

**CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT 2017**

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Commitments

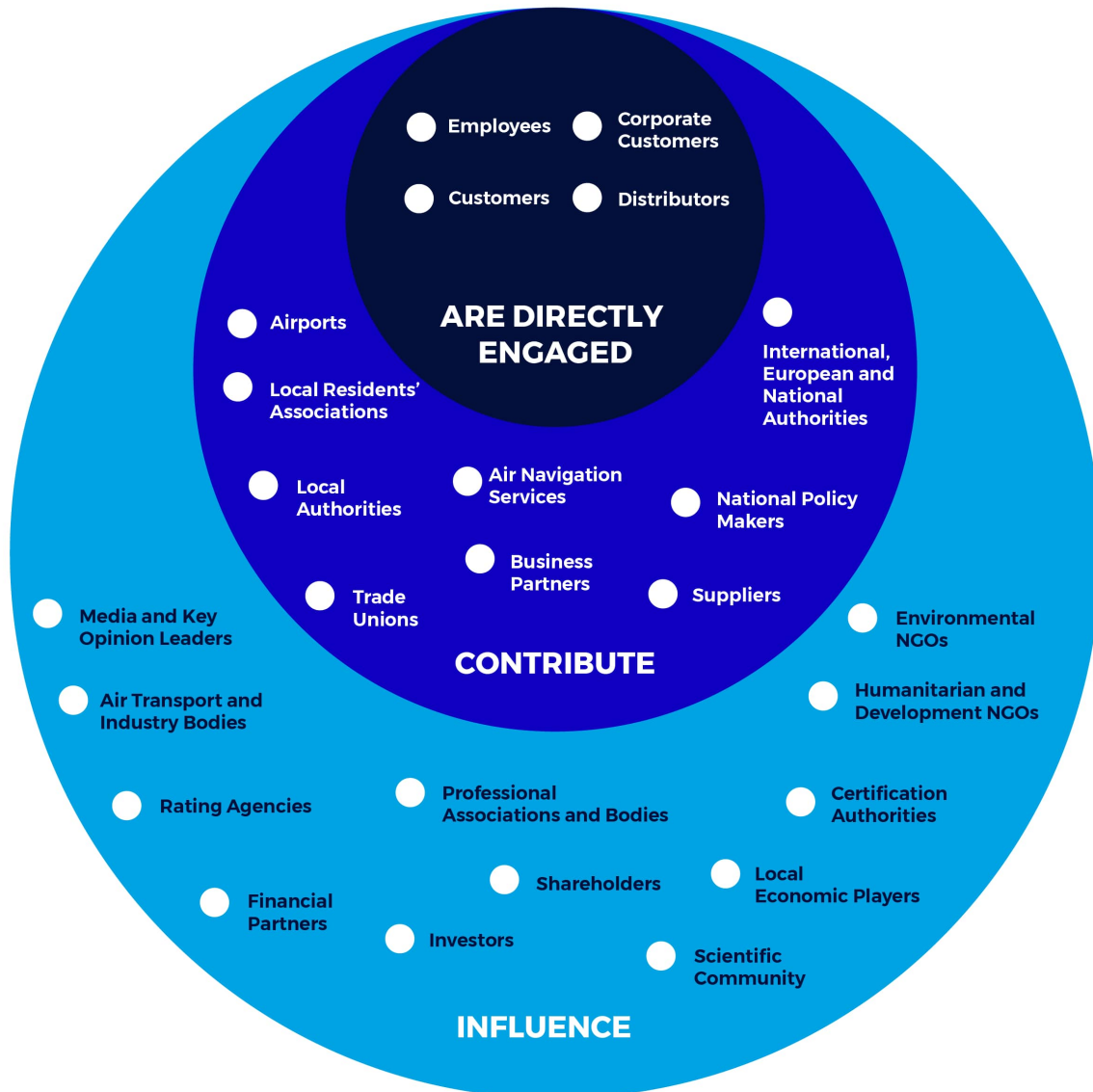
# STAKEHOLDER ENGAGEMENT

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**Engaging with stakeholders plays a major part in our CSR strategy. Stakeholders are people and groups that are significantly involved in our activities, and who could impact our ability to successfully implement our strategy.**

As a worldwide operator, we interact with different stakeholder groups.

# STAKEHOLDER MAP



## STAKEHOLDER DIALOGUE

We identify and engage with our major stakeholders through various channels, for example, in 2017, we:

- set up internal barometers and events to monitor staff perception and collect suggestions for improvement
- held external stakeholder sessions
- carried out customer satisfaction and perception surveys
- engaged in dialogue and evaluated supplier CSR performance
- used best practice benchmarking with other large companies and contributed to working groups

within the industry

- held dialogue with shareholders and investors, and were given a positive assessment from nonfinancial rating agencies
- collected reviews and comments via dedicated email addresses, websites and social media
- opened up various engagement pathways to enable stakeholders (particularly employees, customers and local residents around airports) to communicate any comments and potential complaints.

