boeing<sup>3</sup>. The calculation of these indicators is done for each flight and is obtained from data recorded during the flight. The different parameters recorded are the temperature, mach, fuel flow, pressure, and the calculation is also based on engine certification information (ICAO data).

For 68% of the flights, which corresponds to more than 90% of all Air France aircraft, recorded data has been used to calculate emissions specific to each flight. Emissions for other flights were estimated from the calculated flights average emissions.

Emissions for Air France aircraft only have been included in this tool. The BritAir, Regional and CityJet subsidiaries included in the tool scope in 2008, have not been included in the tool scope in 2009. Since the methodology and scope have changed in 2009, 2008 and 2009 data are not comparable.

KLM: For KLM, two distinct methodologies are applied to calculate NO<sub>x</sub> and HC emissions depending on the aircraft: the 'fuel flow' methodology and the 'P3T3' methodology (developed by General Electric).

The methodology used for the calculation of low altitude emissions is similar for Air France and KLM. It is based on the LTO cycle and on engine data communicated by the ICAO. Taxiing time used is the actual taxiing time.

- **In-flight fuel jettison**

An exceptional operation (approximately one flight in 10,000 in 2009) 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).

3.2/ Ground operations

- **Water consumption**

The consumption of drinking water is taken into account for all ground activities. Water used on board flights is not included.

The decrease this year is due to less activity and consumption reduction measures.

- **Consumption of gas**

The consumption of cooking gas in the catering activity of Servair and its subsidiaries, an Air France subsidiary, is included.

The consumption of natural gas is the buildings of KLM and its subsidiaries (except Transavia and Martinair) in Amsterdam have been included.

The conversion of the quantity of gas used as energy is carried out taking into account the quality of gas specific to France and the Netherlands.

The increase in consumption for Air France this year is mainly due to a change in the scope for one entity (addition of a gas power plant).

- **Consumptions of superheated and iced water for climate comfort**

For Air France, the superheated and iced water is supplied by ADP (Aéroports de Paris) in Orly and Roissy and used respectively for heating and cooling.

The decrease in superheated water consumption this year for Air France is mainly due to an error in the reporting done last year and buildings being excluded from the scope. The variation is also due to a seasonal effect between 2008 and 2009.

The decrease in iced water consumption this year for Air France is due to a change of climate comfort system which has been removed from one Orly freight hangar.

- **Consumption of DFO for climate comfort**

Fuel oil consumption for power generators, vehicles and ground support equipment are not included in the indicator because these are not used for heating and cooling. They are reported separately.

- **Ground operations emissions (CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub>)**

The scope for CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> emissions includes fuel oil and gas for heating, as well as vehicles and ground support equipment emissions (except those of Servair and its subsidiaries), emissions related to power generators, cooking gas consumption and engine test runs.

The variation between 2008 and 2009 for CO<sub>2</sub> and SO<sub>2</sub> emissions comes from an error related to fuel oil consumption for ground support equipment being counted twice for one site in 2008. Based on the corrected value, 2009/2008 variation is +9.4% for CO<sub>2</sub> and +58.5% for SO<sub>2</sub>.

For Air France, NO<sub>x</sub> emissions related to engine testing are based on a theoretical factor that does not necessarily reflect the actual testing conditions. The emission factor was based on the average NO<sub>x</sub> emissions from all engine types regulated by the ICAO within the operational LTO cycle averaged on the flight phases. The contribution of NO<sub>x</sub> emissions related to engine testing is equal to 3% of the reported data.

- **VOC Emissions**

Included are direct emissions of solvents contained in the products. VOC emissions are calculated from the actual quantities of products which have been used; VOCs in collected waste are excluded.

For Air France, the reporting scope was extended to include third party orders as well as paint kits.

- **HC emissions**

In 2009, apart from industrial emissions of VOC, were also calculated hydrocarbon (HC) emissions from vehicles and ground support equipment, test benches and aircraft fueling.

- **Effluents**

Both Air France and KLM entities need to be compliant with the regulations on effluents of each country. Each site has requirements for the limits of effluents and the frequency of measurements.

The definition has changed to be more understandable and because limits and frequencies of measurements varied from site to site and from country to country and because the values were fluctuating depending on the measurements. The number of exceedings of the regulatory limits for heavy metals, for phosphorous and for nitrate compounds is now reported and published.