## MATERIALITY ASSESSMENT

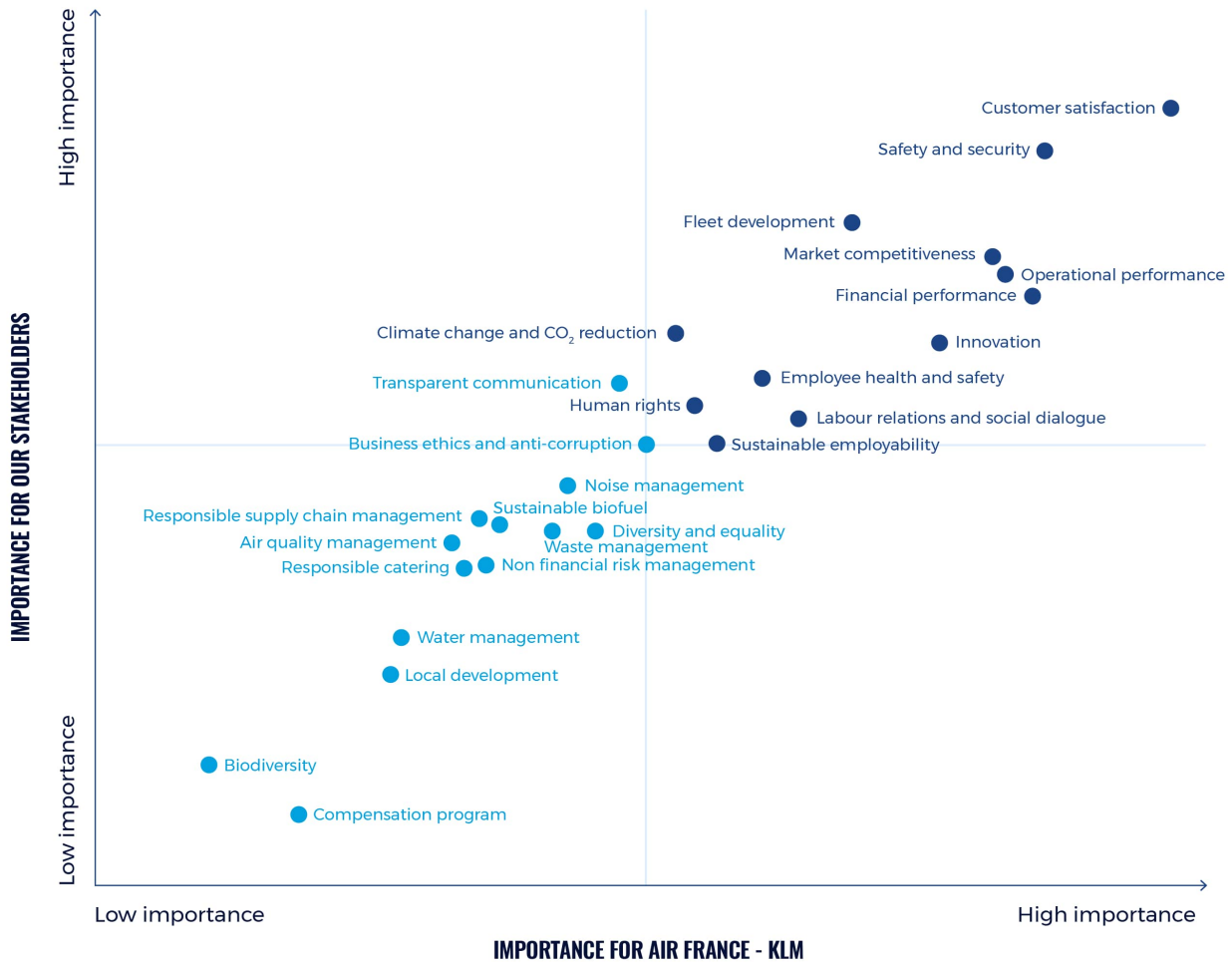
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In 2017, we carried out a materiality analysis regarding our CSR Strategy. We selected a number of topics that we believe are relevant to our business and we invited all relevant stakeholder groups, mainly in France and in the Netherlands, to share their opinion on these topics:

- 26 topics in 4 categories: customer experience, environment, social, governance & economy.
- More than 40,000 stakeholders were invited to participate in a survey: corporate and individual customers, Air France and KLM employees and managers, shareholders, investors, suppliers, NGOs, governmental organizations, parliamentarians, Paris/Schiphol area representatives, CSR experts (non-financial agencies, certification agencies), corporate CSR managers, aviation industry partners and peers. The answer rate was around 10%.
- For each topic, stakeholders were asked to prioritize and rate the importance for Air France-KLM, specify the top five most important topics and evaluate the performance of the Group.

Following the recommendation of the Global Reporting Initiative 4 (GRI4) guidelines, a materiality matrix was developed showing the most material aspects for the Group.

# MATERIALITY MATRIX

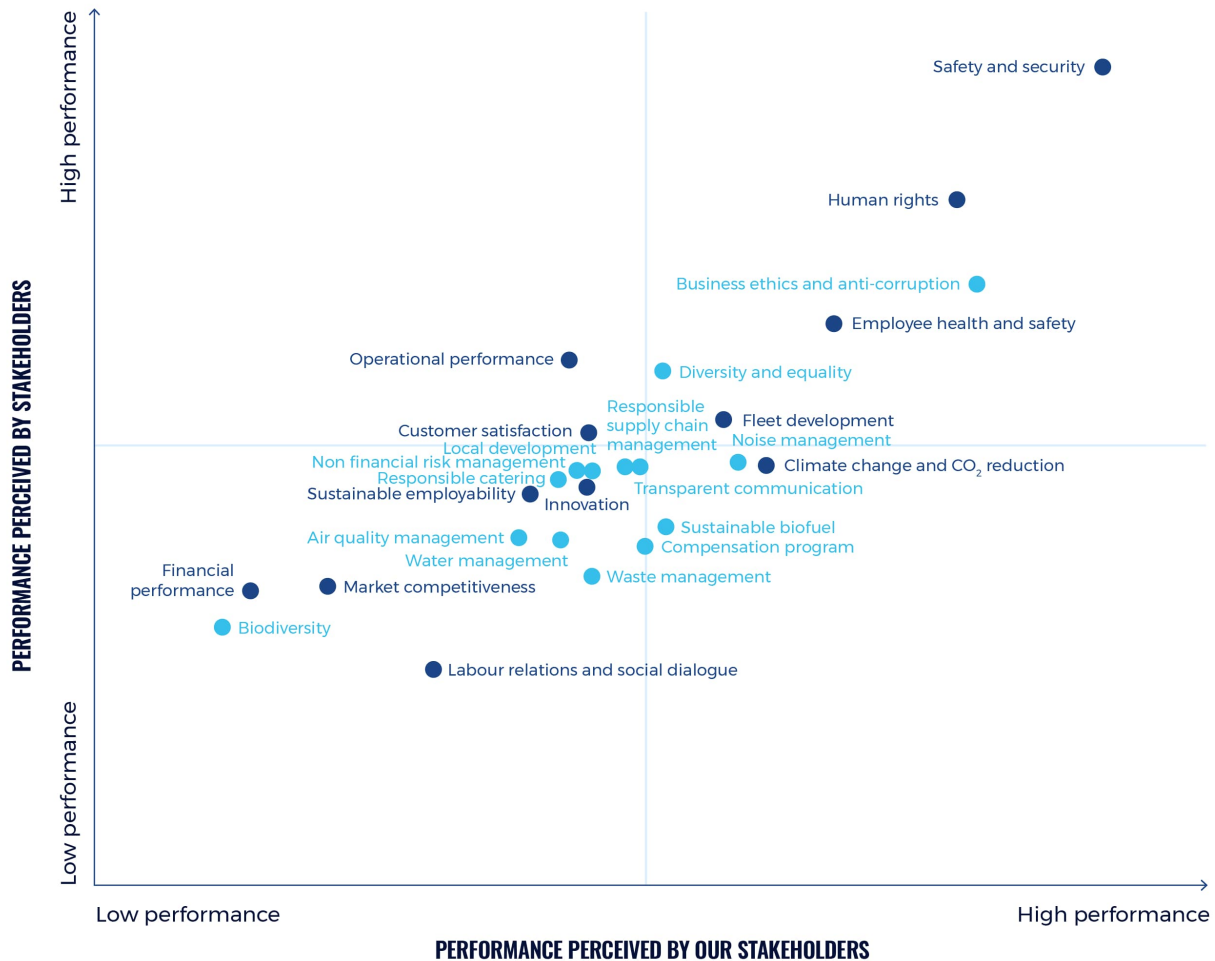


The topics represented in the upper right corner of the materiality matrix are considered most relevant from the business perspective of Air France-KLM, as well as by its stakeholders. According to this analysis, our most material topics are:

1. Customer satisfaction
2. Safety & security
3. Financial performance
4. Market competitiveness
5. Operational performance
6. Fleet development
7. Innovation
8. Labour relations & social dialogue
9. Employee health & safety
10. Climate change & CO<sub>2</sub> reduction
11. Human rights
12. Sustainable employability

Note that Air France-KLM and its stakeholders have a similar belief with regard to the importance of topics as no topics are clearly present in the top left or bottom right corner.

# PERFORMANCE PERCEPTION MATRIX



Air France-KLM and its stakeholders have a similar take on the performance of the topics. Most topics are located in the middle - indicating an average performance - or shown in the bottom left corner and the top right corner:

- The topics in the top right corner represent topics that received a high performance score from Air France-KLM and its stakeholders. Five of these topics are also indicated as material topics: safety & security, human rights, employee health & safety, fleet development, climate change & CO<sub>2</sub> reduction.
- The bottom left corner, on the contrary, contains topics which received low performance scores. The three material topics are especially interesting, as they require additional attention in reporting and strategy: labour relations & social dialogue, market competitiveness, financial performance.

Launched in 2016, the strategic plan Trust Together, should enable Air France-KLM to rise to four major challenges: capture their share of worldwide air transport growth, reinforce the Group's competitiveness and operational efficiency, further enhance the customer experience and redefine a new social ambition to restore trust and strengthen staff engagement.

Lastly, stakeholders were asked to rank the top five material topics. The average “top five” includes operational and economic aspects, such as financial performance, operational performance, market competitiveness, innovation or fleet development. The most important topics are customer satisfaction and safety and security.

Some examples of “top five” as ranked by different stakeholder groups:



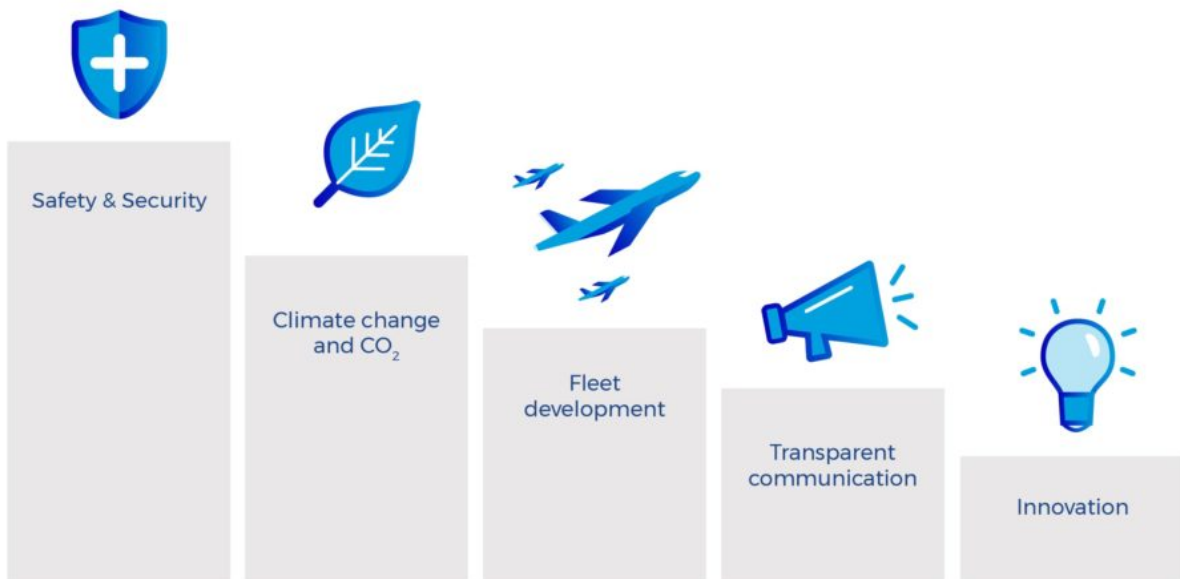
# SHAREHOLDERS, INVESTORS

SURVEY REALIZED IN 2017



# GOVERNMENTAL ORGANIZATIONS

SURVEY REALIZED IN 2017





# NGO

SURVEY REALIZED IN 2017



## DUTY OF VIGILANCE

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**The Air France-KLM Group is subject to the new obligations introduced by the Act of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies. In response to the regulatory requirements, the Group has launched a number of initiatives aimed at consolidating a vigilance plan in compliance with the legal provisions, it being understood that the Group already has processes in place enabling it to comply directly or indirectly with the requirements of the new Act. In particular, having established verification processes in the areas required to be covered by the vigilance plan, the Group has ensured that it is in a position to benefit, as effectively as possible, from the contributions of its various experts.**

## MEASURES DEPLOYED AND REGULAR RISK EVALUATION PROCEDURES

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**Identification and evaluation of the risks**

The identification and evaluation of the various risks relating to the duty of vigilance are based on the overall risk management process established within the Air France-KLM Group (see Registration document 2017, [section 3 Risk and risk management](#)).