ENVIRONMENTAL INDICATORS

Air Operations

			Air France/KLM Group				Air France Group (1)				KLM Group (2)				
Unit			2007	2008	2009	09/08	2007	2008	2009	09/08	2007	2008	2009	09/08	
Consumptions															
Consumption of raw materials: fuel √ √			000 tonnes	8,589	8,731	8,021	-8.1%	5,504	5,511	5,036	-8.6%	3,085	3,221	2,985	-7.3%
Emissions															
Greenhouse gas emissions	CO <sub>2</sub> √ √	000 tonnes	27,075	27,506	25,269	-8.1%	17,336	17,360	15,865	-8.6%	9,739	10,146	9,404	-7.3%	
Emissions of substances contributing to acidification and eutrophication	NO <sub>x</sub> √	000 tonnes	135.0	143.5	130.8	-7.6% <sup>(3)</sup>	91.6	93.6	82.3 <sup>(5)</sup>	-10.2% <sup>(3)</sup>	43.4	49.9	48.5	-2.8%	
	Of which low altitude (< 3 000 ft) √	000 tonnes	8.5	8.9	8.9	0.0%	6.4	6.5	6.2	-4.6%	2.1	2.4	2.7	12.5%	
	SO <sub>2</sub> √	000 tonnes	11.072	14.925	12.902	-13.6%	9.549	10.108	7.720	-23.6%	1.523	4.817	5.182	7.6%	
	Of which low altitude (< 3 000 ft)	000 tonnes	0.836	1.08	1.09	0.5%	0.747	0.794	0.741	-6.7%	0.089	0.290	0.348	20.0%	
In-flight fuel jettison	Occurrences of fuel jettison √	number	42	47	51	8.5%	23*	32*	33*	3.1%	19	15	18	20.0%	
	Fuel jettisoned √	tonnes	1,443	1,804	1,979	9.7%	809*	1,184*	1,381*	16.6%	634	620	595	-4.0%	
Other emissions	HC √	000 tonnes	3.6	3.4	4.2	-11.8% <sup>(3)</sup>	1.9	1.6	2.6 <sup>(5)</sup>	-12.2% <sup>(3)</sup>	1.7	1.8	1.6	-11.1%	
	Of which low altitude (< 3 000 ft) √	000 tonnes	1.1	1.1	1	-9.1%	0.8	0.8	0.7	-12.5%	0.3	0.3	0.3	0.0%	
Noise impact															
Global noise energy indicator √			10 <sup>12</sup> kJ	1.70	1.93	1.79	-7.3%	1.30**	1.27**	1.18**	-7.1%	0.40 <sup>(4)</sup>	0.66	0.61	-7.6%

√ : Figures verified by KPMG for 2009 (limited level of assurance).  
√ √ : Figures verified by KPMG for 2009 (reasonable level of assurance).

(1) Perimeter Air France Group: all AF flights operated by Air France, BritAir, Régional and CityJet.  
(2) Perimeter KLM Group: Flights operated by KLM and KLM Cityhopper; transavia.com and Martinair are excluded.  
(3) Variation 2009/2008 according to the 2009 method.  
(4) The data has been corrected due to alignment of the KLM figure with AF KLM formulas.  
(5) Modification of the calculation method used in 2009.

\* Air France only.  
\*\* All flights with AF code operated, franchised and chartered, code share excepted.