The Air France-KLM Group's overall sub-contracting management system applies to all risk areas. It is based on contract reviews, compliance monitoring and supervision acts such as audits, inspections and controls, sometimes carried out by the subcontractors themselves.

### **Flight safety, a priority**

More specifically on flight safety, all the Group's activities are the subject of multiple checks and certifications, comply with extremely strict norms and achieve the highest standards in the industry.

Both companies deploy Safety Management Systems, which are integral to their business organizations, processes and corporate cultures (see Registration document 2017, [section 3 Risks and risk management](#)).

### **Duty of vigilance: a multi risk approach**

The management of identified risks is at the heart of the steering of the Air France-KLM Group's business activities, based on a rational of prevention and homogeneous management via common methods and tools.

### **An ethical group**

#### *Fundamental rights*

Air France-KLM's policy enshrines the respect of fundamental rights as established in the leading international principles: the Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles.

Air France-KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten principles in the areas of human rights, labor, the environment and anti-corruption. This undertaking is reaffirmed each year by the Chairman and Chief Executive Officer.

The Group defines its commitments in its Corporate Social Responsibility Statement, Social Rights and Ethics Charter, and in its Climate Action Plan. In view of its organization, the Group delegates to its subsidiaries the responsibility of respecting and promoting the content of these commitments locally, in the respect of the national provisions and legislation specific to each country.

In its Corporate Social Responsibility Statement, the group undertakes to scrupulously respect Human Rights, oppose child and all forms of forced or compulsory labor, apply laws and ask its service providers and suppliers to uphold these principles. The Social Rights and Ethics Charter affirms the Group's commitment to fostering a climate of mutual trust and respect amongst staff, and ensuring a safe working environment. The Group undertakes to apply the labor legislation of the European Union and its Member States and all national collective agreements, and to respect the trade unions right in all the relevant countries (see Registration document 2017, [sections 4.1 and 4.4](#)).

#### *The individual a focus of concern*

Safeguarding Health and Safety in the work place is a human priority to which the Group responds

by preventing vocational risks and improving the quality of life in the workplace (see Registration document 2017, [section 4.1.3 Health and Safety in the workplace](#)).

The Group must guarantee its customers and flight crews safe catering services and, to this end, has put in place a Food Hygiene and Safety process to respond to the regulatory requirements linked to the preparation and supply of meals.

### *The environmental priorities*

The Air France and KLM Environmental Management Systems (EMS) have ISO 14001 certification and internal and external audits enable their effective deployment (see section Registration document 2017, [4.5 Environmental information](#)).

## LONG-TERM RELATIONSHIPS WITH SUPPLIERS AND SUB-CONTRACTORS

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In its relations with sub-contractors and suppliers, Air France-KLM ensures that the fundamental social rights and principles and environmental protection are properly respected everywhere in the world. To this end, Air France-KLM's Procurement function provides awareness training on these risks for its buyers.

A risk-mapping process is in place with, for each segment and procurement domain, an evaluation of the environmental, social and ethical risks. Risk is also evaluated by country. A supplier selection process has been implemented to respond to the duty of vigilance requirements.

The signature of the Sustainable Development Charter is mandatory and is included in the appendix to all new or renewed contracts. Failing this, the signed Air France-KLM questionnaire is acceptable, as is an equivalent commitment covering four areas: environment, social, ethical and supply chain.

In the segments most exposed to risks, suppliers are asked to submit an evaluation of their CSR practices, carried out by a specialized organization or the equivalent. Independently of the level of risk, all suppliers are encouraged to carry out an evaluation of CSR practices. Suppliers failing to reach an acceptable level are required to put in place a remedial action plan. Independent in-situ audits may also be triggered (see Registration document 2017, [section 4.4.5](#)).

## LISTENING TO STAKEHOLDERS

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In 2017, Air France-KLM realized a materiality analysis of its main issues by questioning a representative panel of stakeholders. For each issue, the stakeholders ranked the level of priority to be assigned by the Group and their perception of the Group's current level of performance. This analysis enabled the identification of those issues deemed to be priorities in the light of both the strategy and stakeholder expectations.

Several processes enable the Group to regularly evaluate the perception of its stakeholders and to understand the related risks (internal barometers, customer satisfaction surveys, evaluation of supplier CSR performance, recommendations from extra-financial rating agencies, opinions and remarks in the social media, etc.). The Group also has a number of feedback channels in place enabling stakeholders (particularly employees, customers and local residents around airports) to communicate any complaints.

## WHISTLE-BLOWER MECHANISM

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The Air France-KLM Group updates the scope of its internal whistle-blower procedures to enable employees to report any situations arising within the scope of the Act of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies (see Registration document 2017, [section 3.4.2](#)).

## SAFETY

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**Safety is our absolute priority. It is essential for both customers and staff and imperative for the sustainability of air transport.**

Safety covers all measures taken to reduce the risks associated with aviation. Aviation security aims to combat criminal and terrorist acts against passengers, employees and aircraft.

## INTERNATIONAL STANDARDS

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All of the Group's businesses are subject to extensive safety controls and certifications. They have to meet extremely strict standards and the highest level of regulations in the industry:

- at a European level with the European Aviation Safety Agency (EASA)
- globally with the International Air Transport Association (IATA), whose IOSA operational safety audit is a standard for the industry. In October 2016 and March 2017, Air France and KLM were audited and their IOSA certifications have been renewed for two more years. At Air France, the next IOSA audit is scheduled for October 2018.

The observations are based on the principles of the LOSA audit (Line Operation Safety Audit). In 2018, the observations will cover all of Air France's operational activities: flight operations (pilots and cabin crew), maintenance, ground operations, cargo and flight preparation. For the past three years it has represented more than 185 specially trained volunteer staff and nearly 3,500 observations. It's unique in the world of air transport.

The findings on practice and performance are analyzed and action plans are then conducted to improve flight safety.

## SAFETY MANAGEMENT

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To achieve the highest possible standard of flight safety, both airlines are upgrading and updating their respective Safety Management Systems (SMS). The SMS deals specifically with risk management in aviation. It is fully integrated into the organization, processes and culture of the company and is approved at the highest level of Group management, and through training and awareness-building initiatives among staff members.

For several years, Air France has implemented a new risk model based on the “Bow-tie Method” as well. This model is the central component of the risk analysis implemented for teams and managers. These analyses ensure a continuous improvement of the operating procedures. The “Bow-tie” analysis methodology is progressively becoming a reference model for the safety management in the air transport industry.

KLM’s Integrated Safety Management System (ISMS) enables and oversees a framework for continuously reducing and mitigating safety risks in the domains of operational safety, occupational safety, operational security and environmental safety.

In October 2016, KLM reached the next level of Safety management by introducing an Integrated Safety Services Organization where all four safety domains, expertise and legislation are housed and managed under one roof. Governance of Integrated Safety is embedded within the Safety Review Board under chairmanship and responsibility of the Chief Operating Officer.

## CULTURE OF SAFETY

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The safety of operations rests upon a shared commitment to rigor, vigilance, individual responsibility and mutual trust. Employees have a key role in the system and contribute to a continual improvement process. To maintain the highest level of staff skills, we constantly revise our training programs and implement crisis prevention plans.

Air France and KLM promote a culture of trust and transparency, encouraging employees to report possible unsafe situations, incidents or accidents. We make sure no action is taken against employees who report a safety occurrence or hazard.

Communication and promotion, as well as specific safety-related trainings, are key to building a culture of safety. In 2017:

- 1,300 employees from all Air France divisions joined Flight Safety workshops which were based on the re-enactments of real events. The scenario chosen was the “fast turnaround”, that is to say preparing an aircraft in a tight timeframe between arrival and departure. The workshop enabled to highlight the way the involved divisions work together.
- 30,000 KLM-employees and contracted ground staff successfully completed Module 2 of the ISMS e-learning module, part of a series of three modules applicable for all staff.

Working groups are continuously improving the performance of processes, while updates and e-newsletters are distributed to inform managers and employees on safety-related topics and safety principles. Increasingly, we use new techniques such as iPads, online channels and apps to inform the applicable Safety target groups accordingly.

The Group-wide social network is used to share relevant information. In groups such as KLM Safety

Yammer, news and instructions on safety expertise are exchanged to create awareness and inspire safe employee behavior in all divisions.

## AIR FRANCE AND KLM VOLUNTEERS

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Air France and KLM Volunteers programs play an essential role in case of a major event that could jeopardize the safety of our customers, our employees or our operations. These programs bring together 3,500 employees of Air France and 2,000 employees of KLM of different positions, skills, hierarchical levels or geographical locations. As an example, eight Air France Volunteers urgently went to Pointe-à-Pitre, in September 2017, right after Hurricane Irma and the catastrophic situation in Saint Martin, and were able to provide emotional support to customers who survived the disaster and were repatriated to mainland France from Guadeloupe.

The Volunteers training is periodically updated so it fits with reality, including for example the media such as the pressure from social media in case of crisis. Air France and KLM completely revised the training for volunteers in 2016, based on testimonies and real-life situations, with the participation of several specialists.

This training is organized onsite in order to encourage exchanges and personalized answers. At the international staff's request, this training can also be given anywhere in the world, in French or in English. One of its goals is to teach the Volunteers how to fulfill their mission while protecting themselves emotionally, and, as regularly as possible, to offer help to maintain skills.

Since its revision, more than Air France 500 volunteers have been trained. A dozen of trainings is planned in 2018 to reinforce the program and maintain the highest level of preparation.

## DATA PROTECTION

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Passenger booking, flight program management, baggage check, ticket prices, aircraft maintenance, crew information: IT is at the heart of all our activities.

Data protection constitutes a major economic and professional challenge for our business and our customers' trust.

Air France-KLM manages its cybersecurity risks with national authorities and cooperates with the appropriate European Agencies (EASA, ENISA). The group also takes part in the cybersecurity workshops of the main air transport professionals associations (IATA, E4A, GIFAS) and contributes to research with associations specialized in cybersecurity (CLUSIF, CESIN, CIGREF, R2GS, European Aviation).

Some benchmarks and the work of an independent cyber rating agency enable to compare Air France-KLM with other companies of the air transport sector. In January 2018, the Group is a leader of the Major companies. Air France-KLM also uses the expertise of leader consultants on the cybersecurity market and actively cooperates with companies with which its information system is connected.

In order to offer the best level of protection on the ground and in the air, the group Air France-KLM has been developing 4 great cybersecurity programs these last years:

- A program for a better efficiency of cybersecurity technique measures, aiming to adapt to the evolution of cyberthreats

- An awareness program for the whole staff
- A program for regulatory conformity
- A program to support digital transformation to offer a simplified experience to users

These programs are annually introduced to the Executive Committee and to the Audit Committee, so it ensures a sponsorship at the highest level, and are supported by a Cybersecurity Governance composed of:

- A cybersecurity regulatory framework for IT on the ground and onboard systems (safety policy based on the series of international regulations ISO 27000 and other standards or regulations concerning the business of the company) ;
- An annual monitoring plan for risks linked to digital technologies (audits) and tests of crisis mechanism Cyber with the Operations Control Centre and the Authorities ;
- Three executive committees with complementary views:
  - The group's IT executive committee (which judges the coherence between the cyber risks and investments in IT)
  - The Cyber Plane Committee (chaired by the director in charge; it arbitrates the orientations to reduce the potential cyber risks for flights) ;
  - The Safety Performance Committee (chaired by the Safety Director, who evaluates the efficiency of the safety generic risks reduction, and as a consequence cybersecurity).
- A reporting about the cybersecurity remaining risk in the major operational risks sheet with the Internal Control Department.