Ground operations

			Air France/KLM Group				Air France Group (1)				KLM Group (2)				
			Unit	2007	2008	2009	09/08	2007	2008	2009	09/08	2007	2008	2009	09/08
Consumptions															
Water consumption (3) √			000 m³	1,074	1,145	979	-14.5%	809	865	742	-14.2%	265	281	237	-15.7%
Energy consumption	Electricity consumption √	MWh	425,502	417,990	421,581	0.9%	326,561	320,991	327,094	1.9%	98,941	97,000	94,487	-2.6%	
	Energy consumption for heating and cooling	Super heated water √	MWh	145,056	164,110	149,353	-9.0%	145,056	164,110	149,353	-9.0%	na	na	na	na
		Iced, water √	MWh	16,065	12,947	11,738	-9.3%	16,065	12,947	11,738	-9.3%	na	na	na	na
		DFO (4) √	MWh	2,074	1,728	1,870	8.2%	2,074	1,728	1,870	8.2%	na	na	na	na
	Gas √	MWh	171,407	157,975	164,189	3.9%	81,520	63,997	69,211	8.1%	89,887	93,979	94,978	1.1%	
Emissions															
Greenhouse gas emissions	CO <sub>2</sub> √	tonnes	79,388	89,833	84,290	-6.2%	36,211 <sup>(6)</sup>	43,357 <sup>(6)</sup>	37,396 <sup>(6)</sup>	-13.7% <sup>(5)</sup>	43,176	46,476	46,894	0.9%	
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds VOC √	tonnes	123	142	127	-10.6%	71	91.7	85	nc	52	50	42	-16.0%	
	Emissions of HC (7)	tonnes	na	na	166	nc	na	na	112	nc	na	na	54	nc	
Emissions of substances contributing to acidification and eutrophication	NO <sub>x</sub> √	tonnes	784	889	917	3.1%	521 <sup>(6)</sup>	610 <sup>(6)</sup>	639 <sup>(6)</sup>	4.8%	263	279	278	-0.4%	
	SO <sub>2</sub> √	tonnes	14.0	26.5	18.7	-29.4%	12.4 <sup>(6)</sup>	21.2 <sup>(6)</sup>	13.2 <sup>(6)</sup>	-37.7% <sup>(5)</sup>	1.6	5.3	5.5	3.8%	
Waste															
Waste production	Quantity of non-hazardous industrial waste √	tonnes	69,176	61,054	61,067	0.0%	50,720	43,237	42,664	-1.3%	18,455	17,817	18,403	3.3%	
	Quantity of hazardous industrial waste √	tonnes	5,520	6,084	5,961	-2.0%	4,455	5,006	4,839	-3.3%	1,065	1,078	1,122	4.1%	
	% of hazardous industrial waste recycled √	%	54%	48%	58%	+10 pts	47%	40%	52%	+12 pts	84%	84%	84%	0 pt	
Effluents															
Number of exceedings of the regulatory limits (8)	Nitrogen compounds	number	268	7,030	nc <sup>(10)</sup>	nc	52	6,890	1	nc	217	140	2	nc	
	Phosphorus compounds	number	121	1,659	nc <sup>(10)</sup>	nc	109	1,658	0	nc	12.3	1.24	0	nc	
	Heavy metals (9) √	number	22	144	nc <sup>(10)</sup>	nc	19	141	1	nc	2.47	2.9	0	nc	

√ Figures verified by KPMG for 2009 (limited level of assurance).  
nc: not comparable (change in scope or in calculation method).  
na: not applicable  
(1) Air France and subsidiaries: Regional, Britair, Servair Group, Sodexi, CRMA.  
(2) KLM and its subsidiaries: KLC, KES, KCS, KHS; transavia.com and Martinair are partially included.  
(3) Water consumption in aircraft not included.  
(4) Fuel oil consumption for power generators, vehicles and ground support equipment not included because not used for heating and cooling.  
(5) This variation comes from an error related to fuel oil consumption for ground support equipment being counted twice for one site in 2008. Based on the corrected value, 2009/2008 variation is +9.4% for CO<sub>2</sub> and +58.5% for SO<sub>2</sub>.  
(6) The scope for CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> emissions in 2007 includes fuel oil and gas for heating, as well as vehicles and ground support equipment. Emissions related to power generators, cooking gas consumption and engine test runs are included as of 2008.  
(7) New indicator in 2009. Emissions of HC are coming from different sources such as: fueling, ground support equipment, engine test runs.  
(8) The definition of indicators has changed for a better consistency. In 2007 and 2008, data were reported as quantities discharged in effluents in kg.  
(9) Heavy metals monitored in 2007 and 2008 are: Cr, Cd, Ni, Cu, Pb, Sn, Zn.  
(10) Effluents cannot be compared between KLM and Air France, regulatory limits and frequency of measurements are different.

<sup>1</sup> The review work was conducted in accordance with the International Standard for Assurance Engagements (ISAE 3000), specific to extra-financial data verification.  
<sup>2</sup> Baughcum, S. L., et al. "Scheduled Civil Aircraft Emissions Inventories for 1992: Database Development and Analysis, Appendix D: Boeing Method 2 Fuel Flow Methodology Description." Report NASA CR 4700, The Boeing Company, April 1996.



NOTE ON THE METHODOLOGY FOR THE REPORTING OF 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 Regulations Economiques, NRE, May 15, 2001) and the European Regulation (EC 800/2004). Since the 2007-08 financial year, the Group has chosen to have a selection of the social indicators verified by one of the Statutory Auditors, KPMG Audit. These indicators are shown by the symbol ✓ in the tables on page 53. The nature of the work undertaken and its conclusions are presented on page 54. The level of assurance for the 2009 financial year is moderate<sup>1</sup>.

1/ Reporting scope

The Air France-KLM social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year. The NRE reporting scope covers 96% of the average employees in the Air France-KLM group at the end of the calendar year, expressed in full-time equivalent

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

- For 2009, the Air France consolidated subsidiaries are: Blueink, BritAir, CityJet, VLM, CRMA, Regional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA, CPA), Sodexi and Transavia France, representing 73% of the employees of the subsidiaries in the Air France group (average employees at the end of the calendar year in full time equivalent).

In 2009, this scope was extended to three new subsidiaries: VLM, CPA (in the Servair group) and Transavia France.

- For 2009, the KLM consolidated subsidiaries are: Cynifnic, Cobalt Ground Solutions, KES (KLM Equipment Services), KHS (KLM Health Services), KLM UK Engineering limited, KLM Cityhopper (UK and BV), transavia.com, KLM Catering Services Schipol B.V. and Martinair, representing 97% of the employees in the subsidiaries of the KLM group (average employees at the end of the calendar year in full time equivalent).

- In 2009, the reporting scope of the KLM subsidiaries was changed with:

- The inclusion of a new subsidiary: Martinair. Note that KLM's Cobalt Ground Solutions subsidiary is the result of the merger between the AFSL and KLM Ground Services Limited subsidiaries that were included in the NRE social reporting scope in 2008.
- The withdrawal of the CSC India subsidiary due to the reduction in KLM's shareholding which fell below the 50% threshold required to be included in the reporting scope.

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 the reporting of financial information is based on the IATA year (April 1 to March 31).

2/ Reporting tools

The indicators are compiled and consolidated using the Osyris software package developed by the company Enablon and deployed across the entire reporting scope.

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

This year, a general reporting procedure was added which defines the process for compiling, calculating and consolidating the indicators. This procedure is based on an instruction memorandum issued 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.

3/ Details and methodology, commentary on variations

→ CONSOLIDATED NRE SOCIAL DATA FOR THE AIR FRANCE-KLM GROUP TABLE

This table presents the indicators relating to employees, recruitment, departures, the proportion of women employees and those 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 page 53.

• Employees

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

The Group's reporting scope was extended to include three new subsidiaries: VLM, Transavia France and Martinair, i.e. some 2,132 additional employees.

Note 2: In 2009, based on the 2008 scope, the number of Air France-KLM group employees stood at 105,957, i.e. a reduction of 3.7%. By employee category this fall was -4.2% for ground staff, -2.9% for cabin crew and -2.2% for flight deck crew.

The reduction in employees is the result of a series of measures implemented in response to the economic crisis such as the hiring freeze and the review of posts to establish whether or not replacements could be appointed in the event of departures.

Note 3: Employees on permanent contracts are calculated excluding expatriate staff.

• Recruitment on permanent contracts

The indicator concerns only 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 a fixed-term contract transferring to a permanent contract during the year. For KLM, only employees recruited directly on a permanent contract are taken into account.

• Departures

Note 4: The departures cover all reasons for departure, including at the end of fixed-term contracts, explaining the difference between the total number of departures and the departures indicated by reason.

In 2009, note the significant number of departures for other causes and notably for the non-renewal of fixed-term contracts.

• Percentage of women; Organization of working time

Note 5: The calculation of the indicators for the proportion of women in the workforce and the organization of working time is based on the number of employees on both permanent and fixed-term contracts at December 31 of the reference year.

Note 6: The increase in the number of part-time employees at KLM is explained by the increased flexibility in KLM's HR policy facilitating those employees who so wish to move to part-time working and by the freeze on recruitment which is usually on a full-time basis.

→ OTHER SOCIAL DATA FOR THE AIR FRANCE AND KLM 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 below.

• Health and safety - Absenteeism

Cases of barometric otitis and musculoskeletal disorders are recorded as work-related accidents in France and represent more than half the work-related accidents reported by Air France in 2009, whereas they are recorded as sick leave by KLM, pursuant to Dutch law.

KLM and KLM subsidiaries

The system for monitoring days of absence implemented by KLM does not at present include the data relating to days of absence due to work-related accidents.

• Work-related accidents

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

Air France

Air France only reports accidents involving time off work, pursuant to French law.

The frequency and severity rates are calculated based on :

- The theoretical hours worked by the ground staff from which hours of absence due to illness, maternity and workplace accidents are subtracted.
- The hours of commitment for the flying crew, corresponding to the number of hours of exposure to occupational risks within the framework of their activity on the ground and in flight.

Note 1: Air France regrets 13 work-related fatalities during 2009, 12 of whom were the crew members on flight AF447 between Rio and Paris when it was lost on June 1, 2009.