## SECURITY

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Group security procedures are in place to protect customers, employees and assets (aircraft, facilities and IT systems). These include various measures, such as risk analysis of Air France-KLM's business and operations, and the systematic inspection of aircraft, passengers, baggage, cargo, and employees. These procedures are subject to strict regulations and are carried out with a constant concern for the privacy of passengers and employees.

To ensure the highest level of protection for customers and employees in over 100 countries and 200 cities, our security departments constantly monitor international geopolitical developments. Designated teams are responsible for ensuring continuous flight operations and, where necessary, implementing additional security measures.

## RISK MANAGEMENT

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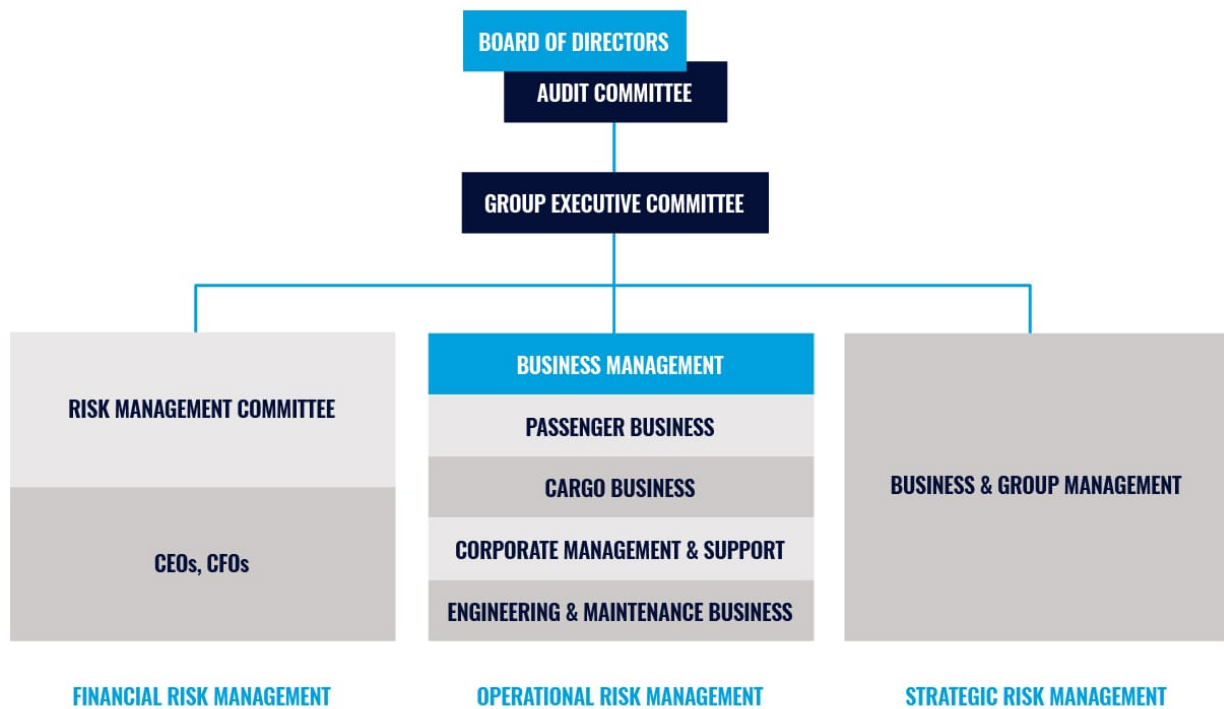
**Being exposed to general risks associated with aviation business, Air France-KLM have implemented a system to identify, analyze, monitor, manage and control these risks.**



# IDENTIFYING, ANALYSING AND MONITORING RISKS

Every entity of the Group is responsible for risk management and give an account of it. A global strategic risk mapping and operational risk mapping processes have been established using the reports of all entities about risks, facilitated by Internal Audit of the Group. This risk mapping is regularly updated and consolidated.

## AIR FRANCE – KLM RISK MANAGEMENT SYSTEM



Every year, the Group presents the main risks to which it considers itself exposed (macro-economic and geopolitical risks, risks linked to the air transport activity, risks linked to the Group’s processes and legal risks) together with the management procedures implemented to mitigate each of these risks. Among these risks, the most important environmental risks are risks linked to the fluctuations of environmental laws, to climate change, carbon credit and noise management.

On a quarterly basis, each entity of the Group updates the content of its operational risks by indicating the risk itself, the probability of its occurrence, its potential impact and the actions implemented to limit them. These risks are discussed within the management teams taking ownership of the risks. An overview of this update about the most important risks is introduced by the Internal Audit to the Audit Committee.

The management also evaluates the strategic risks (competition, economic growth, etc.) on a yearly basis and establishes the related action plans. These risks and action plans are also reviewed by the Board of Directors.



For further information on risk and risk management, see [Registration Document 2017, chapter 3](#).

## INDEPENDENT MANAGING AND CONTROLLING

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In addition to this enterprise risk management system, Air France-KLM has set up internal control and audit departments.

Internal control allows top and senior management to ensure that good governance principles, as they define them, are applied throughout the Group, which helps the group to reach its goals and assess their realizations are feasible. It ensures the required reliability of the financial and accounting information, compliant with applicable laws and regulations.

Internal audits contribute to the improvement of the operational processes, and help in achieving objectives at Group level or specific objectives in the business.

## MANAGING ENVIRONMENTAL RISKS

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Environmental analysis is conducted in order to get an accurate picture of the environmental aspects of the Group's activities, products and services and their impact on the environment.

Activities and emergency situations that represent a significant risk to the environment are described and preventive measures and mitigating actions are identified and implemented. Emergency situation exercises are organized by the relevant divisions.

Environmental risk management also involves the inventory and analysis of any workplace incidents and malfunctions. All Air France and KLM operational divisions have implemented a reporting system to report operational, occupational and environmental safety incidents.