More detailed information on the measures implemented by

Air France following the accident are provided in the passenger section of this report. (page 33)

Despite the context, the fall in the frequency and severity rates at Air France is the result of the ambitious action and prevention plans implemented by the company.

KLM and KLM subsidiaries

The frequency and severity rates are calculated based on the theoretical hours worked.

Note 1: Until 2008, KLM also reported work-related accidents not involving time off work as soon as they were qualified as accidents in the workplace. In 2009, this definition was changed to limit the reporting of work-related accidents solely to those involving time off work. This explains, for KLM and its subsidiaries, the very significant fall in work-related accidents and the frequency rate between 2008 and 2009.

Note 2: Despite a reduction in the number of work-related accidents involving time off work, the increase in the severity rate is explained by lengthier absences from work following work-related accidents.

Note 5: The health and safety data of the KLM subsidiaries are calculated without the Cobalt Ground Solutions subsidiary. For the first time, KLM's transavia.com and Martinair subsidiaries have been included in the frequency and severity rates in 2009.

• Training

Air France and Air France subsidiaries

The amounts taken into account for the calculation of the indicator showing the percentage of the total payroll dedicated to ongoing vocational training are reported in line with Declaration 2483 relating to company contributions to training.

Note 2: In 2009, following the hiring freeze, the reduction in the number of employees and the optimization of the training offer, the need for internal training was reduced. The number of ground staff transferring to cabin crew positions also declined (200 hours of training per transfer).

For flight deck crew, each change of aircraft type involves specific training. The fall in recruitment and internal mobility led to a reduction in new aircraft qualifications meaning a significant fall in training hours.

Note 5: The training data for the Air France group's subsidiaries are calculated without the Transavia France subsidiary.

KLM and KLM subsidiaries

KLM does not currently have a centralized reporting system solely for the costs of training although this data is now reported. Note that the disclosure of this information is not required by Dutch law.

• Number of disabled employees

Air France and Air France subsidiaries

For Air France, the number of disabled employees reported are those for whom a valid certificate, pursuant to French law (DOETH<sup>2</sup>), 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.

Note 3: For Air France: the increase in the disabled employment rate at Air France is notably explained by significantly higher recourse to the protected sector.

The number of employees with disabilities remained stable despite the retirement departures; seven employees were recruited despite the external hiring freeze in application of the 2009-11 three-year agreement.

Note 3: For the Air France subsidiaries: The increase in the number of employees with disabilities in the subsidiaries is explained by the increase in the reporting scope and by a pro-active policy on the hiring of persons with disabilities, particularly at the Servair group which signed a specific agreement in this regard.

KLM and KLM subsidiaries

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 the possible difference.

Note 3: Due to a change in Dutch law, the number of disabled employees working for KLM declined between 2008 and 2009.

Note 6: The reporting of disabled employees was extended to KLM's subsidiaries in 2009 with the exception of Martinair.

• Collective agreements signed

In 2009, the reporting of KLM and KLM's subsidiaries was extended to include the collective agreements signed during the calendar year.