## ETHICS

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**We strive to respect and support human rights, to combat corruption, and to oppose all forms of child and forced labor. Air France-KLM is signatory of the United Nations Global Compact initiative.**

## HUMAN RIGHTS

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We aim to protect our employees, customers, workers in our supply chain, and communities, by conforming to international standards on fundamental human rights, rights at work and children's rights.

We assess human rights risk factors within our businesses, covering areas including health and safety, equal opportunities, work-life balance and systems for the protection of personal data of

customers and staff.



- The [Social Rights and Ethics Charter](#) affirms the Group's commitment to fostering a climate of trust and mutual respect in the workplace, a safe and healthy work environment and social dialogue. It applies to Air France, KLM and employees of all European subsidiaries.
- To ensure respect for human rights in the supply chain, suppliers are asked to sign a Sustainable Development Charter.
- In 2017, the Sustainable Development Charter for suppliers was supplemented with additional supplier guidelines.

The charters are based on the ten principles of the UN Global Compact and related international standards. These include:

- The Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles
- The Core Conventions of the International Labor Organization (ILO)
- The OECD Guidelines for Multinational Enterprises

Particular attention is paid to Children's Rights. Since 2013, KLM has worked with UNICEF in the Netherlands on applying the Children's Rights and Business Principles (CRBP) in the organization.

An assessment process is in place to verify if suppliers that have signed the Sustainable Development Charter actually adhere to the content of this charter. When needed such an assessment results in a request for an improvement plan.

As required by the UK's Modern Slavery Act, Air France-KLM published a statement on the websites of Air France, HOP!, KLM and KLM Cityhopper.

## BUSINESS CONDUCT RULES

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As a framework for doing business ethically, the Group has several rules of conduct. Some of these rules apply to all staff members, while others are more specific:

- Codes of Ethics signed by the staff members of the Procurement and HR departments.
- Compliance rules regarding trading securities and Financial Code of Ethics adopted by the Board of Directors.
- KLM Code of Conduct concerns safety, business integrity and whistleblower policy.

An anti-corruption program has been introduced in order to raise employee awareness of the current international legislation and regulations governing business, ethics and compliance:

- Air France-KLM Anti-Corruption Manual and Air France-KLM Gift & Hospitality Policy: available to all employees in Dutch, French and English. It has been distributed throughout the Air France Group and KLM Group subsidiaries.
- An e-learning training module on anti-corruption law offered to around 9,800 employees within Air France, KLM and a number of subsidiaries.

Regulation of anti-competitive practices:

- Air France-KLM Competition Law Compliance Manual: available to all employees in Dutch, French and English.
- Several other practical resources are available to employees, such as expert legal advice and specific training courses delivered by the legal staff.

Reporting procedures:

- Since every employee is required to respect the rules, employees in all the Group's entities are encouraged to discuss any compliance concerns with their line managers. They can also contact a Compliance Officer directly. Employees also have the option of filing an anonymous concern or report via the Air France or KLM Whistleblower procedure.
- Air France is in the process of updating the Whistleblower procedure which is an integral part of its internal regulations while KLM has already updated its Whistleblower procedure to comply with the new legal requirements in the Netherlands. The whistle-blower procedures also include the possibility of reporting any serious situations relating to the duty of vigilance.

Compliance Officers are installed within Air France, KLM and Air France-KLM with the task of pursuing the implementation of the compliance programs within the respective companies.

## PUBLIC POSITIONS

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**Air France-KLM is a member of international and national bodies that represent the air transport sector and advocate its public positions.**

We aim to provide government representatives with information necessary to understand the issues facing the airline industry, to drive the changes that we believe are crucial, and to advocate the effective implementation and application of national, European and international regulations to avoid any competitive disadvantage.

An Air France representative works directly with the French Parliament and Government, and complies with codes of conduct in force in both Chambers. Air France and KLM each have a Public Affairs Delegate declared in the Lobbyist Register in the French and Dutch parliaments. Air France-KLM also has two Brussels-based representatives to the European Institutions.

## COMPETITIVENESS OF EUROPEAN AVIATION

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Air France-KLM has supported the European Commission's Aviation Strategy for Europe, published in 2015, which aimed to ensure that the European aviation industry remains competitive and rightly focused on the indispensable contribution of aviation to Europe's economy.

The Group has subsequently welcomed the Commission's "Open and Connected Aviation" package, unveiled in June 2017, and in particular the proposal to replace the current Regulation "against subsidisation and unfair pricing practices from third country carriers", which proved ineffective. Now that the European Parliament has expressed its support for a strong defense instrument, it is crucial that the Council's position is balanced and does not result in turning the proposal into an empty shell. Air France-KLM has also welcomed the granting of mandates to the Commission to negotiate comprehensive air transport agreements between the EU and third countries, including Gulf States, and the revision of the Regulation on aviation safety.

Air-France-KLM regrets, however, that the Aviation Strategy has not yet resulted in concrete initiatives and legislative proposals as regards the abuse of monopoly power by airports in setting airport charges and the practices implemented by some airlines with the intention of exempting their aircrew from the usual application of social taxes and laws.

## AIRLINES FOR EUROPE: A NEW AIRLINE ASSOCIATION

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Air France-KLM with EasyJet, International Airlines Group, Lufthansa Group and Ryanair, is a founding member of Airlines for Europe (A4E), a new airline association launched in January 2016.

The five groups have chosen to join forces with the aim of defending the interests of European airlines with the national and EU authorities, to enable them to effectively compete with the world's leading airlines.

Two years after its launch, A4E gathers 14 airline groups representing more than 550 million passengers, accounting for nearly two-thirds of passenger journeys in Europe. A4E has launched various policy campaigns in the interest of European travelers, with a focus on the issues of airport charges, unreasonable taxes and the efficiency of European airspace.

## A GLOBAL CARBON OFFSETTING SCHEME FROM 2020

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Air France-KLM has welcomed the successful outcome of the 2016 ICAO Assembly, which is the first sectorial agreement to reduce emissions at a global level, allowing aviation to meet its climate obligations, whilst continuing to meet the increasing demand for mobility and economic growth around the world. This agreement designs a Global Market Based Mechanism (GMBM), named CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which will aim to stabilize net CO<sub>2</sub> emissions from international aviation at 2020 levels and establish a roadmap for an effective implementation from 2021.

The Group urges governments to adopt the Standards and Recommended Practices related to the implementation of CORSIA no later than the June 2018 ICOA Council, to allow a timely preparation and effective implementation of CORSIA.

The Group has also welcomed the December 2017 EU Regulation extending the limitation of the scope of the Emissions Trading System (EU ETS) to intra-EEA flights until there is sufficient clarity about the nature and content of the legal instruments adopted by ICAO for the implementation of CORSIA.

The Group expects CORSIA to be the only measure applicable to emissions from international flights within the European Economic Area in the future. A system of double charging in which airlines would be obligated to pay twice for the same emissions (CORSIA and EU ETS) would contradict the terms of the ICAO agreement and reduce the competitiveness of EU airlines. Furthermore, it would have limited environmental benefits as an important share of the traffic would not disappear but merely avoid the EU, causing emissions without any compensation.

In addition to the CORSIA agreement, clear commitment and action from all stakeholders is needed to implement all four pillars of the industry's united strategy which include technology, operations and infrastructure. Developing sustainable biofuels should be a part of that strategy.

## SUSTAINABLE BIOFUELS

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Sustainable biofuels are necessary to lower our environmental footprint. Air France-KLM provides support for research and contributes to the development of an international market for sustainable aviation biofuels that are environmentally friendly and have a positive impact on economic and social development. The Group actively participates in the European Advanced Biofuel Flightpath 2020 initiative, which is conducted in partnership with the European Commission, Airbus, IATA, other European airlines and European biofuel producers. The European Advanced Biofuels Flightpath aims to get sustainably produced biofuels to the market faster and to get the aviation industry to use 2 million tonnes of biofuels by 2020. Currently the Advanced Biofuel Flightpath is chaired by KLM.

The Dutch Government, KLM and other Dutch partners launched "BioPort Holland", a 7-year initiative to create the first real bio jet fuel hub in Europe. This initiative aims at working towards a continuous supply of sustainable biofuels through increasing demand, coherent regulations and incentives, involving all value chain stakeholders. It builds on the objectives of the Green Deal between the Dutch Government and KLM.

Air France has gathered several partners committed to the development of biofuels in France, with the ambition of mobilizing the French government. In 2017, Air France signed with the French Ministry for Ecological and Inclusive Transition, the French Ministry of Transport and the French Ministry of the Economy and Finance, along with four other major French industrial companies (Airbus, Safran, Suez and Total), the Engagement for Green Growth (Engagement pour la Croissance Verte - ECV). The ECV aims to promote the emergence of sustainable aviation biofuel industries in France, in economically viable conditions that fully integrate circular economy principles.

Air France-KLM welcomes the European Commission's move to include in the revision of the Renewable Energy Directive (RED II), effective policy mechanisms to advance the deployment of sustainable alternative jet fuel and ensure that Europe maintains an internationally competitive position in renewable fuels for aviation. Allowing the producers of sustainable alternative jet fuel to count towards the renewable energy target in the RED on a voluntary basis is a practical, effective policy to level the playing field. Air France - KLM is calling upon European governments to support

the proposed amendments to prioritize the supply of sustainable alternative fuels to aviation with a multiplier of 2.

## CONSUMER RIGHTS

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Customer service, punctuality and service reliability are at the heart of the Group's business.

In this respect, Air France and KLM do their utmost to prevent any inconvenience to passengers. In the undesirable event that a disruption occurs, the Group does everything within its scope to limit the delay and hindrance for the passengers by providing care and assistance, information and, where possible, rerouting. Air France and KLM have the necessary arrangements in place to ensure that all operational hazards are dealt with as quickly as possible.

The Group contributes to the European institutions' work on consumer rights. It remains vigilant that the rules are proportionate to their objective and are applied equally to all airlines operating to and from the European Union.

## NON-FINANCIAL ASSESSMENTS

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**Our CSR approach is recognized by the main international non-financial rating agencies. Each year we publish our social and environmental indicators.**

## INTERNATIONAL STANDARDS

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### **Certifications**

At KLM, the Environmental Management System (EMS) has been ISO 14001 certified since 1999, for all air and ground operations in The Netherlands. This certification was renewed for a three-year period in 2015.

At Air France, the EMS has been ISO 14001 certified since 2008 for all operations with its own assets:

- air operations and inflight services
- ground operations, cargo, maintenance, commercial, information system activities in metropolitan France

In May 2017, Air France has obtained renewal of Unique and Global Certification integrating ISO 14001, OHSAS 18001 (Occupational Health and Safety) and ISO 22000 (Hygiene and Food Safety).



### Reporting guidelines

Our CSR report follows the GRI4 (Global Reporting Initiative) guidelines, the Global Compact Advanced COP criteria and the French Grenelle II Act on CSR reporting.

We have published our social and environmental indicators since 2005. Pursuant to article 225 of the application decree of the French Grenelle II legislation of July 12, 2010, every year we present our social, societal and environmental data in the annual Group Management report. This information is reviewed by an independent third party.

For further information on:

- our social, societal and environmental policy in 2017
- our social and environmental indicators in 2017
- table of concordance, Grenelle II, GRI4 indicators, Global Compact Advanced Criteria
- assurance report by one of the statutory auditors appointed as an independent third party

Please refer to the [Registration Document 2017, chapter 4](#).

## A RECOGNIZED COMMITMENT

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Air France-KLM is assessed annually by the major international non-financial rating agencies: RobecoSAM, Carbon Disclosure Project, Vigeo Eiris and Oekom Research.

In 2017, for the 13th year running, the Group has been included in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe). The group is the only airline to be included in the European ranking.

Thanks to this performance the Group retained its listing on FTSE4Good Index Series, on the Vigeo indexes (Europe 120 and Eurozone 120) and on the Ethibel Sustainable Index (ESI Excellence Europe). Oekom Research classifies Air France-KLM as “Prime”.



MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM



**ROBECOSAM**  
Sustainability Award  
Gold Class 2017



FTSE4Good