SOCIAL INDICATORS

Consolidated NRE social data for Air France-KLM group

NRE social data (1)					Air France-KLM group				Air France group*				KLM group**			
Headcount at 31/12 (permanent contracts and fixed-term contracts)					2007	2008	2009	09/08	2008	2009	2008	2009	2008	2009	2008	2009
Scope of NRE social reporting					96%				94%				99%			
Total staff ✓ (2)					110,369	110,878	108,367	-2.3%	74,320	72,191	63,010	60,686	36,558	36,176	30,266	28,700
Ground staff					76,177	75,668	73,015	-3.5%	52,592	50,333	43,529	41,333	23,076	22,682	18,700	17,668
Cabin crew					25,545	26,308	26,121	-0.7%	16,209	16,290	15,106	15,081	10,099	9,831	8,794	8,325
Cockpit crew					8,647	8,902	9,231	3.7%	5,519	5,568	4,375	4,272	3,383	3,663	2,772	2,707
Staff under permanent contract ✓ (3)					103,772	104,601	104,425	-0.2%	71,586	70,342	61,002	59,506	33,015	34,083	28,390	27,700
Recruitments under permanent contract																
Ground staff					3,012	2,594	1,315	-49%	1,927	819	1,356	440	667	499	483	169
Cabin crew					931	995	111	-89%	834	99	797	99	161	12	141	12
Cockpit crew					566	691	136	-80%	435	133	310	114	256	3	200	3
Total ✓					4,509	4,280	1,562	-64%	3,196	1,051	2,463	653	1,084	514	824	184
Leavings																
Ground staff					5,161	4,804	6,232	30%	2,920	4,303	2,366	2,665	1,884	1,929	1,114	1,089
Cabin crew					1,121	1,047	1,435	37%	323	737	253	628	724	698	202	189
Cockpit crew					342	355	246	-31%	295	181	191	151	60	65	43	50
Total leavings ✓ (4)					6,624	6,206	7,913	28%	3,538	5,221	2,810	3,444	2,668	2,692	1,359	1,328
of which resignations ✓					2,611	3,011	1,795	-40%	1,250	736	877	534	1,761	1,059	961	662
of which redundancies (incl. Economic) ✓					1,118	1,208	1,177	-3%	650	631	367	374	558	546	73	89
of which retirements ✓					2,018	1,852	1,644	-11%	1,540	1,286	1,484	1,099	312	358	295	326
of which deaths ✓					143	135	155	15%	98	114	82	100	37	41	30	34
Percentage of women at 31/12 ✓ (5)					42.7%	42.9%	42.6%	-0.8%	43.0%	43.0%	44.4%	44.4%	42.6%	41.6%	42.5%	42.0%
Ground staff					37.1%	37.0%	36.8%	-0.7%	40.0%	39.9%	41.1%	40.9%	30.4%	29.9%	29.1%	28.6%
Cabin crew					72.3%	72.2%	71.8%	-0.6%	65.5%	65.4%	64.8%	64.7%	64.9%	62.3%	62.9%	62.3%
Cockpit crew					5.3%	5.5%	5.5%	0.4%	6.0%	6.2%	6.4%	6.7%	4.7%	4.5%	4.3%	4.2%
Part time employment at 31/12 (5) (6)																
Percentage of females part-time employees ✓					39.7%	39.9%	42.2%	5.6%	31.4%	32.7%	33.6%	35.2%	57.3%	61.6%	60.7%	64.5%
Percentage of males part-time employees ✓					9.5%	10.1%	10.3%	2.2%	7.7%	7.0%	8.2%	7.5%	14.9%	16.8%	15.0%	16.7%
Percentage of part time employees ✓					22.2%	22.9%	23.9%	4.1%	17.9%	18.1%	19.5%	19.8%	33.0%	35.4%	34.4%	36.7%

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

Air France (100% of the staff headcount, registered and payed)*				
Absenteeism	2008	2009	09/08	
Due to illness				
Ground staff ✓	2.6%	2.9%	11%	
Cabin crew ✓	4.5%	4.6%	2%	
Cockpit crew ✓	1.8%	1.8%	-1%	
Due to work accidents				
Ground staff ✓	0.4%	0.5%	12%	
Cabin crew ✓	0.8%	0.7%	-20%	
Cockpit crew ✓	0.2%	0.3%	32%	
Maternity leave				
Ground staff ✓	0.7%	0.7%	0%	
Cabin crew ✓	2.0%	2.5%	22%	
Cockpit crew ✓	0.2%	0.3%	47%	
Health and safety				
Total workplace accidents ✓	2,586	2,388	-8%	
Number of fatal workplace accidents ✓ (1)	2	13		
Frequency rate of workplace accidents ✓	27.62	26.62	-4%	
Severity rate of workplace accidents ✓	0.98	0.95	-3%	
Training (2)				
Percentage of total payroll devoted to training ✓	10.4%	8.7%	-16%	
Ground staff ✓	6.4%	5.6%	-13%	
Cabin crew ✓	10.4%	9.2%	-12%	
Cockpit crew ✓	19.1%	15.3%	-20%	
Number of training hours by employee ✓	45	34	-23%	
Ground staff ✓	34	27	-21%	
Cabin crew ✓	40	37	-8%	
Cockpit crew ✓	177	96	-45%	
Participation rate (number of agents trained/workforce) ✓	94%	92%	-2%	
Ground staff ✓	92%	88%	-4%	
Cabin crew ✓	100%	100%		
Cockpit crew ✓	100%	100%		
Disabled staff (3)				
Total staff with disabilities ✓	1,444	1,147	-21%	
Ratio of disabled staff (under French law) ✓	3.14%	3.58%	14%	
Total staff with disabilities recruited during year ✓	31	7	-77%	
Collective agreements	23	16		

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

Subsidiaries Air France				
2008	2009	09/08		
Scope of reporting for Air France subsidiaries	70%	73%		
Health and safety				
Total workplace accidents ✓	897	931	4%	
Disabled staff (3)				
Total staff with disabilities ✓	290	385	33%	
Total staff with disabilities recruited during year ✓	18	38	111%	
Training (5) (2)				
Participation rate (number of agents trained/workforce) ✓	85%	90%	6%	
Ground staff ✓	89%	88%	-1%	
Cabin crew ✓	94%	92%	-2%	
Cockpit crew ✓	99%	99%	0%	
Number of training hours by employee ✓	26	25	-7%	
Ground staff ✓	19	19	-2%	
Cabin crew ✓	42	30	-28%	
Cockpit crew ✓	81	60	-25%	
Collective agreements	NA	35		

✓ : indicators verified by KPMG for 2009 (moderate level of assurance).

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## ONE OF THE STATUTORY AUDITORS' REPORT ON A SELECTION OF ENVIRONMENTAL AND SOCIAL INDICATORS OF AIR FRANCE-KLM GROUP FOR YEAR ENDED DECEMBER 31, 2009

In accordance with the assignment entrusted to us and in our capacity as statutory auditors of Air France-KLM Group, we performed a review which enables us to provide:

- a reasonable assurance on the indicator related to fuel consumption and resulting CO<sub>2</sub> emissions from the Air France-KLM Group flight operations during the year ended December 31, 2009. Such indicators are identified by the sign √.
- a limited assurance on the environmental and social indicators ("the data") selected by the Air France-KLM Group and identified by the sign √ for the year ended December 31, 2009.

Such data are disclosed in the table entitled "environmental and social information of Air France-KLM Group" both in the 2009-10 Reference Document and in the 2009-10 Corporate Social Responsibility Report.

The conclusions presented below relate solely to these data and not to the Corporate Social Responsibility Report taken as a whole.

The data have been prepared under the responsibility of the CSR Department of the Air France-KLM Group, in accordance with the internal environmental and social reporting protocols of the Group ("the protocols"), available at Air France-KLM headquarters. It is our responsibility to express an opinion on these indicators, based on our review.

### Nature and Scope of the Review

We conducted our review in compliance with the professional standards applicable in France.

We performed a review to provide the assurance that the selected data are free of material misstatement. The work performed on the data identified by the sign √ enables us to provide a limited level of assurance. The work performed on the data identified by the sign √ is more extensive and enables us to provide a reasonable level of assurance.

- We assessed the protocols relevance, reliability, neutrality, understandability and completeness.
- We interviewed the people in charge of the reporting process at the parent company level as well as at the selected entities' level.
- We carried out detailed test work at the selected entities. Such selected entities represent from 48 to 100% of the consolidated environmental data and 83% of the Group total headcount for social indicators. For the selected entities, we ensured that the protocols were understood and implemented; on a sample basis, we verified the calculations, performed consistency checks and reconciled the data with the supporting documentation.
- We audited the source data used in the calculation of CO<sub>2</sub> emissions from the Group's flight operations.
- We verified that the data used in the calculation of CO<sub>2</sub> emissions from flight operations were properly derived from Air France and KLM information systems.
- We also verified, on a sample basis, the calculations and the consolidation of the data at Air France-KLM Group level.

When carrying out our procedures, we used the assistance of our Environment and Sustainable Development experts.

### Comments relating to the reporting procedures of the Group and their implementation

- Both environmental and social protocols of the Air France-KLM Group are prepared on a calendar year basis, consistently with

the requirements for French companies to establish their social annual reports ("Bilans Sociaux") and their annual greenhouse gases national inventories as of December 31 of each year whilst the Group's financial information is prepared as of and for the year ended March 31 of each year.

- The Group continued to improve the reliability of the data reporting process in 2009. KLM report from now on information related to training and Air France developed a more reliable calculation method regarding flight emissions (HC<sup>2</sup> and NO<sub>x</sub>).
- The Group used an automated reporting tool to collect and consolidate the social and environmental data of the Group, enhancing the reliability and the consistency of the data collected. The functionalities in terms of controls of the reporting tool should nevertheless be further developed, especially in relation to the consolidation phase.

We have the following matters to report regarding the procedures related to reporting protocols for the verified environmental data:

- During our review at entity level, we observed that the protocols had been properly understood and applied. However :
  - Internal control procedures regarding the reported data should be implemented more stringently, especially for indicators related to ground emissions;
  - Procedures to determine the reporting scope should be followed more stringently in order to ensure that the reporting scope is updated prior to the reporting campaign. KLM subsidiaries Martinair and Transavia in particular should be included in the reporting scope for ground operations and air operations.

We have the following matters to report regarding the procedures related to reporting protocols for the verified social data:

- Due to different legal framework, certain social indicators for Air France and KLM are presented individually and their definitions cannot be compared.
- During our review at entity level, we observed that protocols had been properly understood and applied. However :
  - The calculation methods for indicators related to safety might be improved even further; the corresponding definitions in the protocols would benefit from further clarification;
  - The reliability of the reporting process at entity level could be improved with higher involvement of the management team in validating the reported data.

### Conclusion

#### Reasonable assurance

Based on the procedures carried out both at Air France and KLM headquarters, we consider that our test work on the calculation of fuel consumption and resulting CO<sub>2</sub> emissions from flight operations of the Air France-KLM Group gives a reasonable basis for the following opinion.

In our opinion, the data identified by the sign √ has, in all material respects, been prepared in accordance with the above-mentioned protocols.

#### Limited assurance

Based on our review, nothing has come to our attention that causes us to believe that the environmental and social data identified by the sign √ have not, in all material respects, been prepared in accordance with the above-mentioned protocols.

Paris La Défense, May 27, 2010

#### KPMG Audit

Département de KPMG S.A.

Valérie Besson, Partner  
Michel Piette, Partner

## 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 (1&2)	12,15,16,38	Air France-KLM Social and Ethics Charter Contract clause on labour protection, and Sustainability Charter for suppliers	In-house documents, Air France and KLM websites
Labour Law (3,4,5 & 6)	38-42	Air France: Charters for the prevention of harassment at the workplace, for Occupational Safety and Accident prevention, Agreement on psychological and social risks, etc. KLM: preamble of the Collective Labor Agreement, Occupational Health & Safety Policy Statement.	In-house documents, Air France and KLM websites Air France-KLM 2009-10 Reference Document (pages 64-70)
Environment (7,8 & 9)	20-31	GEP Code for Good Environmental Practices Environmental protection clause for suppliers	In-house documents, Air France and KLM websites Air France-KLM 2009-10 Reference Document (pages 84-87)
Fight against Corruption	10-11,15	Air France-KLM Financial Code of Ethics KLM Code of Conduct, Whistle blower procedures, purchasing Code of Ethics for Employees signed by Air France and KLM buyers	In-house documents, Air France and KLM websites Air France-KLM 2009-10 Reference Document

## GRI CORRESPONDENCE TABLE

GRI 3 principles and recommendations were taken into account for the writing of this report. GRI has performed the Application Level Check to show to which extent the GRI guidelines have been utilized in the report. The check confirmed the A Level. The complete GRI indicators table can be found on the Air France and KLM website.

Main chapters of the report	Pages of the report	GRI PRINCIPLES									
		Strategy and Analysis	Organizational profile	Report Parameters	Governance, Commitments and Engagement	Economic performance indicators	Environmental performance indicators	Social: Labor Practices & Decent work	Human Rights performance indicators	Society performance indicators	Product responsibility performance indicators
Profile and Summary	2-3		X	X		X		X			
Foreword	4-5	X									X
Understanding the sector and the group	6-11	X	X		X	X					X
Our CSR approach	12-17	X	X		X	X					X
Combating climate change	20-25				X		X				X
Minimizing our environmental impacts	26-31				X		X				X
Building a sustainable relationships with our customers	32-37				X						X
Promoting a responsible human resources policy	38-43				X			X	X		X
Driving local development	44-49				X					X	X
Annexes	50-55			X	X		X	X			



### List of main abbreviations

AEA	Association of European Airlines
CCAR	Consultative Commission for Aid to Local Residents
CCE	Environmental Advisory Committees
CO <sub>2</sub>	Carbon dioxide
DJSI	Dow Jones Sustainability Index
ETS	Emission Trading Scheme

GRI	Global Reporting Initiative
ICAO	International Civil Aviation Organization
IATA	International Air Transport Association
NOx	Nitrogen oxide
QSE	Quality, Safety and Environment
Roissy-CDG	Roissy-Charles de Gaulle airport
SESAR	Single European Sky ATM Research

<sup>1</sup> **Environment:** Direction Générale Industrielle Air France (Roissy and Orly), Direction Générale de l'Exploitation Air France (Roissy and Orly), Air France Cargo Roissy, Direction du Siège Air France (Roissy, Vilgénis), Servair (Servair 1, Acna Roissy), KLM Schiphol for ground operations.  
Air France and its affiliates (CityJet, BritAir, Regional), KLM and KLM CityHopper for flight operations.

**Social:** Air France in France, Servair S.A., KLM, Transavia, Martinair.

<sup>2</sup> Hydrocarbons.